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INTERFLORA ADWORD DECISION

The Court of Justice of the European Union ('the Court of Justice') handed down its keenly anticipated decision on the use of trade marks in keyword advertising campaigns on the 22nd September 2011.

Although ultimately it will be for the High Court to decide the case on the basis of the facts before it, the Court of Justice's decision at least implied a likely winner of the case, Interflora, and has also expanded the range of challenges a trade mark owner might make to the use of their trade marks in keyword advertising campaigns by competitors. Nevertheless, the court knocked back some arguments that trade mark owners might put forward in support of their position in such cases.

In essence with one hand the court has given to trade mark owners and with another taken away.

History of the case

The case concerned the use of the INTERFLORA trade mark by Marks & Spencer Plc to trigger online adword advertisements to its flowers service, even though Marks & Spencer were not part of the Interflora network of florists operated by the claimants, Interflora Inc and its British Unit. The Court of Justice had been asked to answer a number of questions by the referring English High Court on the basis of trade mark infringement.

The findings and the likely victor?

The Interflora case is not the first to come before the Court of Justice on the issue of the use of trade marks in keyword advertising and the court in its decision of the 22nd September followed the decision of Google France in finding that trade mark infringement will be found against a defendant if the essential function of a trade mark of indicating trade origin is effected by the defendants actions. The Court observed that the trade mark's function of indicating origin is adversely affected:-

"where the advertisement displayed on the basis of the keyword corresponding to the trade mark does not enable reasonably well-informed and reasonably observant internet users, 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."

Crucially for Interflora, the Court of Justice tellingly stated that it considered that it may be difficult for the reasonably well-informed and reasonably observant internet user to determine, in the absence of any indication from Marks and Spencer, whether or not the advertiser, whose advertisement is displayed in response to a search using that trade mark as a search term, is part of the Interflora network.

This points to a probable Interflora victory on the basis of the facts. However, the High Court may make a different analysis of the facts before it.

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Added functions of a trade mark

Although the court made it clear that a trade mark's essential function is to guarantee to consumers the trade origin of the goods or services covered by it, other functions including the advertising and investment functions must be considered. But what are these functions and how are they adversely affected?

Advertising function

The advertising function of a trade mark is its use in the advertising and promotion of wares under the trade mark.

The court held the mere fact that the proprietor of that mark has to intensify its advertising in order to maintain or enhance its profile with consumers in response to the keyword usage is not a sufficient basis, in every case, for concluding that the trade mark's advertising function is adversely affected. It was held trade marks form a key component in the system of undistorted competition which European law seeks to establish. Internet advertising on the basis of keywords corresponding to trade marks constitutes such a practice in that its aim, as a general rule, is merely to offer internet users alternatives to the goods or services of the proprietors of those trade marks. The selection of a sign identical with another person's trade mark in a keyword referencing service, does not deny the proprietor of that trade mark the opportunity of using its mark effectively to inform and win over consumers.

Investment function

The investment function is where the trade mark is used by its proprietor to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty.

The court held when the use of a trade mark by a third party substantially interferes with the proprietor's use of its trade mark to acquire or preserve a reputation, the third party's use must be regarded as adversely affecting the trade mark's investment function. In a situation in which the trade mark already enjoys such a reputation, the investment function is adversely affected where use by a third party of a sign identical with that mark in relation to identical goods or services affects that reputation and thereby jeopardises its maintenance. As the Court has already held, the proprietor of a trade mark must be able, by virtue of the exclusive right conferred upon it by the mark, to prevent such use.

However, the Court of Justice could not accept that the proprietor of a trade mark may, in conditions of fair competition that respect the trade mark's function as an indication of origin, prevent a competitor from using a sign identical with that trade mark in relation to goods or services identical with those for which the mark is registered, if the only consequence of that use is to oblige the proprietor of that trade mark to adapt its efforts to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty. Likewise, the fact that that use may prompt some consumers to switch from goods or services bearing that trade mark cannot be successfully relied on by the proprietor of the mark.

Reputable trade marks

The court went on to consider the issue of trade marks with reputation. It held that where the advertisement displayed on the internet on the basis of a keyword corresponding to a trade mark with a reputation puts forward an alternative to the goods or services of the proprietor of the trade mark with a reputation, without offering a mere imitation of the goods or services of the proprietor of that trade mark,

without causing dilution of the trade mark or detriment to its reputation and without, moreover, adversely affecting the functions of the trade mark such use falls, as a rule, within the ambit of fair competition in the sector for the goods or services concerned. The Court of Justice would therefore suggest that a finding of fair competition should be the starting point in any analysis of such situations.

Conclusions

Although it is for the English High Court to ultimately decide this case on the basis of the facts, the Court of Justice, as did the Advocate General before it, imply that Interflora will ultimately be successful in the action, mainly due to the particular business structure as a network of different traders, of different sizes, as opposed to a traditional company.

However, although the Court of Justice has expanded the range of functions to be considered in keyword advertising cases beyond the essential function of a trade mark to guarantee trade origin to those of the advertising and investment functions, it has rebuked one argument of trade mark owners concerning increased advertising spends as a result of a competitor's activities in keyword campaigns and also there is an underlying tenet in the Court of Justice findings that free competition must be a paramount consideration in such cases.

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