Keyword advertising and trademark infringement
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On 22 September 2011, the Court of Justice of the European Union (“ECJ”) handed down its preliminary ruling in Interflora Inc, Interflora British Unit v Marks & Spencer PLC, Flowers Direct Online Limited C-323-09.

This ruling comes two years after the High Court of Justice (England and Wales, Chancery Division) referred five questions concerning the unauthorised use of a mark by a competitor within an internet referencing service and a mere six months after Advocate General Jaaskinen’s (“AG”) opinion indicating that brand owners can, in certain circumstances, prevent keyword advertising. (This opinion was discussed in our Legal Brief, July 2011: Advocate General’s opinion: Interflora Inc vs Marks & Spencer.)

As anticipated, the ECJ’s decision broadly encompasses the AG’s findings and as advocated by the AG, the ECJ has also emphasised balancing the need to protect a reputable trade mark while taking into account fair competition within the relevant sector when considering the use of trade marks in keyword advertising.

Background
Marks and Spencer PLC (“M&S”) had purchased keywords for Google’s AdWord paid referencing service. As a result, M&S adverts appeared under sponsored links when internet users searched terms including “interflora”, “interflora flowers”, “interflora delivery”, “interflora.com”, “interflora.co.uk” on Google. Although these adverts did not contain any references to the INTERFLORA mark and its services per se, they did offer internet users M&S flower delivery services. Consequently, Interflora instituted trade mark infringement proceedings against M&S.

The ECJ’s findings
The High Court referred to the ECJ the question of the interpretation of rights conferred to all trade marks under Article 5 (1) of the First Council Directive 89/104 EEC and Article 9 (1)(a) of the Council regulation (EC) no. 40/94 which affords the exclusive right to a proprietor of a trade mark to prevent the unauthorised use of a sign, that is:
1. identical to a registered trade mark and used in respect of identical goods and services for which the mark is registered;
b) similar to a registered trade mark and is used in respect of similar goods and/or services where confusion and/or association with the registered trade mark and proprietor is likely.

Applying its rationale from Google France and Google Inc and others vs Louis Vuitton Malletier and Others (joined cases C-236/08 to C-238/08), the ECJ stated that even if an advert does not display the actual keyword used to generate the results, use of the keyword does constitute use in the course of trade in relation to the goods and services that are being offered.

As per Google France such use can only be prevented if the use has an adverse effect on the function of a trade mark. While reiterating that the essential function of a trade mark indicates origin – and thereby provides a guarantee of the goods and services offered – the ECJ suggested that there are two additional functions of a trade mark to be taken into account in assessing whether there are any adverse effects on the function of a trade mark in keyword advertising, namely, the advertising and investment functions of a trade mark.

In order to assess whether there are indeed adverse effects on these functions the ECJ indicated the following:

The function of indicating origin
The ECJ applied its test from the Google France and Google case that is “where the advertisement displayed on the basis of the keyword corresponding to the trade mark does not enable a reasonably well informed and reasonably observant internet user, or enables them only with difficulty, to ascertain whether the goods or services referred to by the advertisement 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 ECJ went on to say that when considering the relevant search results yielded when searching Google for *inter alia* "interflora", a reasonably well informed and reasonably observant internet user may indeed find it difficult to discern between the services offered by Interflora and those of M&S, unless M&S has clearly indicated it as such.

The advertising function
The ECJ stated that a trade mark is instrumental in advertising the owner’s goods and services, although merely owning a trade mark does not confer rights to prevent practices that are intrinsic to fair competition. It is the nature of keyword advertising that identical keywords are used by competitors and such use does not prevent the trade mark owner from attracting its own consumers. Should trade mark owners need to strengthen marketing strategies as a consequence, this does necessarily imply that the advertising function of the trade mark has been adversely affected.

The investment function
According to the ECJ, the investment function of a trade mark allows the owner to acquire and preserve a reputation and further to attract consumers and retain their loyalty. This is adversely affected when a third party uses an identical mark in relation to identical goods and services for which it is registered, in a manner that substantially interferes with the owner’s own use in acquiring or preserving a reputation capable of attracting customers and retaining their loyalty.

The ECJ does, however, recognise that a trade mark’s investment function overlaps with its advertising function, meaning that even if there is a need to increase marketing strategies because of keyword advertising, an adverse effect on the investment function of a trade mark cannot automatically be inferred. Fair competition has to be accounted for.

Ultimately, it remains for the High Court to decide whether the use of the identical mark “interflora” or the like by M&S puts the INTERFLORA mark at risk, and in doing so, hinders Interflora’s ability to attract and retain customer loyalty.

Trade marks with a reputation
The High Court found that the INTERFLORA trade mark has a reputation but required clarity from the ECJ as to when Article 5 (2) of the Trade Marks Directive 89/109, which protects against dilution of trade marks with a reputation, applies.

As referenced in the AG’s opinion, the term dilution in the laws of the European Union concerns the elements of blurring, tarnishment and free riding juxtaposed to US law concerning blurring and tarnishment only.

Dilution
The ECJ reasoned that the test of the “reasonably well informed and reasonably observant internet user” is equally relevant to determining trade mark dilution. Should the High Court find that an internet user would be able to discern that the displayed adverts yielded in search results by using “interflora” keywords, are the goods and services offered by M&S and are not those of Interflora, there can be no trade mark dilution.

Also, considering the element free riding, the ECJ recognised that a competitor who offers different goods or services (“alternatives”) and who is not simply replicating the genuine goods or services - thereby not offering "imitations"—does not, as a consequence, erode the distinctiveness of a trade mark. The ECJ therefore regards offering alternative goods and/or services to those of a trade mark owner, albeit it due to the use of identical keywords, as fair competition and consequently there can be no free riding.

Comment
Google’s Adword programme, whereby the highest bidders are offered third party owned trade marks for keyword advertising, remains debated by trade mark owners.

Previously, the ECJ has found that the use of an identical mark for identical goods and/or services is trade mark infringement. When considering the issue of keyword advertising and trade mark infringement, however, the importance of fair competition is paramount to the ECJ’s rulings.

Recognising that the function of a trade mark indicates origin, the ECJ’s Interflora decision introduced the test of the “reasonably well informed and reasonably observant internet user” to determine whether there is trade mark infringement where keyword advertising is concerned.

In addition to the function of indicating origin, the ECJ’s Interflora ruling has said that two other functions of a trade mark are to be accounted for, that is the investment and advertising functions served, ruling that only when these three functions are adversely affected will the use of a trade mark in keyword advertising constitute trade mark infringement.

Further, by referring to “alternatives” and “imitations” so as determine whether or not a competitor is guilty of “free riding”, the ECJ has left the door open for further interpretation.

Interflora Inc, Interflora British Unit v Marks & Spencer PLC, Flowers Direct Online Limited C-323-09 will only be concluded once the High Court has fully assessed the facts of the matter before it which is anticipated during the course of 2012. It can however, be inferred from the ECJ’s decision that Interflora Inc, Interflora British Unit (“Interflora”) may ultimately succeed in the proceedings.
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