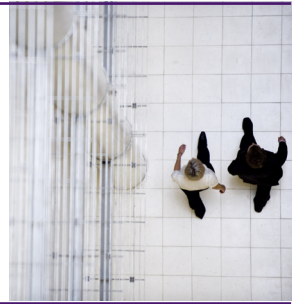


Review

Commercial & Intellectual Property



AdWords/Sponsored Search Terms: Judgment Day is Looming

If you suspect that a competitor might be using your registered trade mark to advertise their products or services through Google's AdWords service (or if you are using a competitor's registered trade mark in the same way) you need to be aware that the legality of this practice is about to be determined by the European Court of Justice (ECJ). The ECJ is currently trying to decide whether this amounts to trade mark infringement, and its judgments in a number of cases which have been referred to it by various national courts around Europe will be handed down soon. Whatever decision the ECJ makes, that decision will have a direct impact for the business community across the UK and mainland Europe.

Google's AdWords service (and similar services offered by other search engine operators) allows any company to sponsor any search term to ensure that their own advertisement gets a prominent listing in response to any search for the term they have sponsored. These 'sponsored links' appear above or next to the 'natural' search results for that term, and since Google do not appear to scrutinise which terms are sponsored by which companies, this allows a company to sponsor their competitors' trade marks to attract browsers who are specifically searching for their competitors.

The ECJ has been asked to decide whether the use of another party's trade marks in this context constitutes trade mark infringement. It is likely to be several months before the actual ECJ judgments are handed down, but the Advocate General (who assists the ECJ judges) is due to deliver his opinion on the matter imminently. While the Advocate General's opinion is not itself a binding decision, it is followed by the ECJ in the majority of cases.

Whatever the ECJ decides, and the industry has no idea which way that decision will go, it is likely to expose huge numbers of businesses to significant risks on the one hand whilst creating welcome opportunities on the other. The purpose of this e-let is to make you aware of those risks and opportunities now, so that you can be ready and able to mitigate or exploit them (as the case may be) before it is too late.

IF ADWORD SPONSORSHIP OF SOMEONE ELSE'S NAME IS ILLEGAL.....

Opportunities and Exploitation:

If your competitors have been using your registered trade mark as an AdWord, and the ECJ rules that this practice is illegal, this could present you with a welcome opportunity. From a legal perspective a trade mark infringement claim entitles you to issue proceedings against them for an injunction, for damages or an account of their profits attributable to the infringement, and recovery of your legal costs. That could be a worthwhile financial claim in its own right, but the real value of the claim is likely to lie in the commercial leverage which it can give you. What that leverage is, and how it can best be exploited, will depend on the industry you are in and the nature of your relationships with your competitor and the customers you each compete for. In any case, a nailed on legal claim against a competitor is a useful thing to have in your armoury.

Of course, how "nailed on" that claim is will depend on the evidence you have that they have engaged in the illegal practice. If and when this practice is confirmed as illegal, it is a fair bet that those businesses which have been guilty of engaging in it, or the facilitators such as Google, will move quickly to cover their tracks and make evidence of it more difficult to come by. For that reason, you should do your homework on your competitors now. You should 'Google' your own trade marks, and if a sponsored link to a competitor appears, it is likely that they have used one of your trade marks on AdWords. Do the same using other search engines, such as Yahoo, which

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also operate sponsored link programmes. To find out who is responsible (if it is not immediately obvious), simply follow the link. You should save a screen shot, or the webpage itself, of the search results page which displays that sponsored link, and also the webpage which the links lead to, and keep it as evidence.

Risk and Mitigation:

Of course, there is no risk for you if you do not use a competitor's name or trade mark in this way, but it might be worth checking that your marketing department is not doing so, as any such use will expose your business to the type of infringement proceedings and commercial leverage outlined above. If you are using a competitor's trade mark in this way, one option to mitigate the risk of competitors coming after you for infringement is to make it difficult for them to find evidence of it when it occurs to them to look. You can do this by suspending your AdWord account with Google (or any equivalent account with another search engine) either now (the safest option) or as soon as possible once the Advocate General gives his opinion that the practice is illegal. See the attached link for details on how to suspend your account: <http://adwords.google.com/support/bin/answer.py?answer=6134&cbid=-1sxc0z5hbc3d1&src=cb&lev=answer>.

Whilst this will suspend your sponsorship of your own trade marks as well, there would be nothing to stop you from opening a new account for "safe" sponsorships only.

Google claim that once you have suspended your account online, your advertisements will cease within one hour. In the event that this practice is established as legal, you can always reactivate your account. Also, any resulting loss of revenues during the period between suspending your account and the ECJ giving judgment are likely to be significantly lower than the cost of paying out on any trade mark infringement claim, and will certainly be less painful to bear than having to face a nailed on claim from a sanctimonious competitor.

IF ADWORD SPONSORSHIP OF SOMEONE ELSE'S NAME IS NOT ILLEGAL.....

Risk and Mitigation:

Safe in the knowledge that their use of your trade mark as an AdWord will not constitute trade mark infringement, your competitors may be more inclined to sponsor your trade mark so that a link to their website appears when one of your potential customers is searching for you. Whilst you will not be able to stop this, you can at least sponsor your own trade mark as an AdWord to ensure that you get top billing in response to searches for your own trade marks.

Unfortunately, if your competitor bids higher than you, their sponsored link will still appear above yours.

(Opportunity)

Of course, should you be inclined to do so, there will be no obvious legal basis to prevent you from sponsoring your competitors' trade marks via your own AdWords accounts. It would therefore be a primarily commercial (and ethical) decision.

WANT TO KNOW MORE?

The Advocate General's opinion is expected imminently and the ECJ judgment will follow shortly after that. If your business uses another's trade marks via AdWords, or if another business is using yours in this way, you will need to react quickly if the practice is found to be illegal. If you would like to know more about this issue, or to discuss how best to deal with it, please contact:

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