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# Bulletin

Keywords and Trade Marks in Europe

# Keywords and Trade Marks in Europe

## Overview

This is a rapidly evolving area of the law but one where we can now begin to see the broad, guiding principles that the courts in Europe will apply in these cases:

If a trade mark is being used as a key-word on the internet in Europe (for example, as a trigger for a “Sponsored Link” on the Google™ search engine), then the following are likely to apply:

- The trade mark owner will not be able to sue the search engine provider (e.g. Google) for trade mark infringement.
- The search engine provider is however obliged to take-down keyword advertisements that direct users to websites dealing in counterfeit goods.
- An operator of an online auction site or internet marketplace, such as eBay, may be liable, and can therefore be sued, if it facilitates use of keywords resulting in unlawful offers of sale – e.g. counterfeit goods.

- Exceptional justification will be needed to prevent a re-seller of authentic goods (e.g. where such goods have already legitimately entered the EU market) using the key-word to advertise such goods.
- In general, use by a competitor of the keyword to attract business will not be deemed to infringe a registered trade mark if the “*average internet user*” can readily tell that the goods or services ultimately being offered are not those of the trade mark owner. By definition therefore these cases will ultimately depend on their facts and the parties involved will look to provide evidence as to the understanding and perception of the relevant consumers. We shall need to see how the legal guidance provided by the Court of Justice of the European Union is interpreted by the national courts.

As with all legal matters, much will turn on the facts of the case and the above summary is certainly not a substitute for fully considered legal advice. Further discussion of the legal position is provided below.

## Search engine providers

Let us consider first the position and liability of a search engine provider, such as “Google”. In *Google France v. Louis Vuitton Malletier* (“*Google France*”), the Court of Justice of the European Union (“Court of Justice”) found that search engine providers do **not** infringe by offering the possibility of purchasing keywords replicating third party trade marks:

*“An internet referencing service provider which stores, as a keyword, a sign identical with a trade mark and organises the display of advertisements on the basis of that keyword does not use that sign within the meaning of Article 5(1) and (2) of Directive 89/104 or of Article 9(1) of Regulation No 40/94.”*

Moreover, a search engine provider cannot be held liable in the event that the sponsored results link to sites at which counterfeit goods are being sold (Louis Vuitton’s main concern was that Google’s Adword programme was facilitating the sale of counterfeit goods) if the provider is unaware of that fact.

The search provider does have, however, a duty to act promptly to remove adverts for counterfeit goods:

*Article 14 of Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market ('Directive on electronic commerce') must be interpreted as meaning that the rule laid down therein applies to an internet referencing service provider in the case where that service provider has not played an active role of such a kind as to give it knowledge of, or control over, the data stored. If it has not played such a role, that service provider cannot be held liable for the data which it has stored at the request of an advertiser, unless, having obtained knowledge of the unlawful nature of those data or of that advertiser's activities, it failed to act expeditiously to remove or to disable access to the data concerned.*

## Operators of internet marketplaces / auction sites

We now consider the position of operators of internet marketplaces and auction sites, such as "eBay", which purchase keywords relating to goods

sold on those sites. While *L'Oreal and others v eBay* found that the operator of an internet marketplace does not itself 'use' trade marks within the meaning of the EU legislation if it merely provides a service enabling sellers to display goods on its website, the position can be different when the operator plays a more active role, for example, by promoting the goods offered on the site by way of keywords. Accordingly, companies like eBay can be held to be jointly liable for trade mark infringement where the seller on the website is offering counterfeit goods or goods which have been imported into the EU without the consent of brand owner.

Moreover, even if the operator does not play an active role, it may still be found liable if it was aware of facts or circumstances on the basis of which a diligent economic operator should have realised that the online offers for sale were unlawful and, in the event of it being so aware, failed to act promptly to remove them.

## Re-sale of genuine goods

Another type of situation that merits comment is the position of the re-seller of genuine trademarked goods. *Portakabin v. Primakabin* ("*Portakabin*") found that a trade mark owner

cannot, generally, prevent use of its trade mark as a keyword by a re-seller of its goods:

*Article 7 of Directive 89/104, as amended by the Agreement on the European Economic Area of 2 May 1992, must be interpreted as meaning that a trade mark proprietor is not entitled to prohibit an advertiser from advertising — on the basis of a sign identical with, or similar to, that trade mark, which that advertiser chose as a keyword for an internet referencing service without the consent of that proprietor — the resale of goods manufactured and placed on the market in the European Economic Area by that proprietor or with his consent, unless there is a legitimate reason, within the meaning of Article 7(2), which justifies him opposing that advertising, such as use of that sign which gives the impression that the reseller and the trade mark proprietor are economically linked or use which is seriously detrimental to the reputation of the mark.*

The exception to that general rule is when there exists a "legitimate reason" to prevent use of the mark, for example where confusion might arise or where the reputation of the mark is damaged by the actions of the reseller. The national court must assess whether or not there is such a legitimate reason in the case before it. However, that court:

— cannot find that the ad gives the impression that the reseller and the trade mark proprietor are economically linked, or that the ad is seriously detrimental to the reputation of that mark, merely on the basis that an advertiser uses another person's trade mark with additional wording indicating that the goods in question are being resold, such as 'used' or 'second-hand'.

Moreover, the relevant court:

— is obliged to find that a specialist reseller of second-hand goods under another person's trade mark cannot be prohibited from using that mark to advertise to the public its resale activities which include, in addition to the sale of second-hand goods under that mark, the sale of other second-hand goods, unless the sale of those other goods, in the light of their volume, their presentation or their poor quality, risks seriously damaging the image which the proprietor has succeeded in creating for its mark.

In other words, the court determines as a matter of fact whether the way in which the goods are being re-sold is detrimental to the brand owner. This determination may vary considerably depending on the particular goods in question, it being more easily shown that, for example, the sale of luxury perfumes in downmarket settings is

detrimental than, for example, the resale of industrial articles.

Finally, a trade mark owner is justified in taking action where the re-seller has removed the mark and replaced it with a different mark as, for example, in the case of the re-branding of parallel-imported pharmaceuticals.

## Use of competitor's trade marks as keywords

The position of a party which registers or pays for a keyword corresponding to a competitor's trade mark depends on the facts of the case. However, both Google France and Portakabin have held that a trade mark owner is only entitled to take action against a competitor which has purchased a keyword corresponding to that trade mark where the "average internet user" cannot tell, or can tell only with difficulty, that the goods or services are not those of the trade mark owner:

*Article 5(1)(a) of First Council Directive 89/104/EEC: of 21 December 1988 to approximate the laws of the Member States relating to trade marks and Article 9(1)(a) of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark must be interpreted as meaning that the proprietor of a trade mark is entitled to prohibit an*

*advertiser from advertising, on the basis of a keyword identical with that trade mark which that advertiser has, without the consent of the proprietor, selected in connection with an internet referencing service, goods or services identical with those for which that mark is registered, in the case where that advertisement does not enable an average internet user, or enables that user only with difficulty, to ascertain whether the goods or services referred to therein originate from the proprietor of the trade mark or an undertaking economically connected to it or, on the contrary, originate from a third party.*

The court found in *Google France* that, as a matter of fact:

*in most cases an internet user entering the name of a trade mark as a search term is looking for information or offers on the goods or services covered by that trade mark. Accordingly, when advertising links to sites offering goods or services of competitors of the proprietor of that mark are displayed beside or above the natural results of the search, the internet user may, if he does not immediately disregard those links as being irrelevant and does not confuse them with those of the proprietor of the mark, perceive those advertising links as offering an alternative to the goods or services of the trade mark proprietor.*

Following *Google France* and *Portakabin*, many commentators have therefore considered that it would be difficult for many brand owners to show that the average internet user would not in practice be aware that he or she was presented with different companies' competing goods. For example, most consumers of soft drinks would know that a rival drink advertised in a sponsored advert triggered by the keyword Coca-Cola was not related to that brand owner.

However, *Google France* and *Portakabin* did not rule out the possibility of confusion occurring in certain circumstances. The recent widely-reported decision of the Court of Justice in *Interflora v. Marks & Spencer* ("*Interflora*") appears to identify a set of circumstances where confusion may well arise (although it is important to remember that it is up to the national court - in this case the UK High Court - to apply the legal guidance offered by the Court of Justice to the particular facts of the case).

In *Interflora*, the owner of that well-known mark for flower delivery services, issued proceedings against Marks & Spencer (a leading UK retailer) following the purchase by the latter party of INTERFLORA as a keyword.

In its judgement, the ECJ reiterated its findings in *Google France* and stated that "...the relevant

*public comprises reasonably well-informed and reasonably observant internet users. Therefore, the fact that some internet users may have had difficulty grasping that the service provided by M & S is independent from that of Interflora is not a sufficient basis for a finding that the function of indicating origin has been adversely affected".*

However, the Court also indicated that the "referring court may take into account that, in the present case, the commercial network of the trade mark proprietor is composed of a large number of retailers which vary greatly in terms of size and commercial profile. The Court considers that, in such circumstances, it may be particularly difficult for the reasonably well-informed and reasonably observant internet user to determine, in the absence of any indication from the advertiser, whether or not the advertiser – whose advertisement is displayed in response to a search using that trade mark as a search term – is part of that network".

The *Interflora* decision also considered two other "functions" of trade marks: the advertising function and the investment function.

As regards the former, the Court considered that the mere fact that the brand owner found itself compelled to "intensify its advertising in order to

*maintain or enhance its profile with its consumers is not sufficient basis, in every case, for concluding that the trade mark's advertising function is adversely affected".*

The Court defined the latter function - the investment function - as the ability to "acquire or preserve a reputation capable of attracting consumers and retaining their loyalty" which is adversely affected where "the use by a third party, such as a competitor of the trade mark proprietor, of a sign identical with the trade mark in relation to goods or services identical with those for which the mark is registered substantially interferes with the proprietor's use of its trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty".

However, the Court held that "it cannot be accepted that the proprietor of a trade mark may – in conditions of fair competition that respect the trade mark's function as an indication of origin – prevent a competitor from using a sign identical with that trade mark in relation to goods or services identical with those for which the mark is registered, if the only consequence of that use is to oblige the proprietor of that trade mark to adapt its efforts to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty. Likewise, the fact that that use may prompt

*some consumers to switch from goods or services bearing that trade mark cannot be successfully relied on by the proprietor of the mark."*

It follows that it is for the national court to find as a matter of fact whether *"the use, by M & S, of the sign identical with the INTERFLORA trade mark jeopardises the maintenance by Interflora of a reputation capable of attracting consumers and retaining their loyalty"*.

*Interflora* is also of interest as it addresses the issue of trade marks with a reputation where a likelihood of confusion is not required to show infringement if it can be shown that the third party usage is detrimental to the distinctive character of the mark ("dilution"), is detrimental to the repute of the mark ("tarnishment") or takes advantage of the reputation of the earlier mark ("free-riding").

In relation to the possibility of "dilution", the Court considered that mere use of the brand owner's mark as an Adword did not necessarily weaken the immediate association of the mark and the proprietor's goods, particularly if it was done *"to draw the internet user's attention to the existence of an alternative product or service to that of the proprietor of the trade mark"*. If, however, if it was found on the facts that *"the selection of signs corresponding to the trade mark INTERFLORA as keywords on the internet has had such an impact*

*on the market for flower-delivery services that the word 'Interflora' has come to designate, in the consumer's mind, any flower-delivery service"* (i.e. that the mark was coming to be considered generic), then a finding of infringement could be made.

As regards "free-riding", the Court held that the use of a third party mark with a reputation clearly took advantage of the distinctive character and repute of that mark. The question then had to be asked whether the use could be considered to be "with due cause". That again is likely to be determined by the particular facts of the case. If the Adword user was selling "imitation" goods, then the advantage was likely to be considered unfair and without due cause. However, an Adword user providing an alternative product or service which did not seek to imitate the brand owner's product would probably not be held to infringe, the Court considering that *"such use falls, as a rule, within the ambit of fair competition in the sector for the goods or services concerned and is thus not without 'due cause'"*.

How the UK Court applies the guidance from the Court of Justice to the particular facts of the *Interflora* case will be eagerly awaited by practitioners.

## Conclusion

The case-law in the area of keyword advertising is still evolving, as the courts try to balance the need for free competition with the monopoly rights of trade mark owners. Some useful guiding principles can be derived from the recent legal decisions, but as always much may turn on the facts of a given case. We would of course be happy to advise our clients further on any given situation that is cause for concern.



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