

Review

Commercial & Dispute Resolution



When can you prevent someone using your registered trade mark as a keyword?

Generally, unless specific defences set out in UK or EU legislation and case law are met, owners of registered trade marks can prevent others from using identical signs in respect of goods or services which are the same as or similar to those for which the mark is registered. Does that monopoly extend to keywords used in online advertising?

In answering questions referred by the High Court in the case of *Interflora v Marks & Spencer*¹, the Court of Justice of the European Union (CJEU) has provided welcome guidance on when the use of another's trade mark as a keyword will constitute an infringement.

Using the Google AdWords service, M&S selected the keyword "Interflora" (and other variations of the name) so that when users searched for those terms, a M&S advertisement appeared at the top of the Google search page in the Sponsored Links section (i.e. in a section apart from the 'natural' search results). The AdWords service does not prevent competitors from selecting a rival's keyword, and in fact auctions off the order of the display to any party prepared to pay.

The advertisement linked to the M&S online flower shop, which provides the same goods and services that Interflora offers under its trade mark (this was a case of so-called "double identity"). Interflora claimed that such use was trade mark infringement.

Article 5(1) of the Trade Marks Directive and Article (9)(1)(a) of the Community Trade Mark Regulation

The general position is that under the above provisions of the Trade Marks Directive and Community Trade Mark Regulation² (which are encapsulated in section 10(1) of the Trade Marks Act 1994), a trade mark owner can prevent double identity use. The CJEU dealt swiftly with two issues that have bogged UK courts down in argument in the past: first, use of a trade mark as a keyword is "use" for the purposes of the legislation; and second, such use is "in relation to goods and services", even if the keyword does not appear in the advertisement itself. This pronouncement simply repeated guidance the court had previously given in the *Google France* case³.

However, the CJEU also confirmed the limitations of the law as laid down in *Google France*, by stating that the use of a trade mark as a keyword can only be prevented if it adversely affects one of the functions of a trade mark. The court then considered the impact keyword use could have on the 'essential function', the 'advertising function' and the 'investment function'.

Essential Function

The court held that use of a competitor's trade mark as a keyword will only be deemed to have an adverse effect on the essential function of guaranteeing the origin of the goods/services marketed under a trade mark if an internet user cannot, or finds it difficult to, determine from the advert whether the goods or services are being marketed by the trade mark proprietor or a third party (e.g. a competitor). Whether the essential function is (or is liable to be) adversely affected must be determined on the facts of each case.

¹ Case Case C-323/09.

² The Trade Mark Directive (89/104/EEC) was replaced with Directive 2008/95/EC and the Community Trade Mark Regulation (40/94) was replaced with Regulation 207/2009 but the CJEU noted that the provisions are substantially the same in each case.

³ Joined cases C-236/08 to C-238/08 *Google France and Google* [2010] ECR I-2417, and Case C-278/08 *BergSpechte* [2010] ECR I-2517.

The concept of the “user” means the “*reasonably well-informed and reasonably observant internet user*”. The court said that it will not be sufficient for Interflora to show that only some internet users would have difficulty in grasping that there is no economic link between M&S and Interflora. In assessing whether the essential function is liable to be affected, the CJEU said that the High Court must first consider the user’s general knowledge (users may know that M&S is not part of Interflora’s network of florists). Second, if such fact is not general knowledge, the national court should consider the impact of the advertisement itself.

The CJEU noted that the fact that Interflora operates a large network of retailers of varying sizes may make it particularly difficult for users to determine who is behind the advertisement.

Advertising Function

The court held that the use by a competitor of a rival’s trade mark as a keyword in an internet referencing service may well cause the mark owner to spend more on its advertising efforts to maintain its profile (i.e. adversely affect the mark’s advertising function). However, the purpose of trade mark law was not to protect brand owners from competition.

The court concluded that the use of a service like AdWords does not have an adverse effect on a mark’s advertising function, since it merely enables competitors to offer consumers an alternative source from which they can obtain the same goods and services.

Investment Function

The CJEU said that the investment function of a trade mark allows its owner to “*acquire or preserve a reputation capable of attracting consumers and retaining their loyalty*”. This function overlaps with the advertising function.

The investment function will be adversely affected where a third party uses an identical sign to a trade mark that already enjoys a reputation in relation to the same goods or services and this affects the reputation, jeopardising its maintenance.

However, a trade mark owner cannot prevent third parties from using its mark as a keyword where the only result is that the owner must adapt its efforts to acquire or preserve a reputation, provided the trade mark’s origin indicating function is respected. The court also said that trade mark proprietors will not be able to prove that this function has been adversely affected simply because consumers have switched to purchasing the competitor’s goods or services.

Article 5(2) of the Trade Marks Directive and Article 9(1)(c) of the Community Trade Mark Regulation

Under these provisions, owners of trade marks with a reputation can prevent third-party use in certain situations. The court explored the types of injury these provisions are intended to prevent, namely ‘dilution’ and ‘free riding’ (‘tarnishment’, where third-party use reduces a mark’s power of attraction, not being relevant in this case).

Dilution

The court said that ‘dilution’ is where a third party reduces the distinctive character of a trade mark with a reputation so that consumers cannot immediately determine the origin of that mark. For example, if M&S’s use of the Interflora mark contributed to it becoming a generic term for flower delivery stores; this is dilution. However, use as keyword is not necessarily dilution.

The court ruled that the national court must assess whether the essential function (discussed above) is jeopardized to determine if there has been dilution. If the user enters a trade mark as a keyword, as long as they can determine that the advertisement that appears is not for the products of the trade mark owner, there is no dilution.

Free-riding

The CJEU explained that ‘free riding’ is when a third party uses a competitor’s trade mark, without due cause, to take advantage of the distinctive character or repute of the trade mark, to capitalise on the mark’s reputation (to “*ride on the coat-tails*”) without paying any compensation to the mark owner. The competitor will gain a real advantage when the consumer buys the competitor’s product instead.

However, as the CJEU has stated before, the use of a competitor’s trade mark as a keyword will not be considered “without due cause” or free-riding if the goods or services are not a mere imitation of the proprietor’s (but an alternative), the use does not cause dilution or tarnishment and it does not adversely affect any of the functions of the trade mark (as above). Use of a competitor’s trade mark in this way is a part of fair competition

Comment

The ECJ ruling shows an acute awareness of the need to protect the rights of brand owners, but only so far as that does not inhibit genuine competition. Competitors are generally able to use one another’s trade marks as keywords, provided they only offer alternative goods and services (and not mere imitations). However, new guidance on the investment function of a trade mark clarifies an alternate means by which trade mark owners can protect their reputation.

Nevertheless, if national courts decide that the reasonably well-informed and relevant internet user has the wherewithal to recognise that keyword searches also bring up competitors’ websites and that those sites are independent, trade mark owners may find it hard to protect themselves against keyword infringement. It will be interesting to see how competitors react to the ruling. They are arguably likely to exclude any registered marks belonging to competitors from the text of any advertisements so as to avoid the risk that the essential function of the mark they are using is jeopardised.

It is perhaps surprising that the CJEU did not consider the Misleading and Comparative Advertising Directive, as the Advocate General had done (briefly). It is unfortunate that the court has had to deal with such a great volume of trade mark law since the original Directive. Brand owners will feel that they cannot rely on the text of the legislation, since it seems that all too frequently the court places a further limiting gloss on the words that are found there.

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