

Review

Commercial & Dispute Resolution



Online advertising – legal ruling on trade marks as keywords

A report issued recently by the Internet Advertising Bureau shows that, for the first time, advertisers now spend more on online advertising than on television advertising. In the first half of 2009, businesses in the UK spent over £1.75 billion on advertising online, an increase of 4.6% on 2008.

Online advertising provides significant opportunities for businesses, particularly the ability to target goods and services at audiences most likely to buy them. Brandowners remain concerned, however, about the extent to which they can control how their brands are used in cyberspace. A recent opinion of the Advocate General (AG) of the European Court of Justice (ECJ) has provided some clarification on this, specifically whether a brandowner can prevent a competitor from using its trade marks as keywords in online advertising.

BRAND NAMES AS KEYWORDS

‘Online advertising’ covers a range of advertising activities online including advertising by email, display advertising (banner adverts), the use of social networking sites such as Twitter, LinkedIn and Facebook and search engine marketing. The AG’s opinion concerns one aspect of search engine marketing, namely paid-for-listings or “paid search”.

Paid search involves the acquisition by advertisers of keywords, which when entered as search terms by users of the relevant search engine trigger the display of the advertisers’ advertisements next to the so-called “organic” search results. Google’s Adwords system is the most widely known and popular example by far but Yahoo! and Microsoft’s Live Search also offer similar systems.

Given the strong association of many brands with particular goods and services, brand names have become highly sought after keywords, particularly by competitors offering the same or similar goods and services. An example would be Pepsi purchasing the keyword “Coca-Cola” in order to ensure Pepsi advertisements are displayed when users search using that keyword. This has raised the issue of whether brandowners can prevent competitor’s using their trade marks in this way.

A brand owner cannot prevent a competitor from using its trademarks as key words in online advertising

CONTROLS ON TRADE MARKS AS KEYWORDS

Prior to May 2008, brandowners could rely on search engines to restrict not only the display of advertisements featuring their trade marks but also the purchase by unauthorised third parties (including competitors) of keywords incorporating trade marked terms to actually trigger the display of advertisements. Following the decision of the High Court in the UK in the case of *Wilson v Yahoo! UK Ltd & Anor* [2008] (known as the “Mr Spicy” case), Google changed its keywords policies in the UK and Ireland to allow anyone to bid for and use trade marked terms as keyword triggers. However, there was no change to the prohibition on unauthorised third parties incorporating another’s trade marked terms in advertisements themselves. This harmonised Google’s approach in the UK and Ireland with that in the United States and Canada, but has not yet been rolled out in any other jurisdictions.

TRADE MARK INFRINGEMENT?

The key legal issue is whether the use of a trade mark as a keyword to trigger the display of advertising by someone other than the trade mark owner (or licensed third party) constitutes trade mark infringement (and can, therefore, be prohibited by the trade mark owner). Court decisions in the United States and Canada have ruled that this is not trade mark infringement there. The Mr Spicy decision has been criticised as unreliable meaning that the position in the UK, as in the rest of Europe, was ambiguous. The AG’s opinion has provided some much needed clarification in this area.

THE REFERENCE TO THE ECJ

The AG gave his opinion in three joined references from the French courts in the cases of *Google France v Louis Vuitton Malletier*, *Google France v (1) Viaticum (2) Luteciel* and *Google France v CNRRH*. In each case the brandowners’ trade marks were being used as keywords in Google’s Adwords system. Entering these keywords into Google’s search engine triggered the display of advertisements for sites offering identical or similar products to those of the brandowner. In the Louis Vuitton reference, advertisements for sites offering counterfeit goods were triggered.

The brandowners had sued Google for trade mark infringement and Google had been found liable both at first instance and on appeal. The highest appeal court referred the cases to the ECJ for a preliminary ruling on whether the use by Google, in its Adwords advertising system, of keywords corresponding to trade marks was in fact trade mark infringement by Google under Article 5(1) of the Trade Marks Directive.

The AG said that for Google to be liable, three conditions would have to be satisfied, namely: (1) that advertisers were using keywords in the Google Adwords system which were identical or similar to the brandowners’ trade marks; (2) that the keywords were triggering the advertisers’ advertisements for identical or similar goods to those of the brandowner; and (3) that users were confused into believing that the goods in the advertisements were the brandowners’ goods rather than the advertisers’ goods.

THE AG’S OPINION

The AG’s opinion was that there was no trade mark infringement by Google either allowing advertisers to select in its Adwords system keywords corresponding to trade marks or by Google displaying the advertisers’ advertisements when those keywords were entered into its search engine. The keywords selected did correspond to the brandowners’ trade marks and the advertisers’ advertisements sold products which were identical or similar to those of the brandowners. However, although the keywords established a link with the advertisers’ advertisements by triggering them,

users would not be confused by this into thinking that the advertised products were the brandowners' and not the advertisers'. Users understood that search results include many advertisements other than that of the brandowner, indeed users might not even be looking for a brandowner's advertisement. Users could only be confused as to the origin of goods by the content of an advertisement, not by the mere triggering of an advertisement by a keyword.

The AG went on to say that advertisers would themselves not be liable for trade mark infringement by selecting keywords in the Google Adwords system which corresponded to trade marks.

SCOPE OF AG'S OPINION

The ECJ will give the final ruling on these issues at the beginning of next year. The AG's opinion merely guides the ECJ on what decision it should reach, although it is likely to be relied on as binding law at least until the ECJ's judgment.

Although the reference to the ECJ was from the French courts, the decision concerns trade mark law which is harmonised throughout Europe. This means that the AG's opinion, and subsequently the ECJ's judgment, will be followed in both the UK and across Europe.

COMMENT ON THE OPINION

It is possible that the AG's reasoning was flawed where the keywords being used were identical to the trade marks and were triggering advertisements for identical goods or services. Article 5(1)(a) is relevant where an unauthorised third party is using an identical sign to a trade mark for identical goods and this does not require a likelihood of consumer confusion to be shown. Much of the AG's opinion focused on whether this likelihood of confusion existed and it was based on his finding that it did not that he found that there was no trade mark infringement.

IMPLICATIONS FOR BRANDOWNERS

The upshot of the AG's opinion as it stands is that brandowners cannot prevent unauthorised third parties from using their trade marks as keywords to trigger their own advertisements. The AG believed that there was no possibility that users could be confused about the origin of the goods being advertised merely because a keyword identical to a trade mark triggered the advertisement. This aspect of the opinion can be criticised for assuming a certain level of sophistication amongst search engine users about how the keywords system works.

Although the opinion is clearly not in their favour, brandowners should adopt a proportionate and cost effective response. The opinion concerns only the use of keywords in paid search advertising. This is likely to form just one part of a brandowner's digital marketing strategy, which should be considered as a whole when deciding how to respond to this latest legal development.

One obvious step that brandowners may wish to take is to acquire keywords for their own trade marks. Whilst this will incur cost, it is likely to disrupt their competitors' keyword advertising strategies.

Brandowners should also be aware that the AG did not consider the content of advertisements. It is still open to brandowners to challenge competitors in respect of specific instances of unauthorised use of their trade marks in the content of competitors' advertisements.

FURTHER INFORMATION

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