

The Legality of Surrogate Advertisement, and Its Infringements with Respect to Trademarks

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ABSTRACT:

Surrogate advertising is a contentious marketing strategy whereby companies promote restricted products, such as alcohol and tobacco, by advertising permissible goods like mineral water or soda that bear similar brand identities. This practice raises legal and ethical concerns as it often circumvents public health regulations designed to limit the promotion of potentially harmful products. In India, surrogate advertising is regulated by stringent laws, including the Cable Television Networks Act, 1995, the Cigarettes and Other Tobacco Products Act, 2003, and the Advertising Standards Council of India (ASCI) Code. These regulations aim to restrict surrogate promotions that mislead consumers and blur distinctions between prohibited products and their associated brand extensions.

This Article explores the legal framework surrounding surrogate advertising in India, highlighting how major brands like Kingfisher have effectively used surrogate products to maintain visibility and brand identity despite advertising restrictions and how the trademark has been infringed. It delves into the conflict between brand rights and public welfare, examining whether trademark holders have a positive right to freely use their trademarks in advertising or whether such rights are inherently limited by public policy considerations.

By analyzing statutory guidelines, case law, and global standards such as the TRIPS Agreement, this study evaluates the balance between protecting public interests and preserving trademark rights in advertising practices, ultimately offering insights into potential policy reforms for mitigating the impact of surrogate advertising on consumer perception and public health.

INTRODUCTION:

In recent years, surrogate advertising has emerged as a prominent, yet controversial, marketing strategy, especially in industries where direct advertising is legally restricted, such as tobacco and alcohol. Surrogate advertising involves promoting restricted or prohibited products indirectly by associating them with related goods or services that do not face similar restrictions. This technique raises critical legal and ethical concerns, as it often skirts regulatory boundaries and can infringe upon established trademark rights. The legality of surrogate advertising thus lies at the intersection of advertising law, intellectual property rights, and consumer protection.

Surrogate advertising, a clever marketing tactic, involves using brand names, logos, or packaging of banned products to indirectly promote them. This practice, often referred to as "trademark gameplay," presents a complex legal and ethical challenge, particularly in relation to intellectual property rights.

This paper investigates the legal dimensions of surrogate advertising, particularly its impact on trademark infringement. Given that surrogate advertisements often rely on similar logos, names, and branding elements to create an indirect association with the restricted product, they can lead to consumer

confusion and potential trademark disputes. By analyzing recent case laws, statutory provisions, and regulatory guidelines, this study seeks to evaluate whether surrogate advertising constitutes a legitimate form of brand extension or an infringement upon trademark rights. Furthermore, it explores the implications of surrogate advertising on consumer autonomy, market competition, and regulatory frameworks, ultimately addressing whether stricter oversight or policy reform may be necessary to balance the interests of advertisers, trademark holders, and consumers.

BACKGROUND:

For centuries, cultural institutions have controlled access to public domain works. However, recent technological advancements and the rise of open media have challenged this traditional approach. Despite this, many institutions continue to assert new rights over digital reproductions of public domain works, hindering access and reuse. In the new era, there arises an issue of "surrogate intellectual property rights," where institutions claim rights over digital reproductions, obscuring information. On one side the government regulates the usage of certain products considering consumer health while on the other side, there is chaos over the aspect that this practice undermines the public domain and proposes a framework to challenge these claims, promoting a more equitable and inclusive digital landscape.

DEFINITION:

According to the Guidelines for Prevention of Misleading Advertisements and Endorsements for Misleading Advertisements, 2022 by Central Consumer Protection Authorities defined "surrogate advertisement" in Clause 2 (h) as "An advertisement for a product or service that is prohibited by law, but is presented as an advertisement for a different product or service that is not prohibited".

SURROGATE ADVERTISING: FIRST OVERVIEW:

The practice of promoting a product by using ads that appear to be for different goods is known as surrogate advertising. This technique is used to promote goods that are prohibited or limited from being advertised by the government, like club soda or, in the case of alcohol, mineral water. Advertising for surrogates aims to have consumers immediately associate the surrogate product with the primary product. Because it evades public health laws intended to safeguard consumers, this approach is contentious.

Many Indian corporations employ surrogate advertising to sell their products, such as Imperial Blue, Kingfisher, and Officer's Choice playing cards. This approach has been prohibited by the Central Consumer Protection Authority Guidelines.

Many alcohol and tobacco industries have developed creative ways to market their goods, such as surrogate advertising, in order to get around these limitations. In this sense, "surrogate" refers to the use of advertisements to market and promote goods whose direct advertising is normally prohibited by law. These commercials reinforce the brand by using images of closely similar products, sometimes known as "brand extensions," rather than products whose advertising is forbidden.

The purpose of using and promoting different brand extensions is to gently remind customers of the real product that is being sold. For example, a cursory examination of a major liquor company's marketing strategy indicates a strong connection to the Indian Premier League and a number of music events. The business makes large investments in innovative marketing. By supporting numerous online series, reality

shows, and music and culture festivals like Breezer Vivid Shuffle and the Doer's Club, among others, it enhances and advances its brands.¹

¹ Anjali Thakur, Bacardi India has doubled its marketing budget in last 5 years: Anshuman Goenka, Exchange 4 Media (July 31, 2019)

TABLE ILLUSTRATING SURROGATE ADVERTISING:

Product category	Brands	Surrogates / Brand extension
Tobacco Products	Rajnigandha Goa Gutka Pan Parag Manikchand	Kesar Pan Masala Pan masala Pan masala Film fare
Cigarettes	Red and White Cigarettes Gold flake Wills lifestyle	Bravery and ceremony Tennis tournaments Fashion week ,Textiles & Cricket
Alcohol beverages	Seagram's Mcdowell's Bagpiper Red and White Bacardi Kingfisher Wills lifestyle White mischief Imperial blue Smirnoff vodka Royal Challenge Aristocrat	Music Water and Soda Water, Soda, and Music Bravery Awards Music MIneral Water & Calendar Apparels & Accessories Holidays Cassettes & CD'S Fruit Juice Golf Tournament Apple Juice

Table 1: Utilizing surrogates to promote brands.²

² Varalakshmi.T, An empirical Study on Surrogate advertisements: A Pioneering Trend, the International Journal of Management (Jan. 2013)

GUIDELINES:

Under Clause 6 of the Guidelines for Prevention of Misleading Advertisements and Endorsements for Misleading Advertisements, 2022

Surrogate advertising is forbidden if it violates regulations governing the advertisement of specific goods or services. To evade these restrictions, it should not appear to be an advertisement for other products or services. Surrogate or indirect advertising involves marketing goods or services that cannot be advertised directly. It employs trademarks, logos, colors, layouts, or presentations connected with the restricted goods or services.

However, simply employing a brand or company name that may also apply to restricted goods or services does not constitute surrogate advertising if the marketing itself does not violate the standards.

LAWS GOVERNING SURROGATE ADVERTISING:

India has strict laws governing the promotion of goods like tobacco and alcohol. Important rules consist of:

The Cable Television Networks (Regulation) Act of 1995:

The restrictions listed below were set in place to prohibit the direct or indirect advertising of dangerous or forbidden products. According to Rule 7(1) of the Cable Television Networks Rules, 1994 (the "CTN" Rules), advertising on cable services must conform with the country's laws and not violate customers' morality, decency, or religious convictions. Furthermore, Rule 7(viii) of the Rules says that advertisements for cigarettes, tobacco products, wine, alcohol, liquor, or other intoxicants are absolutely forbidden.

Cigarettes and Other Tobacco Products Act, 2003:(CTNA)

All advertisements must adhere to the specified advertisement code, according to the CTNA. Advertisements that directly or indirectly promote the "production, sale, or consumption of cigarettes, tobacco products, wine, alcohol, liquor, or any other intoxicant" are prohibited by Rule 7 of the Cable Television Networks Rules, 1994.

The stated rule's proviso, however, allows the use of a product's brand name or emblem in advertising that are otherwise forbidden when:

- Companies whose advertisements are forbidden are not featured in the advertisement's narrative or imagery.
- The advertisement does not employ certain colors, layouts, or presentations, contain subtleties or phrases that promote, or use scenarios that are common for products whose advertising are prohibited.
- The distribution of such brand extensions in a suitable number must be certified by the advertiser.
- The suggested budget for this kind of advertising ought to match the brand extension's actual sales turnover.
- The Central Board of Film Certification will examine and certify advertisements that the Ministry of Information and Broadcasting determines to be authentic brand extensions.

The Advertising Standards Council of India (ASCI) Code:

The ASCI code further states that advertisers should not promote products whose promotions are banned or prohibited by law. Such prohibitions cannot be overcome by advertising for other allowed products. To establish whether an advertisement constitutes an indirect advertisement of a restricted product, the code specifies the following guidelines:

The unconstrained product must be manufactured and disseminated in acceptable numbers. The size of the advertising campaign, the medium used, and the target markets must all be considered.

The presence of direct or indirect signs or cues for the goods within advertising constraints. The code also included guidelines for celebrity advertising. Celebrity advertisements for products that require health warnings on packaging or marketing have been restricted.³

The government also sought to officially prohibit surrogate advertisements through the Surrogate Advertisements (Prohibition) Bill of 2016.⁴ However this bill has not come into force till date.

³ Saumya Trivedi, ASCI lays down rules on celebrity endorsements, Live Mint (April 14, 2017)

⁴ The Surrogate Advertisements (Prohibition) Bill, 2016,
<http://164.100.47.4/billstexts/rsbilltexts/AsIntroduced/surogat%2010317-E.pdf>

Legal authorities have therefore examined surrogate advertisements by alcohol and tobacco corporations on a number of occasions. The courts stated that unauthorized advertisements are frequently employed in the media and have consistently opposed surrogate advertisements. But permitting these kinds of ads would make the laws ineffective. Therefore, in order to guarantee that the legislation is applied correctly, such advertisements should not be allowed.⁵

IDENTIFICATION AND ANALYSIS:

A Real-World Example: Kingfisher and its Surrogate Advertising

Kingfisher Airlines is a prime example of a brand that has effectively used surrogate advertising. When the Indian government imposed a ban on direct alcohol advertising, Kingfisher resorted to promoting other products under its brand name. This included products like mineral water, soda, and energy drinks. By using the iconic Kingfisher logo and brand identity, the company was able to indirectly promote its core business of alcoholic beverages. While these products might not directly violate intellectual property rights, they can potentially dilute the brand's identity and create confusion among consumers. Despite bans on direct and indirect advertising of alcohol and tobacco, companies use brand extensions to circumvent these regulations. This allows them to indirectly promote banned products by advertising other products under the same brand name. Brands like Kingfisher and Wills have successfully employed this tactic, extending their brand to products like bottled water, soda, and sports teams. While the Supreme Court has dismissed some of these cases, the overall impact on public health and media revenue remains significant. To effectively address this issue, stricter regulations and enforcement are crucial. This section delves into the intricate world of "surrogate intellectual property rights," a phenomenon blurring the lines between legitimate copyright and control over public domain works. Advertising is a sub of this major theme. Traditional practices by heritage institutions have created a complex mess, hindering access and reuse of public domain materials. It is illegal to "promote or suggest the use or consumption of cigarettes or any other tobacco product, either directly or indirectly," according to Section 5 of the COTPA. It is specifically forbidden to "use a name or brand of tobacco products for marketing, promoting, or advertising other products would constitute as a form of indirect advertisement," according to Rule 2 of the COTPA Rules. According to the CTNA, every advertisement must follow the guidelines set out by the advertisement code.

⁵ Mahesh Bhatt v. Union of India WP (C) No.18761 of 2005 & WP (C) No.23716 of 2005 (delivered on January 23, 2009)

Under Rule 7 of the Cable Television Networks Rules, 1994, advertisements that directly or indirectly encourage the "production, sale, or consumption of cigarettes, tobacco products, wine, alcohol, liquor, or any other intoxicant" are prohibited.

ADDRESSING THE CORE:

Is there a positive right for brands to use their trademark ?

Trademark owners have legal options in the event that the government restricts their ability to use their brand names and trademarks for product promotion and advertising. Ultimately, the exclusive right to use a trademark belongs to the person who registered it. A trademark serves as a source indication, meaning it sets one company's products and services apart from another. A business has the right to use

its own names, logos, color schemes, and other branding elements to advertise its goods. The ability to use a trademark is not unqualified, nevertheless. Article 16 of the TRIPS Agreement states that a trademark is a negative right, meaning that the owner of the mark can prevent others from using it, but it does not grant them the positive right to do whatever they want.

The use of the mark for ads that violate laws is not covered by this right. Because of the public interest, it is acceptable to restrict the publishing of a product's brand name or emblem. While the majority of Western nations permit some alcohol advertising, India outright forbids the promotion of alcoholic beverages. The Indian advertising market has observed significant investment in surrogate ads in spite of the limitations. Brand extensions have been considered a standard technique by companies in the liquor and tobacco industries. They contend that since the government has enabled them to operate with high taxes, they should be able to make a profit from their companies. There are many creative approaches in the era of social media and digital marketing.

It is crucial that the government and business community work together to create rules that discourage businesses from secretly running ads that undermine the intent of these laws while enabling them to market legal brand expansions. In order to steer clear of any potential legal issues, comparable industry may also work toward establishing a consortium and rules.

THE FRAMEWORKS'S TRIPARTITE STRUCTURE :

1. Image as a Surrogate: The core concept revolves around reproductions (images or other media) acting as substitutes for the original source work.
2. Rights as a Surrogate: The framework argues that claims on non-original reproductions are substitutes for the original rights (if any existed). Essentially, it's a "surrogate copyright" where the source work remains public domain, but a new rightsholder claims control over the reproduction deriving value from the original. These claims can materialize through various mechanisms, which will be further elaborated upon later.
3. Rightsholder as a Surrogate: Finally, the framework highlights that the entity claiming rights often acts as a substitute for the original author. This "surrogate rightsholder" benefits from the entire spectrum of surrogate rights outlined above.

The framework unpacks how these surrogate rights come into play through various methods:

- Surrogate Intellectual Property Rights-by-Notification: These are outright claims made by the alleged rightsholder, typically found in website terms of use, displayed near the surrogate, included in the license, or embedded in the metadata. Notably, they often utilize the common copyright symbol (©) and imply moral rights, mirroring established copyright practices.
- Surrogate Intellectual Property Rights-by-Contract: These claims are established through contracts like website terms of use. By accessing the website, users are (allegedly) bound by these terms, regardless of whether they actually read them. Such terms often mimic copyright restrictions, going beyond what's legal. They might force users to cite expired source author rights, restrict modifications, or even prohibit acts like private copying or digital storage. Additionally, they may claim blanket rights over all website content, even non-original data.
- Surrogate Third-party Copyright-by-Contract: This occurs when contracts effectively assign a third-party copyright to the institution simply by a user visiting the website, submitting content, or taking photographs onsite. This enables the institution to restrict what visitors can do with their own photographs.

- **Surrogate Licenses:** These are established through licensing terms accompanying media delivery. They often take the form of applying Creative Commons licenses for attribution purposes, both to the source artist and the institution.
- **Surrogate Ancillary Rights:** Ancillary copyright describes rights beyond traditional copyright protections. Surrogate copyright and contracts can be used to establish such additional rights.
- **Surrogate Legal Deposit:** Some institutions exploit legal deposit rights through contractual terms, requiring users to deposit a copy of any product incorporating the surrogate with the institution. The framework emphasizes that surrogate intellectual property rights are neither rigid nor formal. Rights and claims can overlap and be transferred. This extra-legal system dilutes the public domain and treats surrogates as mere commodities. Essentially, it creates a complex web of restrictions that impede legal access to public domain collections and non-original heritage media. The paper aims to empower the public to recognize and dismantle these claims, promoting a more equitable and inclusive digital landscape.

ROLE OF ASCI:

The Advertising Standards Council of India (ASCI), a self-regulatory body established in 1985, oversees advertising across various platforms. While not a statutory body, ASCI holds significant influence due to its adoption by the Cable Television Networks (Regulation) Act, 1995. Beyond regulation, ASCI's Consumer Complaints Council adjudicates consumer complaints against advertisements and provides recommendations that are generally followed by industry members.

The Delhi High Court recently issued a ruling against a Hindi news channel for airing a surrogate advertisement for a soda brand, which was essentially a disguised promotion for a whiskey brand.⁶ Similarly, the Allahabad High Court ordered the Uttar Pradesh government to prohibit surrogate advertising of alcohol and tobacco products.

In this regard, Rule 7(2)(viii) of The Cable Television Network Rules, 1994, establishes a number of requirements that separate a legitimate brand extension from a surrogate commercial, such as:

1. Only the unconstrained good need to be on exhibit.
2. It is not appropriate to make direct or indirect references to the items that are forbidden;
3. It is not appropriate to use words or subtleties that advertise illegal goods;
4. It is not appropriate to utilize the design, color scheme, or presentation of forbidden items; and
5. The advertisement cannot include scenarios that are common for things that are forbidden.

The Court in the recent decision of *Struggle Against Pain v. State of U.P.*⁷ stated companies sponsor various shows and sports events using their trademark or monogram to inconspicuously advertise restricted products. In furtherance, the ASCI has introduced new guidelines to distinguish between new and old brands, particularly in the context of brand extensions. To

⁶ V Today Network Ltd. v. Union of India [Order dated February 15, 2021 in W.P.(C) 1971/2021]

⁷ PIL No. 12510 of 2006 (delivered on March 14, 2019)

qualify as a new brand, a product/service must meet specific criteria based on its market presence and financial performance.

For brands older than two years, they must have a significant national sales turnover or state-wise turnover, along with a validation certificate from a recognized organization. For newer brands, they need

to meet criteria related to monthly sales, fixed asset investments, or outsourcing arrangements. Additionally, the brand extension's turnover should exceed a certain percentage of the original brand's turnover in the restricted category.⁸

LEGAL REPERCUSSIONS:

A manufacturer or service provider who creates a false or misleading advertisement faces a maximum two-year jail sentence and a fine of up to Rs 1 million (US\$12,130) as a result of violating these guidelines, as stated in Section 89 of the Consumer Protection Act, 2019. The producer or service provider shall be subject to a fine of up to Rs 5 million (US\$60,600) and imprisonment for a maximum of five years for each successive offense.

CASE LAWS:

TV Today Network Limited v Union of India,

When considering measures imposed by the MIB on a television channel for airing a supposed surrogate advertisement, the Delhi High Court opined that the advertisement – for a brand of club soda – gave rise to questions of surrogate advertising having occurred as the club soda bottles were marketed under the same brand as, and using similar packing to, All Seasons whiskey products.

Mahesh Bhatt v. Union of India & Anr.

The Delhi High Court, while upholding the restrictions on commercial advertisements of cigarettes and other tobacco products under, inter alia, COTPA, held that the publication of a photograph of a celebrity wearing a jacket with a tobacco company's logo would not amount to surrogate advertising given that the photograph formed part of a news article.

⁸ ASCI issues fresh guidelines for brand extension advertisements, March 18, 2021.

The Supreme Court of India (Supreme Court) refused to restrict the use of the name 'Royal Challengers' – an apparent play on the whiskey brand 'Royal Challenge' – during the Indian Premier League⁹. In the case of United Breweries v. Mumbai Grahak Panchayat, the court contemplated the legality of a soda advertisement. It noted that the description in the advertisement “World’s No. 3 and India’s No.1” and “Ab toh cold drinks out” was associated with the company’s whisky rather than soda.[9] It was further observed by the court that the said soda which was being advertised was not available in the market. Hence, the court ordered the Defendant to put up corrective advertisements. In the plea against IPL’s Bangalore team ‘Royal Challengers’, the Apex Court dismissed the plea and held that keeping the name of an IPL team as ‘Royal Challenger’ and not ‘Royal Challenge’ was permissible as the name was recognised by alcohol consumers only.

Recently, in a public interest litigation before the Supreme Court.¹⁰ It was alleged that the manufacturers of alcohol and tobacco products routinely engage in surrogate advertising through brand extensions and event sponsorships which violate the Uttar Pradesh Intoxicating Liquor (Objectionable Advertisements) Act, 1976 (UP Act).

The advertisements appeared to show the restricted products without expressly referring to them and, where they referred to unrestricted products did so in miniscule font. The Supreme Court observed that while there was no direct message to the public to solicit the use or sale of liquor, the advertisements were at the instance of entities whose principal business is the manufacture of liquor, and the obvious

inference was that these advertisements were an indirect way of soliciting and promoting the sale and consumption of liquor.¹¹

Accordingly, the Court ruled that the provisions of the UP Act were being contravened by advertisers in a clandestine manner, and issued directions to the state authorities to ensure that such advertisements were not displayed, shown on televisions or cinema halls, or circulated or published in any newspaper and magazines within the territory of Uttar Pradesh.

⁹ Court rejects plea against 'Royal Challengers', The Hindu, 28 April 2008

¹⁰ Struggle Against Pain v. State of U.P., 2019 SCC OnLine All 4624.

¹¹ Indo-Asian News Service, Now Ramdoss challenges Bangalore IPL team over name, NDTV SPORTS (May 3, 2008)

SUGGESTIONS:

1. Clear and Enforceable Laws: Enact unambiguous laws that explicitly prohibit surrogate advertising for different products under the same brand name.
2. Consumer Awareness: Conduct public awareness campaigns to educate consumers about the harmful effects of surrogate advertising and how it can mislead them.
3. Empowering Regulatory Bodies: Grant more authority to regulatory bodies like the Advertising Standards Council of India to take stringent action against false and misleading advertisements, including those that cleverly circumvent the law.
4. Effective Implementation: Establish a robust mechanism to ensure the effective implementation of both international and national regulations related to advertising.
5. Collaboration with NGOs: Recognize the role of NGOs like HRIDAY and SHAN in combating surrogate advertising and empower them to actively work on this issue.

CONCLUSION:

The complex interplay between surrogate advertising and Trademark presents a significant challenge for regulators and policymakers. While the practice offers avenues for brands to circumvent advertising restrictions, it raises concerns about consumer protection and fair competition. To address these issues, a comprehensive legal framework is essential. This framework should clearly define surrogate advertising, establish stringent regulations, and empower regulatory bodies to enforce these rules effectively. Additionally, consumer awareness campaigns can play a crucial role in educating the public about the deceptive nature of surrogate advertising. By taking a proactive approach, we can mitigate the negative impact of surrogate advertising and safeguard the integrity of intellectual property rights.

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