



## Assessing Comparators of the Trademarks before Confusion for Establishing Unfair Competition through the Social Network – Georgian Perspective

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### Abstract

The Article aims to assess regulation of unfair competition through the social network in relation to the trademark by relevant Georgian and international legislation in force. In particular, the Article through comparative analyses describes distinctive matters in the practice of the Georgian National Competition Agency with contrast to best international practice, including case law of EU member states.

The Article discuss false and inappropriate advertising using communication means regarding registered trademark and use of internet domain in the context of classifying unfair competition.

Besides challenging issues mentioned above, the Article distributes comprehensive study on distinguishing “legal name” and “commercial name” of trademarks before confusion when using for advertising purposes. Accordingly, the Article examines rule of necessity of the cumulative presence of three established (visual, phonetic and semantic) comparators for determination of confusion between trademarks through the prism of unfair competition legislation.

**Keywords:** Unfair completion, social networks, trademark, likelihood of confusion, misleading advertising.

## 1. Introduction

Since 2014, the Law of Georgia on Competition has entered into force, the purpose of which is to protect free competition from unfair restrictions and to promote healthy competition in the market among economic agents. As a result of the reform carried out in 2020, the Law was brought as close as possible to the standard in force in the European Union. (Guide Document issued by Georgian National Competition Agency, 2022)

The public body authorized to protect the rights and legal interests of consumers related to misleading activities in relation to trademarks and other distinguishing marks is LEPL Georgian National Competition Agency (GNCA), which is guided by the laws of Georgia on the protection of consumer rights (Law of Georgia on Protection of Consumer rights, 2022) and competition. (Law of Georgia on Competition, 2012).

Although the two laws mentioned above regulate different legal relationships, the Law of Georgia on Competition regulates several marks defined by the Law on Protection of Consumer Rights of Georgia, with the difference that the competition legislation protects the interests of consumers indirectly, under the umbrella of protecting the interests of competing economic agents, and the consumer is the direct subject of protection with marks defined by the consumer protection legislation.

The Law of Georgia on Competition has categorized actions considered as unfair competition with respect to a competitor's trademark or other distinguishing mark, the implementation of which leads to misleading consumers. These are:

- a) provision of information about goods by any means of communication (including, through improper, unfair, unreliable or clearly false advertising), which misleads consumers and encourages them to perform certain economic actions;
- b) undermining by an undertaking of a competitor's business reputation (by creating an incorrect impression regarding the undertaking, products, entrepreneurial or trade activities), its unreasonable criticism or discrediting;
- c) misappropriation of a competitor's or a third person's form of goods, their packaging or appearance; (Law of Georgia on Competition, 2012)

Based on all of the above, the purpose of the article is to investigate the practices of the Georgian National Competition Agency regarding the misleading activity of the consumer in relation to the competitor's trademark or other distinguishing mark and to focus on the challenges and consequences related to the prohibition of unfair commercial activities using social networks.

## **2. Overview of the legislation in force in Georgia prohibiting activities that mislead consumers in relation to trademarks and other distinctive signs**

Under the Law on Competition, the unfair use of a competitor's trademark or other distinguishing mark is considered a misleading activity of the consumer using any means of communication, including unfair commercial activity carried out through a social network, within the scope of which the unfair use of a competitor's trademark significantly changes or is likely to change the average consumer's economic behavior in relation to the goods or services provided or intended for him. Using by a manufacturer of the trademark of another manufacturer's goods or services for intentionally advertising similar goods or services as if those goods or services were produced by a competitor may also be qualified as unfair competition. In addition, comparative advertising that causes confusion with respect to the competitor's trademark, name (designation) and other distinguishing marks can also be considered as consumer misleading advertising by using a competitor's trademark. (Law of Georgia on Competition, 2012).

It must be noted that only the manifestation of the prerequisites defined by Article 113 of the Law of Georgia on Competition should not be considered as exhaustive prerequisites for determining unfair competition, because the non-exhaustive list of prerequisites defined by the provision of the said article implies the possibility of considering other alternatives as well. (Jorbenadze, 2022)

Accordingly, when evaluating the dishonest action of an economic agent, in the wake of the competition legislation, the trademark and advertising regulatory norms in force in Georgia should also be taken into account.

For the purposes of the Law of Georgia on Trademarks, a trademark is a sign or combination of signs that can be represented graphically and is capable of distinguishing the goods or services or both of one undertaking from those of other undertakings. At the same time the Law defines that the sign may be a word or words, including proper names, letters, figures, sounds, a design or a three-dimensional figure, including the shape of goods or their wrapping and also other packaging, including colours or combination of colours. (Law of Georgia on Trademarks, 1999) Based on the above, it is possible to conclude that the graphically represented symbol should be able to distinguish it from the signs denoting other goods and/or services, which fully corresponds to the standard established by the European Court of Justice. (C-49/02 Heidelberger Bauchemie GmbH [2004] ECR I- 6129; C-321/03 Dyson Ltd. v. The Registrar of Trade Marks [2007] ECR I – 687);

From the two methods established in the world for obtaining special rights to trademarks through the practice of trademark protection, which

imply, on the one hand, obtaining a special right by actual use of the trademark, and according to the other, obtaining a special right to a trademark through registration of the trademark in the relevant institution, the Georgian regulation provides for only the second one. In particular, the acquisition of the right is effected through registration of the trademark in Sakpatenti or on the basis of an international agreement. (Dzamukashvili, 2012)

The Supreme Court of Georgia, based on the case law of the European Court of Human Rights, expands the rule of determining the moment of origination of the property right on the trademark provided by the national legislation and connects the origination of the property right to the moment of registration (C-73049/01, Anheuser-Busch Inc. v. Portugal [GC], ECHR 2007-I) and, in some cases, to the registration application itself. (Supreme Court of Georgia, Decision no. № სს-1285-1223-2014)

As for advertising, according to Georgian legislation, it is information disseminated by any means and form about goods, services, work, individuals and legal entities, ideas and initiatives, which aims to facilitate their sale. (Law of Georgia on advertisement, 1998) In addition, the goals of the law include the development of fair competition in the sphere of advertising, protecting public interests and the rights of advertisers and customers, and avoiding and preventing improper advertising. Accordingly, it is clear that the Law of Georgia on Advertising considers the consumer of advertising and the competing economic agent as subjects of protection of relations related to advertising. Because misleading information provided by advertisers and distributors may mislead and/or harm them. (Law of Georgia on advertisement, 1998)

Accordingly, the competition regulatory legislation of Georgia stipulates the limitation of advertising activity, if it harms the interests of the consumer and the competing economic agent. (Law of Georgia on Competition, 2012) However, the mentioned restriction does not affect the freedom of dissemination and expression of information established by the Constitution of Georgia, (Constitution of Georgia, Article 17.1) because it can be limited when the expression threatens the principles and values declared and protected by the Constitution. In this way, the limitation of the constitutional right to ensure other legitimate good protected by the Constitution can be done. (Giorgi Kipiani and Avtandil Ungiadze against Parliament of Georgia, Decision no. №1/3/421,422; Decision no. №2/482,483,487,502.) The Constitution of Georgia, along with the freedom of expression and dissemination of information, protects the development of competition and the rights of consumers. (Constitution of Georgia, 1995);

For the purposes of the article, it should be noted that when the Georgian National Competition Agency considers cases using only the Law of Georgia on Advertising, but also the Directive 2005/29/EC of the European Parliament and the Council of 11 May, 2005 concerning unfair business-to-consumer commercial practices in the international market (Directive 2005/29/EC, 2005) and Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising (Directive 2006/114/EC, 2006), as well as the practice of the Court of Justice of the European Union. (Decisions of GNCA no. 04/279; no. 04/186);

### **3. Cases of unfair competition through the social network in relation to the trademark in the practice of the Georgian National Competition Agency**

In recent years, the GNCA has developed a rich practice regarding cases of unfair use of the trademark of a competing economic agent through social networks. The facts of unfair competition related to the trademark use, in many cases, are related to the dissemination of such information about a competing economic agent through social networks using inappropriate, dishonest, unreliable or obviously false advertising, which created a wrong idea for the consumer and encouraged certain economic actions.

The GNCA believes that social networks, such as Facebook, are one of the means of receiving information. Since the circle of potential customers of competing economic agents is most likely the same, a customer who is interested in purchasing one or another product or service, a seller of similar products and/or services after receipt through social networks of false and/or negative information about the unfair use of the trademark of another company, is misled, has a wrong idea about the product and/or service, which leads it to unhealthy economic actions. (Decisions of GNCA no. 04/132 and no. 152)

The practice of the GNCA allows us to categorize the unfair use of the trademark according to the following groups: false and inappropriate advertising, use of the Internet domain and dissemination of incorrect information.

#### **3.1. False and inappropriate advertising**

The Georgian National Competition Agency assessed as false and inappropriate advertising the dissemination of misleading information to the customer using communication means, which was manifested by placing the registered trademark - logo of a competing economic agent on the official Facebook page as Key Visual (KV). It is worth noting that the Agency gave the same assessment to the facts of the use of the competitor's logo depicted

in the photos uploaded in the album located on the same page, such as the publication of photos confirming the image of the competitor's trademark on the anniversary cake. (Decision of GNCA no. 152);

### **3.2. Use of Internet domain**

Regarding the violation of paragraph 2a of Article 11<sup>3</sup> of the Law of Georgia on Competition, an important clarification was made by the GNCA on the fact of registration and administration of a website with a similar name owned by a competing economic agent with a similar website domain. Namely, the GNCA considered that operating a website registered under a specific domain implies advertising activity, in the sense that it helps the user to make a certain choice, because the website name, or domain address, is one of the factors that plays a certain role in which result will be chosen and which website the user will go to from the search engine. As the GNCA defines, the average statistical user has an objective expectation that the company's domain name matches the company's name, its trademark. (Decision of GNCA no. 04/279)

On the other hand, the GNCA shares the approach of the EU Court of Justice (C-657/11, *Belgian Electronic Sorting Technology NV v Bert Peelaers and Visys NV*) and the EU Directive 2006/114 concerning misleading and comparative advertising (Directive 2006/114/EC, 2006) and explains that the placement of different types of products and their features on the website of the domain concerned by the user's purchase and/or choice is clearly referred to as "presentation" of goods and can be taken as advertisement of goods, to which the rules governing unfair competition automatically apply. (Decision of GNCA, no. 04/279).

### **3.3. Dissemination of misleading information**

In relation to the trademark, the GNCA considers as misleading advertising the circumstance when a competing economic agent during advertising events, such as a video broadcast through a social network, phonetically pronounces the name of its company in such a way that the target consumer perceives it as a phonetically identical name of the competing economic agent. (Decision of GNCA no. 04/130).

According to the factual circumstances established in this case, the appellant and the respondent economic agents operated in the same commodity market and represented each other's competitors in the market of car repair and sales of car spare parts. The GNCA discussed the similarity of the logos of the agents and determined that the logos of „G.T. Motors Ltd” and “GT Motors Ltd” differ from each other both in color and shape, as well as in the graphic image printed thereon (see Appendix 1). Therefore, it is obvious that from the point of view of the average statistical objective user,

to differentiate these two logos is quite possible. (Decision of GNCA no. 04/130).

As a result of studying the videos posted by “G.T. Motors Ltd.,” GNCA revealed that during the talking about the company and the services or goods offered by it, “G.T. Motors“ is referred to as “GT Motors.” However, none of the video recordings mention that the company has any connection with “GT Motors Ltd.” The GNCA has determined that when advertising the names of competing agents with similar phonetics and letters, it is important for the advertising agent to identify its own company as much as possible and to avoid any confusion with a competitor. The legal name of the undertaking is less relevant for the consumer; the commercial name under which it operates on the market and by which the consumer knows it is of importance. It is likely that similar cases are typical for economic agents that have similar trade marks before confusion. (Decision of GNCA no. 04/130).

We can conclude that the Agency has distinguished between the legal name of the company and its commercial name. In one case, two different legal names may be properly registered with different orthographic signs, and the graphic images may not match. Therefore, it should not cause confusion on the part of the customer, including when advertising products or services.

On the other hand, the Agency under the term "commercial name" considers both: a content (semantic) and sound (phonetic) meaning. Likewise, when the names of the undertakings are only slightly different from each other and they operate in the same market, the customer may get an objective impression that the market activity carried out by one of the companies, including advertising, is related to the actions of another company established and well-known on the market.

In addition, the Agency considers that the fact of registration of graphically different trademarks does not, a priori, create a prejudicial circumstance regarding the fact that their phonetic confusion is excluded. In advertising, graphic (visual) and semantic differences cannot ensure the exclusion of the risk of false association between companies on the part of the customer. Accordingly, the infringing party was imposed a ban on advertising as a sanction.

#### **4. Exclusivity of the decision of the National Competition Agency of Georgia No. 04/130 and the difference with the practice of the European Union**

Regarding the determination of the degree of confusion between trademarks, practice that has been established in international and national proceedings requires that the likelihood of confusion must be determined

globally, through the perception of the target audience and the evaluation of all relevant circumstances related to the case. (C T-162/01, Laboratorios RTB v OHIM) For a likelihood of confusion to exist, the comparable trademarks must be similar or identical. However, the trademarks in question must cumulatively denote similar or identical services or goods. (Case T 316/07, Commercy v OHIM) It is implied that the low degree of similarity between goods and services neutralizes the fact of identity of the trademarks in question. (C-234/06, Ponte Finanziaria v OHIM) In addition, the visual, phonetic and content (semantic) similarity of the signs is acceptable. (T-323/14 - Bankia v OHMI)

The issue is regulated identically in the Georgian legal space, where the main criterion for determining the similarity of symbols during the comparison of opposing trademarks can be auditory (phonetics, musical sound), visual (graphics, color combination), and conceptual (semantics, essence) similarity of symbols. Finally, when comparing symbols, the overall impression is crucial. (Order N05 of Georgian Intellectual Property National Center, 2014) In particular, there is no obvious and eye-catching stylistic difference between the names of the appellation or trademarks of the National Intellectual Property Center of Georgia - Sakpatenti, and their differentiation is impossible from a visual, phonetic and semantic point of view. Cumulatively, they may be considered similar trademarks prior to confusion. (Georgian Intellectual Property National Center, Chamber of Appeals Decision No. №106-03/14) Also important is the area of use of the mentioned trademarks, which refers to the peculiarities of perception and verbal expression of the trademarks in question by customer groups with different socio-linguistic characteristics. (Case T-323/14, Bankia v OHMI) For comparison, Sakpatenti explains in one of the cases that it is important how the Georgian consumer pronounces the names of the competing trademarks. (Georgian Intellectual Property National Center, Chamber of Appeals Decision No. №106-03/14).

As a review of case law clears out, the phonetic element of a trademark plays an important role in determining the likelihood of confusion between comparable trademarks. Confusion of the symbols of the mark in question with an already registered trademark, which is determined by the "common impression", can be the basis for refusing to register the intellectual property right on it or prohibiting its use. (Council Regulation (EC) No 207/2009, 2009; Law of Georgia on Trademarks, 1999)

Since, in case No. 04/130, there was no cumulative similarity of all three elements of the trademark: phonetic, semantic and visual elements, which causes the likelihood of confusion on the part of customers, the Agency could not establish the fact of misappropriation of the trademark. In contrast to the above, the GNCA, using misleading advertising, considered



the fact of confusion of the phonetic sound of the "commercial name" of a trademark that is different in terms of content and appearance as the sufficient fact for establishing unfair competition. The Agency considered the fact of confusion of one of the trademark distinguishing comparators as sufficient for determining the fact of unfair competition.

For reference, the Commercial Court of Finland, considered the use of the identical word "Aarnio" in the name of a competing undertaking by an economic agent in an advertisement placed on its own company's website as misleading advertising. (Case No MAO:25/20, Aarnio Design Oy) The Finnish Competition Court was guided by EU case law, according to which the use of identical transcriptions of the keyword constituting a trademark on the Internet creates a high likelihood of confusion between the marks for Internet users. (C-278/08, Die BergSpechte Outdoor Reisen und Alpenschule Edi Koblmüller GmbH v Günther Guni and trekking.at Reisen GmbH, 2009)

Thus, for the purposes of the competition regulatory legislation, the Agency did not take into account the rule of necessity of the cumulative presence of all three comparators to determine confusion between trademarks, which can be perceived as a precedent decision for both Georgian and international law. (C-328/18 P, EUIPO v Equivalenza Manufactory; Case T-117/20, El Corte Inglés, SA v EUIPO; Decision of Polish Supreme Court no. I CSK 263/1);

## **Conclusion**

Along with the development of the digital economy, the share of economic agents advertising their products and services through social networks and the Internet has increased, which is a global challenge. As a result of the above, during the consideration of disputes by the Georgian National Competition Agency, in many cases, it is possible to share international best practices, such as the qualification of a domain as advertising for a trademark, also for identifying inappropriate and false advertising through social networks.

The Agency has developed a different practice regarding the distribution of misleading information related to the trademark. In particular, for the purposes of competition, the Agency interpreted the company's "legal name" and "commercial name" independently of each other and determined that when the commercial name is used for advertising purposes, its graphic (visual) and semantic difference cannot ensure the elimination of the risk of false association between companies by the customer. Accordingly, the Agency, for the purposes of determining unfair competition, considered the fact of confusion of one of the three established (visual, phonetic and semantic) comparators of trademarks as sufficient - thereby interpreting

differently the rule of necessity of the cumulative presence of all three comparators to determine confusion between trademarks.

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**Appendix 1:**

