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Advertising & Marketing 2014

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Getting the Deal Through is delighted to publish the first edition of Advertising & Marketing, a new volume in our series of annual reports, which provide international analysis in key areas of law and policy.

Following the format adopted throughout the series, the same key questions are answered by leading practitioners in each of the 19 jurisdictions featured.

Every effort has been made to ensure that matters of concern to readers are covered. However, specific legal advice should always be sought from experienced local advisers. Getting the Deal Through publications are updated annually in print. Please ensure you are always referring to the latest print edition or to the online version at www.GettingTheDealThrough.com.

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Legislation and regulation

1. What are the principal statutes regulating advertising generally?
Advertising activities are generally regulated in Japan under the Act against Unjustifiable Premiums and Misleading Representations (AUPMR), the Act on Specified Commercial Transactions (ASCT), the Medical Care Act, the Pharmaceutical Affairs Act, the Health Promotion Act and the Outdoor Advertisement Act. There is also a ‘fair commission code’ applicable to advertising, and a number of advertising guidelines issued by government bodies responsible for specific industries.

2. Which bodies are primarily responsible for issuing advertising regulations and enforcing rules on advertising? How is the issue of concurrent jurisdiction among regulators with responsibility for advertising handled?
The Secretary General of the Consumer Affairs Agency and prefecture governors are responsible for issuing advertising regulations and enforcing rules on advertising in accordance with the AUPMR. The Minister of the Economy, Trade and Industry (METI) also has responsibility in accordance with the ASCT.

In addition, the Japan Advertising Review Organization (JARO; www.jaro.or.jp), a self-regulatory body established by the advertising industry, handles complaints and enquiries from consumers, competitors and others, and makes recommendations for the modification or discontinuance of questionable representations.

3. What powers do the regulators have?
If a representation is found to be misleading, the Secretary General of the Consumer Affairs Agency (CAA) may order the advertiser to cease the misleading representation, to take the measures necessary to prevent a reoccurrence or to take any other necessary action, including public notice of the matters relating to the implementation of such measures (collectively, a cease-and-desist order). Such an order may be issued even if the violation has already ceased to exist.

If a prefectural governor recognises that misleading representations have been made in violation of the AUPMR, he or she may issue a cease-and-desist instruction similar to the order described above. If the advertiser does not comply with this instruction, or the prefectural governor finds it necessary in order to put an end to a violation, or prevent its reoccurrence, he or she may request the CAA to take appropriate measures, including the issuance of a cease-and-desist order. A prefectural governor may ask the advertiser themselves, or others who have a business relationship with the advertiser (for example, their advertising agent, media company, etc) to report on the misleading representations, and may also have his or her officials enter the advertiser’s offices or other places of business, or those of other persons who have a business relationship with the advertiser, to inspect its books and documents, etc, or to ask questions of the persons concerned.

Where a seller or a service provider designated under the ASCT has violated the obligation to indicate certain information concerning goods, rights or services (for example, price, payment due and method, and cancellation) in an advertisement; the prohibition of misleading advertising; or the prohibition on sending e-mail advertising without consent, and if the METI finds that the conduct is likely to significantly prejudice the fairness of a transaction arising from mail order sales and the interests of the purchaser or the service recipient, or if the seller or the service provider fails to comply with the above obligations and abide by the above prohibitions, the METI may order the seller or the service provider to suspend business activities that are connected with such mail order sales, either partially or completely, for a specified period of no longer than one year.

4. What are the current major concerns of regulators?
The CAA has concerns over compliance with existing laws by new means of advertising through the internet, such as the many ‘advertising agents’ that offer services related to providing positive feedback and comments on evaluation sites where there is an assumption of voluntary ‘word-of-mouth’ evaluation. The CAA has announced that such staged word-of-mouth evaluations are deemed to be an unjustifiable representation under the AUPMR.

Misleading representations and supply issues in relation to food-stuffs has been a problem, flaring up again in Japan in 2013, with instances of processed meat represented as high-quality beef, 100 per cent reconstituted juice sold as fresh juice, etc.

There are concerns over labelling that is misleading but not fraudulent. For example, ‘salmon’ can include rainbow trout and trout salmon, not just red salmon and silver salmon. The CAA considers and advises on how to represent foods collectively.

5. Give brief details of any issued industry codes of practice. What are the consequences for non-compliance?
Each industry usually has its own code of practice. These are voluntary rules, but members generally follow these rules once formulated. Advertising agencies and media companies are also generally familiar with, and comply with, the rules specific to their clients’ industries. Non-compliance is very rare and could directly lead to a cease-and-desist order by the CAA and calls for commercial boycott by consumers.

6. Must advertisers register or obtain a licence?
No.
There are no specific rules regarding burden of proof in procedures before the JARO, though, in practice, the advertiser bears the burden of proof.

11. What remedies may the courts or other adjudicators grant?

The courts may grant an injunction; damages; and other remedies, such as publishing additional advertisements to correct an original misleading representation, or making a public apology if there is sufficient cause.

The CAA may issue a cease-and-desist order against the advertiser. Such order includes, in practice, an injunction on the advertisement; necessary measures to prevent recurrence of the misleading advertising; a public notice of the above measure through newspapers; and requiring that all planned future advertising be submitted for approval.

12. How long do proceedings normally take from start to conclusion?

The injunction process usually takes a few months in court (both parties are involved); a court proceeding related to damages and other remedies would generally take one to two years from start to conclusion.

Procedures through the CAA or the JARO would generally take two to six months depending on the case.

13. How much do such proceedings typically cost? Are costs and legal fees recoverable?

Judicial proceedings cost about ¥500,000 to ¥1 million (legal fees depending on counsel) plus ¥2,000 (court costs) for an injunction; ¥1 million to ¥2 million (legal fees) plus ¥100,000 (if the amount claimed is ¥1 million) or more in relation to an action for damages and remedies, depending on the amount of the damages claimed. Court costs are not recoverable, and in practice legal fees are not fully recoverable either.

CAA and JARO proceedings entail low costs, but they are not recoverable.

14. What appeals are available from the decision of a court or other adjudicating body?

Appeal to a higher court is available from the decision of a court. Administrative litigation is available from the decision of the CAA.

Misleading advertising

15. How is editorial content differentiated from advertising?

There are no such requirements to disclose where advertisers have influenced editorial content.

16. How does your law distinguish between ‘puffery’ and advertising claims that require support?

Advertising claims generally require support in Japan. If claims cannot be supported, they are generally treated as misleading or untruthful advertising. What might be considered ‘puffery’ in another jurisdiction can be potentially subject to challenge. See question 17.

17. What are the general rules regarding misleading advertising?

Must all material information be disclosed? Are disclaimers and footnotes permissible?

Misleading advertising is considered to occur in the case of any representation:

- by which the quality, standard or any other matter relating to the substance of goods or services are shown to general
consumers to be much better than is actually the case or much better than that of other competitors contrary to the facts, and which thereby tends to unjustly influence customers and impede fair competition;
• by which price or any other trade terms of goods or services will be misunderstood by general consumers as being much more favourable to them than is actually the case or more favourable than those of competitors, and which thereby tends to unjustly influence and impede fair competition; or
• that is likely to cause any matter relating to transactions for goods or services to be misunderstood by general consumers and that is designated by the CAA as being likely to unjustly influence customers and to impede fair competition.

Misleading advertising is prohibited in Japan.

It is not necessary to disclose all material information, and footnotes are permissible. There are no specific rules on disclaimers, but it is rare to use disclaimers in advertising in Japan.

18 Must an advertiser have proof of the claims it makes in advertising before publishing? Are there recognised standards for the type of proof necessary to substantiate claims?

It is not necessary to have proof of the claims before publishing, and there are no recognised standards for the type of proof in Japan, but it is advisable to have proof of any claims before publishing if you are going to make any claims that might appear to be misleading.

19 Are there specific requirements for advertising claims based on the results of surveys?

No.

20 What are the rules for comparisons with competitors? Is it permissible to identity a competitor by name?

Advertising may use comparisons if the comparison is proven objectively; supported by evidence and presented correctly and appropriately; and fair in methodology. It is permissible to identify a competitor by name, although it is rare in practice.

21 Do claims suggesting tests and studies prove a product’s superiority require higher or special degrees or types of proof?

There are no specific degrees or types of proof. However, tests and studies must be objective, must be supported by results and facts, and must be fair.

22 Are there special rules for advertising depicting or demonstrating product performance?

No.

23 Are there special rules for endorsements or testimonials by third parties, including statements of opinions, belief, or experience?

No. Industry codes of practice generally stipulate that a statement of opinions, beliefs and experience must not mislead consumers, and advertisers use notes on statements such as ‘this is an individual experience and not for everyone’. Endorsement by third parties may not be used without their prior consent and must not mislead consumers. Professional comments, for example, by a doctor or a specialist, must be general and not for a specific good or service.

24 Are there special rules for advertising guarantees?

No.

25 Are there special rules for claims about a product’s impact on the environment?

No.

26 Are there special rules for describing something as free and for pricing or savings claims?

No. However, there is a special guideline on representation of pricing in relation to the AUPMR issued by the Fair Trade Committee (now taken over by the CAA), and, again, any misleading advertising is prohibited.

27 Are there special rules for claiming a product is new or improved?

No. However, some industry-based fair commission codes allow the use of ‘new product’ or ‘newly on sale’ within six months from the date that a new product is brought on sale.

Prohibited and controlled advertising

28 What products and services may not be advertised?

Under the Medical Care Act, advertising regarding a medical practice, dental practice, hospital or clinic may not be advertised with exceptions, such as the fact that the person is a physician or dentist; the clinical department name; the name, telephone number or any information that indicates the location of the hospital or clinic, and the name of the administrator of the hospital or clinic; the days and hours of practice, or whether an appointment can be booked; the names, ages, genders, positions and brief personal records of physicians, dentists, pharmacists, nurses and other medical professionals practising at said hospital or clinic; and other matters related to these people that are prescribed by the Minister of Health, Labour and Welfare as matters that contribute to recipients of medical care making appropriate choices with regard to their medical care.

Advertisements by lawyers, law firms and foreign lawyers were prohibited until 2000. They are now permitted, but still strictly limited in Japan. Regulations on Advertising by Lawyers and Foreign Lawyers and related guidelines prohibit advertising that is false, misleading, exaggerated, comparative, illegal or that infringes regulations of the national bar association and local bar association, or damaging or in danger of damaging the dignity of lawyers, etc. There is no prohibition on media types, but the wording, placement and methods are strictly limited. The advertiser must maintain a record of the advertising for three years. Any local bar association may investigate records of questionable advertising, facts relating to the advertising, order an injunction and take other measures.

29 Are certain advertising methods prohibited?

Spam e-mails are prohibited under the ASCT.

There are no legal prohibitions on subliminal messages. However, the Japan Commercial Broadcasters Association prohibits the use of subliminal effects on broadcasting by its regulation for broadcasting, so in practice it is not possible to broadcast advertising with subliminal messages.

30 What are the rules for advertising as regards minors and their protection?

Some voluntary rules (for example, rules on alcoholic beverages and tobacco) prohibit certain advertising to protect minors. In addition, local ordinances on advertising issued by local governments prohibit certain kinds of advertising (for example, advertising on gambling and any immoral advertising).
Are there special rules for claims about foodstuffs regarding health and nutrition, and weight control?

The Health Promotion Act prohibits false or exaggerating advertising of foodstuffs in relation to maintaining or improving health. The Minister of Health, Labour and Welfare or a chief of a local bureau of health, labour and welfare may recommend the advertiser to take measures necessary to correct misleading advertising, and order the advertiser to take necessary measures if they do not follow the recommendation. Penalties including six months in jail or a fine of less than ¥1 million may apply.

What are the rules for advertising alcoholic beverages?

There is no specific legislation on alcohol advertising, and alcohol advertising in Japan is regulated only via voluntary rules adopted by the industry (the Commission on Alcohol Beverages, which consists of eight major beverage groups).

These voluntary rules basically stipulate:
- the prohibition of alcohol-related TV advertisements from 5am to 6pm, with some exemptions such as adverts warning about the effects of drinking, for example for minors or pregnant women, and adverts aiming to improve the company’s corporate image through, for example, emphasising its commitment to social responsibility;
- alcohol adverts shall follow only after the TV or radio programmes have been confirmed as having an audience of which 70 per cent or more are of drinking age (20 years or older in Japan);
- characters and celebrities appealing to the younger generation may not be used;
- warnings must be provided for pregnant women and nursing mothers (that alcohol may have a harmful influence on their embryos or babies);
- a warning to minors such as ‘you can drink after you are 20 years’ old’ or ‘minors’ drinking is prohibited by law’ must be included; and
- the above warning must be given in a specified manner in terms of, for example, wording, point size of type and timing of the warning.

In addition to the above voluntary rules, pregnant celebrities may not appear in alcohol adverts.

There are no substantial sanctions under the voluntary rules; though in practice, negative PR may arise if there is a failure to respect the voluntary rules.
35 What are the rules for advertising tobacco products?
There are no legal rules on tobacco advertising and packaging. However, the Tobacco Institute of Japan has issued voluntary rules on advertising and the industry obeys these rules. The voluntary rules essentially:
- prohibit TV, radio, cinema and internet advertisements, with some exemptions, such as where it is technically possible to target only adults;
- prohibit the use of signboards in public places, with exemptions around tobacco stores, vending machines and smoking places;
- prohibit the targeting of minors;
- prohibit the use of characters and celebrities appealing to the younger generation; and
- require health warnings, including on the quantity of tar and nicotine; and
- provide for the format of the above warning, for example, wording, point size of type and package design.

36 Are there special rules for advertising gambling?
There are no special rules for advertising gambling. Legally, gambling is only permitted if supervised by a national government body, and illegal gambling is of course not advertised. Advertising gambling is under general advertising voluntary regulations.

37 What are the rules for advertising lotteries?
There are no specific rules for advertising lotteries.

38 What are the requirements for advertising and offering promotional contests?
There are no specific rules for advertising and offering promotional contests.

39 Are there any restrictions on indirect marketing, such as commercial sponsorship of programmes and product placement?
No.

40 Briefly give details of any other notable special advertising regimes.
Generally, the right to advertise is protected by the Constitution as an example of freedom of speech in Japan. Political advertising is freely done in practice, unless the advertising infringes the rights of others.

Recently, election candidate advertising through social media (which was prohibited) was permitted, and some candidates and political parties used social media actively for election.

Social media

41 Are there any rules particular to your jurisdiction pertaining to using social media for advertising?
No.

42 Have there been notable instances of advertisers being criticised for their use of social media?
Advertising agencies that put false ‘word of mouth’ comments on evaluation websites (for example, restaurant recommendation sites) have come under intense pressure in recent years for the untruthful use of social media, and many such agencies have changed their methods of advertising.

43 Are there regulations governing privacy concerns when using social media?
There are no specific regulations governing privacy concerns. The Act on the Protection of Personal Information and guidelines thereof apply to the use of social media.
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