

Who will come up smelling of roses?

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The Court of Justice of the European Union (CJEU) delivered its eagerly awaited preliminary ruling on questions referred to it by the High Court in relation to the keyword advertising dispute between Interflora and Marks and Spencer (M&S).

This ruling is a welcome addition to the evolving body of European case law on this subject and provides further guidance on the use of a competitor's brand name as a keyword to link to an advertisement for rival products and services.

The CJEU, however, did not provide any in depth commentary on the application of the ruling to the facts of the Interflora case so the parties continue to play a waiting game while the baton is passed back to the English High Court to decide which way the case should go.

Background

Google (not a party to this case) operates an internet search engine which generates substantial revenue through its 'Google Adwords' service.

This is the brand name for Google's pay-per-click program that allows advertisers to create advertisements which are displayed on Google when a user enters corresponding keywords. The advertisements appear under a heading 'sponsored links' either at the top of the search results or to the right-hand side of the screen.

Interflora, operators of the world's largest flower delivery network, claimed that the UK retailer M&S was infringing its registered UK and Community Trade Mark INTERFLORA by purchasing several keywords containing the mark INTERFLORA and variations of that mark. Consumers searching on the internet using these keywords would be directed to a sponsored link to M&S's online flower-delivery service. The sponsored link, however, did not display the INTERFLORA mark. Interflora issued proceedings against M&S alleging infringement under Articles 5(1)(a) and 5(2) of the Trade Marks Directive (89/104/EEC, now replaced by 2008/95/EC). (While the Google France adwords case previously ruled on Article 5(1)(a), this is the first adwords ruling on Article 5(2)).

Questions were referred to the CJEU to determine whether Interflora could prevent M&S from using Interflora as an advertising keyword, even though it did not appear in the sponsored link, and whether M&S's actions took unfair advantage of Interflora's reputation and diluted its distinctive brand.

CJEU's ruling

Infringement under Article 5(1)(a)

Referring back to Google France, the court reiterated that use of a trade mark as a keyword was use in the course of trade in relation to goods and services, and this was so whether or not the trade mark appeared in the advertisement itself (BergSpechte). Such use could only be prevented, however, if the use was liable to adversely affect one of the functions of the trade mark. The CJEU relied on L'Oreal v Bellure which established that as well as the essential origin function, a trade mark's quality, communication, investment and advertising functions also enjoyed protection under Article 5(1)(a).

Adverse effect on origin function

To determine whether there was an adverse effect on the origin function depended on the appearance and content of the advertisement itself. The CJEU re-stated from Google France that there would be an adverse effect on the origin function if the keyword advertisement did not enable a reasonably well-informed and observant internet user to easily discern whether the advertisement appearing in the sponsored link belonged to the competitor bidding on the trade mark as a keyword, or the trade mark owner himself, or a third party.

It will be up to the English courts to assess whether an internet user searching under 'Interflora' and being directed to the M&S website would be able to work out whether M&S was one of the retailers which formed part of the Interflora network of independent florists, or whether it was obvious it was a separate unrelated business simply offering a commercial alternative. When making such an assessment, the CJEU has advised the English High Court to consider whether the well-informed and observant internet user (whoever that may be) is deemed to be aware, on the basis of general knowledge of the market, that M&S is not connected to Interflora. This will be a matter of evidence. M&S will need to convince the judge that the relevant internet user will be aware that M&S provides its own flower delivery service and is not part of Interflora's network of florists.

Adverse effect on advertising function

The CJEU restated Google France which established that use of a competitor's trade mark as an advertising keyword did not adversely affect its advertising function.

The court accepted that there may well be repercussions on the advertising use - a trade mark owner may find itself paying a higher price per click for its trade mark as a keyword if competitors were also bidding for it. However, even if the trade mark owner intensified its advertising to maintain or enhance its profile as a result of third party use of its trade mark as a keyword, this was not enough to conclude that the advertising function was adversely affected. The aim of internet advertising was to offer consumers alternative goods or services to those of the trade mark owners. Further, the trade mark owner still had the opportunity to inform and win over consumers irrespective of a competitor's activities.

The court gave clear guidance on what was not an adverse effect on the advertising function as a result of third party use but there was no guidance as to what factors could affect the advertising function. Going forward, it will be interesting to see whether advertisers engage in any activities which could give rise to an adverse effect on the advertising function.

Adverse effect on investment function

For the first time, the CJEU explored the investment function of a trade mark. The court stated that the investment function allowed the trade mark owner to "acquire or preserve a reputation capable of attracting consumers and retaining their loyalty". There was an overlap with the advertising function but the two were distinct. Where a third party's use of an advertising keyword substantially interfered with the trade mark owner's use of the mark to acquire or preserve a reputation, that use would adversely affect the trade mark's investment function and would constitute infringement.

It is not entirely clear what will amount to an adverse effect on the investment function: the CJEU said that neither a switch of some consumers nor evidence that the brand owner has had to adapt its efforts to maintain the reputation will be sufficient. But if a brand owner losing customers to a

competitor is not enough to prove there has been an adverse effect, then what is? It remains to be seen how this will be interpreted when the case returns to the High Court.

Article 5(2)

The CJEU has also opened the possibility of claims that keyword advertising takes unfair advantage of the reputation of a trade mark (free-riding), and/or that it dilutes its distinctive character (dilution).

Free-riding

Free-riding occurs when a third party uses a sign, without due cause, which takes unfair advantage of the distinctive character or repute of a trade mark.

It is generally understood that buying a competitor's trade mark as an advertising keyword is taking advantage of the distinctive character or repute of that mark— why else would a competitor want to buy it? The important question here was whether use was 'without due cause'. The CJEU seemed to think that if an advertiser was simply offering alternative goods or services which were not imitations and were not tarnishing or diluting or adversely affecting the functions of a trade mark, this was acceptable under the principle of fair competition and use would not be 'without due cause'.

Dilution

Dilution occurs when the activities of a third party weaken a trade mark's ability to identify the goods and services for which it is registered. Interflora argued that M&S's use of Interflora as a keyword was turning the INTERFLORA mark into a generic term for flower delivery services in general. The CJEU said if a consumer realised the M&S advertisement was not related to Interflora's commercial network, there could be no dilution. The consumer was merely alerted to a rival product on offer.

Overlap between Article 5(1)(a) and 5(2)

Interestingly (although not surprisingly), the question of whether internet users can easily discern from M&S's advert that M&S is not part of Interflora's network (i.e. the Google France test under Article 5(1)(a)) will be relevant in assessing whether there is unfair advantage or dilution. In broad terms, if internet users are not confused into thinking M&S is part of Interflora's network, M&S may well escape a challenge of dilution or unfair advantage because, according to the court, an advertiser will simply be offering a commercial alternative (provided it is not an imitation) and will therefore be using the mark within the ambit of fair competition which use would not be 'without due cause'. Conversely, if internet users are confused, M&S may fail on all fronts. The argument becomes somewhat circular in this respect and further clarification is needed as to the precise circumstances when it would be necessary to invoke Article 5(2) if an advertiser is already caught by Article 5(1)(a) in a double identity infringement case.

Practical implications of the ruling

Both Interflora and M&S have issued press releases claiming victory after the CJEU judgment. However, much has been left to the English High Court to decide based on the individual facts of the case. Only when that judgment is released will brand owners and competitors be in a position to properly assess how to deal with advertising keywords in the future.

In general, brand owners are likely to be satisfied with the ruling, which opens the way for more extensive claims of trade mark infringement in keyword advertising, particularly where the brand has a reputation. The so-called 'investment function' argument may also give brand owners more scope in its arguments. On the flip side, however, given that most internet users are

aware of the practice of keywords and sponsored links, and given that most advertisements display the advertiser's name, as opposed to the trade mark owner's name, brand owners may find it difficult to prove infringement.

It is important to remember that the Interflora v M&S case is a unique case and any protection afforded to a business like Interflora may not be afforded to other brand owners. Interflora is a huge commercial network with numerous and diverse members and it would not be out of the question to think that M&S was affiliated to Interflora given its unique business model.

Until the English High Court has delivered its judgment, however, advertisers are well advised to proceed with caution when reviewing their advertising keyword strategies. Advertisers should think very carefully about the text they include in a sponsored link and should ensure that the advertisement makes it very clear where the goods and services originate.

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