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**TITOLO TESI**

**Using of Trademarks in Keyword Advertising in Web Search  
Engines**

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THESIS TITLE

Using of Trademarks in Keyword Advertising in Web Search  
Engines

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### *Dedication:*

This thesis is dedicated to the memory of my father, law Prof. Dr. Fakhroddin Asghariaghmashhadi. I have been extremely fortunate in my life to have a father who had shown me unconditional love and support. The relationship and bond that I had with him hold an enormous amount of meaning to me. I admire him for all of his accomplishments in life, for his independence, for his morality and ethics, and for all of the knowledge and wisdom that he had passed on to me over the years. Personally, my father had played an important role in the development of my identity and shaping the individual that I am today. He had taught me a great deal about the aging process and about growing old gracefully. It is because of him and his encouragements that I chose to pursue a Ph.D. in law. I miss him every day, but I am glad to know he saw this process through to its completion, offering the support to make it possible, as well as plenty of friendly encouragement. He fought cancer like a hero, but unfortunately he took the lead to heaven before oral examination. I will remain always indebted to you. God Bless your soul, BABA.

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## **ABSTRACT:**

Use of Trademarks in keyword advertising has been one of the most debatable issues in trademark law for several years. This entirely new way of using Trademarks over the Internet has provoked a discussion concerning the core concepts of Trademark law. Harmonized EU trademark law proved to be ambiguous on whether it amounted to trademark infringement or not. This ambivalence was also exhibited by the case law of EU Member States. European keyword advertisers simply could not tell which use of a competitor's trademark was lawful. In recent years CJEU has continuously expanded the scope and reach of trademark protection in the EU .It is notable that Inconsistencies in the court's system of infringement criteria clearly come to the fore and this approach has been criticized by analysts who believe that the Court should have adopt a more traditional approach to the analysis of trademark infringement, which was suggested by its Advocate General, in order to arrive at the same conclusion. The premise on which the Court rested its ruling, it is believed, missed salient parts of the evidence, circumvented its preexisting jurisprudence, and most of all, threatened to open the floodgates of abusive trademark use in the future. With reference to above , this thesis will address issue of keyword advertising under EU legislations and will evaluate ECJ case law together with national members case law.

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## **CHAPTER ONE: INTRODUCTION**

### **1. BACKGROUD OF STUDY**

The Internet provides a new and vast platform for millions of users worldwide to communicate with each other. It is arguably today's most important tool for communication. It also provides an importantly huge market for businesspeople, and innovative means of transacting business, as traditional marketing methods become outmoded. An increasing number of companies now try to maintain online presence through the creation of individual web pages. This enables them to reach out, and present their products to consumers, who equally rely on Internet search engines to locate goods and services that meet their needs.

Furthermore, growth of the internet has caused more than grand opening for new channels of commerce and communication. It has also opened up grand opportunities for competition causing nothing but a stir among the legal court system. Commercial use of the internet has generated a myriad of lawsuits over intellectual property (IP) issues and specially trademark issues.

During the early 1990's , trademark disputes pertained more to the use of meta tags which is programming code used in the creation of a website.<sup>1</sup> Meta tags are still powerful tools because they have a direct effect on the

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<sup>1</sup>Warner, Elizabeth, "Running Head: Trademark Law and Keyword Advertising" (2004). Rochester Institute of Technology paper work , P. 7 .

frequency with which search engines will find a website. Even though an Internet user never sees this code, meta tags have been the subject of trademark lawsuits because companies have used them to divert or confuse consumers. The deceptive use of another company's trademark in these or similar ways can result in a successful trademark infringement lawsuit, leading to an award of financial damages . So , after meta tagging generation is outmoded , more recently during another round of trademark issues, keyword advertising has become a controversial issue.

In respect to above and epidemic issues of keyword advertising , companies consider it desirable to maintain a top spot in search engine lists, and to develop other strategies for luring users to visit their websites. Generally, users do not pay any fees for search engine services whose providers rely instead on fees collected from advertisers. Internet users typically get two types of results when they enter keywords on search engines: the natural results, and the sponsored links. The natural results are the normal results of an Internet user's search, which are generated without the payment of a fee to the service provider, such as Google.

The sponsored links, on the other hand, are results that are related to the user's keyword which are displayed at the top of the search engine list in return for fees paid by the sponsors of those links (advertisers).<sup>2</sup> For example, a user who searches for the keyword "CAR" may get results showing advertisements by competitors, such as "FIAT" or BMW.

When the word which is typed in search engines is general words like CAR or CARPET , normally nothing will happened because these words are

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<sup>2</sup> Candice barrett, state regulation of keyword advertising: a lesson from the Utah legislature s,(2008 )15 j. intell. prop. p. 281.

not any person's exclusive or intellectual property rights and literarily they are in public domain and anybody can use them. The problem will arise when the keyword used by an advertiser may be a trademark which is considered as exclusive right of its owner.

Indeed, there is an increasing trend in the use of trademarks in keyword advertising, both by the proprietors of marks, and their competitors<sup>3</sup>. Search engine owners like Google (through its Adwords program) and Yahoo! (through its Sponsored Search program), offer services to advertisers, which allow them to use trademarks owned by other parties as keywords, in return for a fee. For example, BMW may purchase FIAT as a keyword through Google's Adwords program. When users making an enquiry enter that keyword on the Google search engine, they are automatically presented with sponsored links that are related to BMW, which appear on top, or the left side of the natural results. The use of trademarks as keywords by companies advertising their goods and services on the internet give rise to legal problems, particularly in the intellectual property right field.

The issues that have arisen before the court have not been over whether a company should be allowed the right to purchase keyword, rather question is raised over whether these third parties should be allowed to sell keywords that are trademarks, such as the name of a company's leading competitor.

Within the EU, that question has been at the centre of sharp disagreements among national courts, which have had to grapple with numerous lawsuits brought by trademark proprietors against Google for

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<sup>3</sup>Hyeon sookroh , contemplating the legal issues on keyword advertising the asian business lawyer, 2009 , p.107

perceived trademark infringement. Amid such confusion, national courts have relied on the CJEU for interpretive guidance, and the latter, in its rulings, has tried to adapt pre-existing trademark law to new technologies.

## **2. STATEMENTS OF PROBLEM**

Prima face, keyword advertising strikes the mind as a lawful and beneficial advertising program, offering consumers a wide range of options as they browse the Internet for goods, or services. The problem with keyword advertising, however, lies in the fact that search engine owners permit advertisers to make unfair use of protected trademarks as keywords, and link the search results to websites owned by those advertisers, which have no relationship with the proprietors of the marks. Although advertisers very much fancy this practice, it is not so for trademark proprietors who complain of trademark infringement and unfair competition. Nevertheless, search engine owners are adamant in dismissing claims of trademark infringement, understandably, given the enormous profits that they earn from keyword advertising.

Although keyword advertising achieve popularity between advertisers who are looking for more profit and the advertising is one important tool for that , so the function of search engines caused to complain of the trademark holders and raises the legal issues in relate to trademark infringement and unfair competition. However, in contrary because of the large profits and income which keyword advertising bring for search engine companies, they insist strongly on the spot that keyword advertising does not infringe trademark owners' rights and it is happening totally legally. For trademark holders it is not acceptable. in an era that companies have extended their

trademarks protection to jingles, smells , and shapes they do not expect someone freely use their own trademarks for misleading consumers or misusing at any intention.

They care to their trademark because it has value in several ways. The most direct and obvious is the sale of products and services to consumers. The combination of the price paid for a product plus the quantity and frequently of purchase creates the sales revenues for a business. This is converted into profits and ultimately shareholders value. The share price of a company is driven by investor's expectations about the future ability of the business to attract customer revenue and extract profit from these. With respect to all mentioned above for all companies it is very important to attract consumers and keyword advertising is playing revers for them.<sup>4</sup> Most of the infringement claims so far brought by trademark proprietors, as well as much of the emerging case law relate to Google, which is recognized as the world's most patronized search engine.<sup>5</sup>

As noted, Google, like other search engines, allows advertisers to use protected trademarks as keywords. As a result, many companies have brought suits for the infringement of their trademark. This study identifies the legal issues implicated in keyword advertising, and analyzes the related case law addressing them.

Another important issue about the problem which is present is passage of time. In the traditional market , advertising of products and services entails on the one side , the dissemination of information through different traditional media - TV advertising, magazine or other advertising media. In

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<sup>4</sup> The Economy of Brand , Jan Lindemann , 2010 , Palgrave Macmillan Publication , UK , P. 6.  
<sup>5</sup>Mark bartholomew , making a mark in the internet economy: a trademark analysis of search engine advertising|| (2005), Oklahoma law review , P.364 .

comprising with traditional advertising, internet advertising is different. Consumers exercise their choice of product and services almost instantly , spend less time making their buying decisions and expect efficient customer services. But , this market should be fair and if some business would make use misleading commercial advertising in order to gain profit or retain market share, the impact of misleading advertising would have important adverse economic consequences on both consumers and businesses.<sup>6</sup>

So due to above, answer of this question will be so important whether keyword advertising is kind of misleading advertising which effects consumers or not. Due to non existence of standard definition of online advertising and also due to existence of different case law and different scholar opinions, answering to this question will be a partial part of my thesis. Furthermore at least in Europe national law will soon be modified to permit consumer representative organizations to bring representative actions on behalf of consumers against distance, and particularly on-line traders which involve concept of keyword advertising also.<sup>7</sup>

So with addressing all presented above , the main problem is that does the keyword Ad-Words activities involve any infringement due to European laws and directive. Because of growing search engine based advertising therefor the trademark holders have started to challenge infringement in court .They seek liability and damages for trademark infringement in the courts normally. Thesis is going to identify and interplay the function and legal issues beyond of keywords advertising and present analysis of related European courts case laws to resolve the problem.

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<sup>6</sup> Cristina Coteanu, *Cyber consumer law and unfair trading practices* , Ashgste publication , 2005 , p 137.

<sup>7</sup> *Internet law ; text and materials* , 2nd Ed , Chris Reed , Cambridge University press , p.303.

### **3. RESEARCH QUESTIONS**

1. What is legal and technical framework of keyword advertising under European law?
  - I. Is it considered Trademark infringement, if the search engines allow advertisers to buy competitors trademarks as keyword?
  - II. Are search engines like Google or advertisers liable for trademark infringement and if how ?
  - III. Can we consider keyword advertising as consumer misleading due to consumer laws ?
  - IV. Due to principle of unfair competitions in Europe , can keyword advertising be considered as unfair competition?
  - V. Is keyword advertising infringing any principle of E-commerce Directive of Euro?
  - VI. Should European legislation provide special protection for trademark holder against keyword advertising?
  - IV. How do jurisdictional problems arise in respect to the keyword advertising ?
  - V. To what extent is a search engine operator, that enables an advertiser to reserve a keyword that triggers a sponsored search result, liable under EU and US law when the reserved keyword corresponds to a trademark of the advertiser's competitors.

### **4. RESEARCH OBJECTIVES**

- I. Express the definition and the nature of the keyword advertising.

- II. Examination of present legislations to evaluate is it related to keyword advertising in any matter to clarify whether is it infringing trademark or not ?
- III. Evolution of relation of keyword advertising with consumer confusion and consumer misleading and unfair competition.
- IV. Addressing keyword advertising in context of E-commerce Directive of EU.
- V. Examination of Euro National courts case law such as Italy and France and also important cases of ECJ jurisdictions

## **5. SIGNIFICANCE OF STUDY**

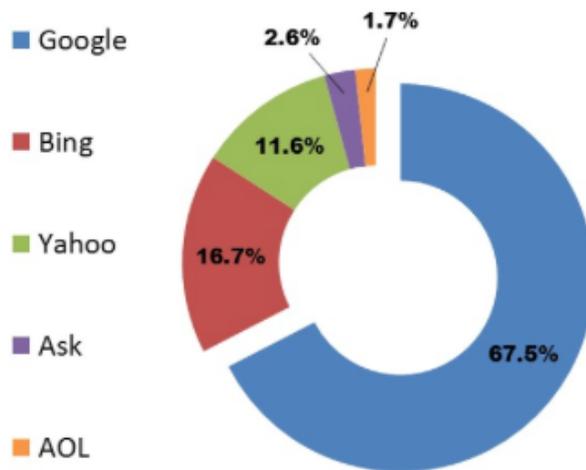
According to the research study on September 2013, 91 percent of Internet users enter to the Internet environment via search engine web pages and uses search engines. For instance, 80 percent of people, who want to buy car, search for a car by using search engines. 89 According to the website of com score search engine usage is important for several reasons, but one of the most important reasons is simply understanding where you need to spend your time. While Google is the most popular search engine it is also the most competitive. On the other hand Bing and Yahoo have a significant share of usage compared to ASK and AOL, but Google leads the way with a considerable distance from others. Graph below shows share of different search engines.<sup>10</sup>

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<sup>8</sup> Veronica Maria Jarski , How People Search Online [Infographic] , marketing profs website , Sep 2013. (Visited june 2014)

<sup>9</sup> Nursel Yalçın, “what is search engine optimization: seo?” ,(2010), Procedia Social and Behavioral Sciences , No. 9 (2010) 487–493,

<sup>10</sup> Global Search Market Draws More Than 100 Billion Searches per Month,” press release, comScore,August 31, 2009, (accessed December 2017)

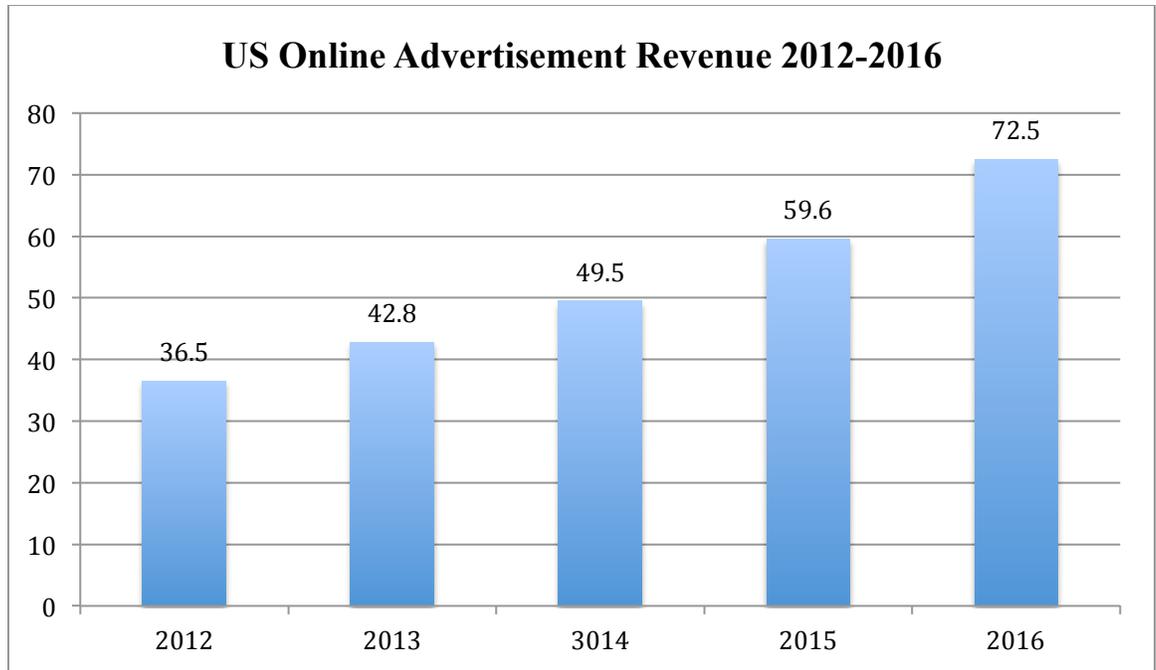


Furthermore due to an industry survey conducted by PwC and sponsored by the Interactive Advertising Bureau (IAB) Internet advertising revenues (“revenues”) in the United States totaled \$72.5 billion for the full year of 2016 and these revenues for the full year of 2016 increased 22% over 2015.<sup>11</sup>

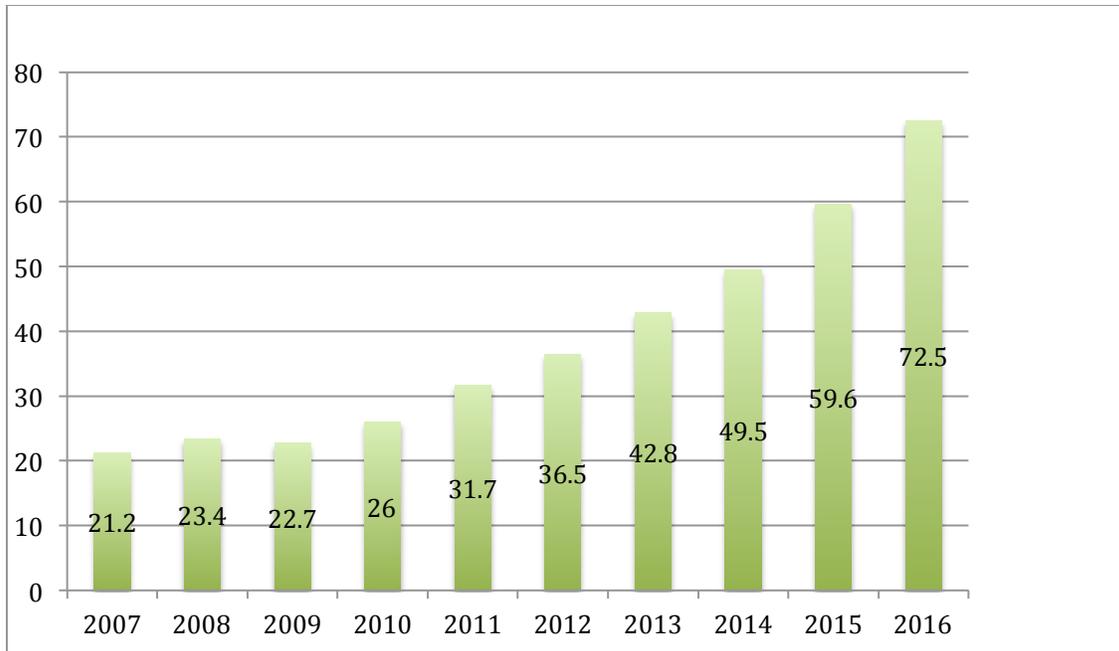
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[http://www.comscore.com/Press\\_Events/Press\\_Releases/2009/8/Global\\_Search\\_Market\\_Draws\\_More\\_than\\_100\\_Billion\\_Searches\\_per\\_Month](http://www.comscore.com/Press_Events/Press_Releases/2009/8/Global_Search_Market_Draws_More_than_100_Billion_Searches_per_Month)

<sup>11</sup>IAB Internet Advertising Revenue Report conducted by Price water house Coopers (PWC) ,. Available at :<http://www.iab.net/>



In order to find out how online advertising has grown from past times it is better to have a look how it shaped and changed during a period of Ten years. The below graph show value of online advertising from 2007-2016.



Importantly, due to the European Commission Eurostat finding in the EU Six in ten Internet users shopped online in 2013, which strictly show importance of advertising of products on the Internet. Buying over the internet has become very popular in the EU, with 61 % of internet users in 2013 using it to buy or order goods or services for private purposes, an increase of eleven percentage points compared with 2008. The share of e-shoppers among internet users varied considerably between Member States: the highest proportions were registered in the United Kingdom (85 %), Denmark (81 %) and Germany (80 %), and the lowest in Romania (15 %), Bulgaria (22 %), Estonia (28 %) and Italy (32 %).<sup>12</sup>

Therefore, this statistic shows the value of online advertising and at the same time it reflects that the keyword advertising is so effective for the advertisers and the users of the Internet because most of internet users are

<sup>12</sup> Eurostat European Commission , Internet use statistics - individuals findings , Available at: [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Internet\\_use\\_statistics\\_-\\_individuals#E-shopping\\_trends](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Internet_use_statistics_-_individuals#E-shopping_trends)

looking for products and services. This new trademark issue in scope of intellectual property rights can bear problems for society even for the courts and it has proved it is one of the hottest issues among intellectual property matters. Internet has provided new area for infringement of trademark and consumer confusion by trademark and disordering E-Commerce, which had lots of difference with traditional trademark infringement provisions and principals , so it can caused to misuse and misunderstood. The new word of internet brings with its huge profits, also serious problems for the society. As the Challenges are new to the lawyers, scholars , business companies and the courts, they should try to adapt themselves and it is going to affect litigation issues and legal theories with emerge of new challenges.

The significance of this study is explaining the new issue of intellectual property over the internet, relating to trademarks, explains the factors for infringement, and tries to find the liabilities and responsibilities on it. With regard to case laws, which was brought in this area and the legislation on different countries on it. This research tries to resolve and clearance of ambiguity in the issue of trademarks law and particularly on keyword advertising.

With regard to the nature of the keyword advertising, which is new international issue and because of that, my research could not be limited to specific country such as Italy , so all countries and specially European countries can use and benefited. In addition will be useful for lawyers ,courts, scholars students, companies , and internet users which are daily using internet as the source to finding clear data's which may misused by search engine confusion of customer.

This study will discuss the significant issue relating to keyword advertising and will propose the solution for it. In addition, the study introduces keyword advertising and then clears the legal issues about trademark infringement, consumer confusion and unfair competition and E-commerce issues and alongside will address theories related to keyword advertising, then discuss the litigation of some European country and ECJ.

Also, the research will enhance knowledge of the economic rationale for trademark protection, as well as the impact of protection on free competition. It will examine whether trademark rights may be qualified so as to reconcile trademark law with competition law. In this sense, the research offers scope for trademark law to evolve with contemporary social and economic developments. Here, the research will draw on seminal theoretical contributions that have persistently grappled, albeit without consistency, with trademark valuation for the purposes of rights conferment, and the ideal role that the use of trademarks should serve.<sup>13</sup>

## **6. RESEARCH METHODOLOGY AND APPROACH**

The key objective of this research is to critically analyse the development of trademark protection law as a means through which owners can distinguish their products from those of rivals and the aim is to provide a legal analysis

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<sup>13</sup> F. Schechter, 'The Rational Basis of Trademark Protection', *Harvard Law Review*, 40 (6) (Apr 1927), 813-33; Landes and Posner, 'The Economics of Trademark Law', ( ); H. Rosler, 'The Rationale for European Trade Mark Protection', *European Intellectual Property Review*, 29(3) (2007), 100-07; N. Economides, 'The Economics of Trademarks', *Trademark Reporter*, 78 (1988), 523-39; J. Phillips, *Trade Mark Law: A Practical Anatomy* (New York: Oxford University Press, 2003); Cornish and Llewelyn, *Intellectual Property: Patents, Copyright, Trademarks and Allied Rights*; L. Bently and B. Sherman, *Intellectual Property Law* (3rd edn.; Oxford: Oxford University Press, 2009)

by applying a legal dogmatic method combining a descriptive and analytical study of the EU legislation, case law and doctrine on the issue of keyword-triggered advertising. Therefore, research will examine the liability of keyword vendors, as well as the defences available to third party purchasers and users of their products and particular attention will be given to the impact of keywords on the conventional role of trademarks, including how the ECJ has attempted to grapple with this problem.

In the above regard, reference will be had to the evolution of trademark protection under ECJ jurisprudence to provide deeper insights into potentially ideal modes of protection for trademark rights in light of the functions they perform, or are expected to perform. The analysis will foster better understanding of what is currently perceived as the rational premise for trademark protection under substantive law generally, and case law especially, as well as the constraints such protection may bring upon on free competition. The case law, in particular, reflects considerable dissonance in judicial opinions on how to integrate the desirability of trademark protection with free trade and consumer interest in the context of the unprecedented wealth of information made available by the Internet..

Also , the analysis will be extended to other economic functions that may impact the degree of protection under Article 5 Trade Mark Directive (TMD), specifically, Articles 5(1)(a), and 5(2). Simultaneously, contradictions observable in the criteria for the determination of trademark infringement will be highlighted, thereby furthering appreciation of the challenges associated with trademark protection under the TMD, especially with regard to online keyword advertising.

In performing the tasks outlined above, a qualitative library-based approach is adopted involving the content analysis of materials obtained from primary and secondary sources. The primary sources include relevant regulations, directives, and statutes originating from the EU as well as the case law of the CJEU. The secondary sources consulted are a variety of law and non-law textbooks, reports, studies, journal articles.

Since keyword advertising is a relatively new subject in EU law, most of the materials that have addressed it, consist in review articles. Those articles are examined in order to unveil the thoughts of legal writers within the EU on the legal position regarding keyword advertising. The websites of inter- governmental bodies, government agencies, and civil society organizations have also provided valuable inputs. In addition, this candidate attended and will attend national, regional, and international seminars on issues relating to trademarks, and keyword advertising. Participation in such fieldwork will make it possible to access useful materials that are not normally available in libraries.

## **7. LITERATURE REVIEW**

Through the use of Google's search engine, users are able to access virtually everything on the Internet. When they enter a search term on the engine, two types of results are generated, natural, and sponsored results.<sup>14</sup> The natural results cover all material on the Internet as catalogued by Google at the time

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<sup>14</sup> PJ Greene, 'Keyword advertising, and other invisible uses of third party trade marks in online advertising – a New Zealand/Australasian perspective' (2009) 40 Victoria University of Wellington Law Review , p. 106.

the search is conducted, which are related to the term entered on the search engine. These results are arranged with the aid of Google's search algorithm based on their relation to the search term, such that those that are most related to it appear at the top of the list.

The sponsored results, on the other hand, are results related to Google's AdWords. The Google's AdWords program allows third party advertisers to buy their preferred keywords and to [link](#) advertisements that are related to those keywords.<sup>15</sup> Advertisements related to a keyword are generated as sponsored results whenever an Internet user enters a search term that coincides with that keyword. The ranking of these advertisements on the results list depends largely, though not exclusively, on the price an advertiser has paid to Google to purchase a keyword. This, in effect, means that it is Google, which specifically determines the ranking of sponsored advertisements, while that of the natural results depends on the state of the Internet at the material time.

In those situations, Google's AdWords may clash with the rights of trademark owners, in the sense that, keywords purchased by advertisers, are identical or similar to protected trademarks, and those advertisers are neither the owners of those trademarks, nor parties authorised by their owners to use them.<sup>16</sup>

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<sup>15</sup> A Tan, 'Google AdWords: Trademark Infringer or Trademark Liberalizer?' (2010) 16 Michigan Telecommunications and Technology Law Review 273, p. 476.

<sup>16</sup> G Psaroudakis, 'In search of the trade mark functions: keyword advertising in European law, European Intellectual Property Review, 2012, p. 33.

Among competitors, as well as trademark proprietors, the use of trademarks in keyword advertising has increased. In this connection, the doctrine of trade mark use helps in enabling trademark law to serve the important function of promoting the buying and selling of products, as well as reducing costs for consumers in terms of the time spent in searching for desired products.<sup>17</sup>

Without question, Internet users derive benefits from search engines. they are offered alternatives that are related to the products searched for, in addition to information on a wide variety of other new products. To many trademark proprietors, however, search engines are a source of concern. They are considered to violate trademark law in that they permit competitors to ride freely on the hard won goodwill of trademark proprietors.<sup>18</sup>

These novel trademark issues arising from the internet present legal and policy challenges to courts. While the emergent technologies may infringe the reputation and goodwill of trademark proprietors, they simultaneously enhance competition, increase consumer choices, improve quality, and reduce prices. More complexity is added to these problems by the fact that trademark infringement arising from the Internet is different in nature from the traditional trademark infringement cases. Courts are, therefore, compelled to adapt existing approaches for dealing with traditional trademark infringement disputes to those arising from the Internet.

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<sup>17</sup>Isaiah A. Fishman,—why are competitor's advertising links displayed when i google my product? an analysis of internet search engine liability for trademark infringementl,(2006), 5J The John Marshall review of intellectual property L. 431 , p. 433.

<sup>18</sup>stacey l. dogant & mark lemley , trademark use requirement in dilution casesl ,(2008), santa clara computer & high technology Vol. 24 , Issue 3 , 2007 , p. 544.

For little known brands, the use of famous trademarks can help to boost access to Internet users. This is because when users enter those marks on a search engine, the generated results are linked to advertisements belonging to the less famous brands, thereby bringing them to the attention of users.<sup>19</sup>

The main policy goal underlying trademark protection is the prevention of consumer confusion. The proprietors of trademarks may prevent third parties from using their marks on the premise that doing so is necessary to prevent consumer confusion. Thus, the philosophical basis of trademark law is not the protection of marks per se, but the protection of consumers from confusion. In effect, the chief aim of trademark law is the protection of the consuming public, and not trademark proprietors. But given all that, it is equally believed that the use of trademarks in keyword advertising helps, rather than harms consumers.

Nevertheless, some national courts in the EU chose a broad interpretation of use, leading to a finding of liability for trademark infringement. By contrast, others favored a more traditional interpretation of trademark use, which generally exonerated search engine owners, particularly Google, from liability. Therefore, a persistent question has been whether Google can lawfully sell trademarks as keywords, or whether it may be held liable for trademark infringement when users enter trademarked keywords on its search engine.<sup>20</sup>

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<sup>19</sup>Gregory shea, Trademarks and keyword banner advertising!,(2002), southern California law review, Vol. 75:529 , p. 535.

<sup>20</sup>Stephanie Yu Lim, Can Google be Liable for Trademark Infringement? A Look at the "Trademark Use" Requirement as Applied to Google AdWords!(2007), ucla entertainment law review,14: 265 , p. 431.

About state of the art in case of keyword advertising in European legislations within the European Union, the Trademark Directive and the Community Trademark Regulation govern the European Union trademark law. Article 5 of the Trademark Directive and Article 9 of the Community Trademark Regulation sets out circumstances where a trademark owner has the right to prohibit a third party's use of the trademark owner's trademark. Many Member States' national courts have struggled with the question of whether or not an unauthorized use of someone else's trademark as a keyword in an advertisement on the Internet constitutes trademark infringement. Given that the Member States' courts have reached different conclusions on the issue, national courts have referred questions to the Court of Justice of the European Union for the Court to interpret the Trademark Directive and the Community Trademark Regulation.

In reference to history of keyword advertising , in 2003 Louis Vuitton which is a very famous French Brand of luxury fashion manufacture found that Google is displaying advertisements of websites that are mostly imitation products when internet users were searching for Louis Vuitton products in search engine specially Google. The company legal team brought law suit against for trademark infringement in a French regional court in order to condemn Google for infringement of company's exclusive rights on Louis Vuitton trademark. The court found that actually Google was offering the word "Louis Vuitton" to its Internet users in keyword suggestion tool. So, on the basis of obvious act of Google the court announced that Google is liable for trademark infringement and then another court which was intermediate court affirmed the ruling on this case. This decision was like a bomb explosion among IP scholars. Then, Google appealed to de court de causation , in order to ask for clarification on several

issues of the EU law, specially they asked for interpretation of Trademark Directive 1989. Cour de cassation referred Three question of the Google to the ECJ for ruling and questions summary was about weather Google is liable for trademark infringement or not.<sup>21</sup> In an advisory opinion which brought lots of crisis advocate general Poiares Maduro recommend that ECJ should not find Google liable for infringement due to the 1989 Trademark Infringement. Advocate general mentioned that there should be a Four prong test in order to tell Google is infringing.

First, a defendant's use of a trademark must lack the proprietor's consent. Second, the use must happen in the "course of trade." Third, the use must relate to goods or services "identical or similar" to ones covered by the trademark. Fourth, use must affect or be liable to affect the functions of the trademark. Particularly important among these functions is the "essential" one of guaranteeing the origin of goods or services. Uses that raise a likelihood of confusion undermine this "essential function."<sup>22</sup>

Due to this Four prong test Advocate General analyzed AdWords as two separate uses; one when Google allowed advertisers to select keywords initially and a second when Google displayed advertisements in response to keywords entered by internet users. Louis Vuitton consented to neither use and both uses occurred in the course of trade in the manner of that Google is profiting from advertising in course of trade.

However, it was found by the advocate general that such display of advertisings by Google just fulfilled the third prong of the infringement test because only at that stage was a link established between the trademarked

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<sup>21</sup> *Google France*, 2010 ECJ EUR-Lex LEXIS

<sup>22</sup> Opinion of Advocate General Poiares Maduro,

keywords and goods that were “identical or similar” to Louis Vuitton’s products. In contrast, at the earlier selection stage no such link was established because the marketed service, inclusion in Ad-Words, was neither similar nor identical to Louis Vuitton’s goods.<sup>23</sup>

Hence, the Advocate General reached the fourth prong of the infringement test only with respect to the display of advertisements. He found that such display was not sufficient to undermine the essential function of trademarks — to guarantee the origin of goods — because it did not lead to confusion. Although the Advocate General acknowledged that advertisers paid for the benefit of the “expectation of being relevant to the search,” he emphasized that search results often disappointed the particular expectations of individual users. For such reasons, internet users assessed the origin of goods or services only on the basis of the content of the advertisement and, ultimately, the advertised websites.<sup>24</sup>

Court of Justice of the European Union began to rule on the issue in 2010, when it reached decisions in three different cases it was faced with. These three judgments mark the formulation of the Community case law regarding keyword-triggered advertising within the EU and later this issue continued also until now.

This approach has been criticized by analysts who believe that the Court should have adopted a more traditional approach to the analysis of trademark infringement, which was suggested by its Advocate General, in

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<sup>23</sup> TRADEMARK LAW INFRINGEMENT LIABILITY ; EUROPEAN COURT OF JUSTICE HOLDS THAT SEARCH ENGINES DO NOT INFRINGE TRADEMARKS , Harvard Law Review , Vol. 124 , p. 650 .

<sup>24</sup> Ibid

order to arrive at the same conclusion<sup>25</sup>. The premise on which the Court rested its ruling, it is believed, missed salient parts of the evidence, circumvented its pre-existing jurisprudence, and most of all, threatened to open the floodgates of abusive trademark use in the future.

With the emergence of keyword advertising, disagreements have arisen over the normal functions of a trademark protected under Article 5(1) TMD. There are also questions about how to address the conflicting interests of search engine owners, trademark proprietors, advertisers, and the consuming public. At the initial stages of the ongoing disagreements, attention focused on whether the use of a trademarked keyword in generating advertisements constituted use<sup>6</sup> of the relevant mark by the search engine owner, the advertiser, or both of them, and therefore, whether the matter fell under harmonized EU trademark law; or was better tackled under national tort, or unfair competition laws.<sup>26</sup>

Furthermore many scholars evaluated the keyword advertising under concept completion law and unfair competition acts. The argued Trademark owners advance several arguments against the legality of search engine companies allowing third-party trademarks to be bought for keyword advertising. The basic claim trademark owners make is that search engines are being unjustly enriched by exploiting trademarks without permission in order to earn substantial profits. Such specific claims include also unfair competition .

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<sup>25</sup> Joined cases c-236/08, c-237/08 & c- 238/08, google france sarl v. louis vuitton malletier sa, 2010 ecj eur-lex lexis 119

<sup>26</sup> Alexander von Mühlendahl, The Max-Planck study on the overall functioning of the European trade mark system I, (2011), ECTA (European Communities Trade Mark Association) , p. 122.

The trademark owners argue that because the search engines are using the marks in commerce in connection with the selling or advertising of goods and services in such a way that is likely to cause confusion, all elements needed to constitute unfair competition are met.<sup>27</sup>

The owners argue that keyword advertising can result in confusion for the consumers because most of the advertisements are placed on the search results page as "sponsored links," and it is not clear who sponsors the advertisement. In opposite search engine argued before that Additionally, the search engines argue that, because advertisers use their own names in the advertisements when referring to the identity of the source of their goods or services, the likelihood of confusion argument fails.<sup>28</sup>

Due to all what mentioned above keyword advertising it is observed that more and more companies advertise on the web, the legality of keyword advertising practices has become the newest battle in a series of conflicts over how much protection trademarks should be given in cyberspace and this is still questionable.

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<sup>27</sup> Sheldon H. Klein & Henry Huffnagle, IV, Spkt Decisions: The Issue of "Use" in the Context of Search Engine Keyword-Tiggered Advertisng, No. 12 INTELL. PROP. & TECH. L.J. 1, 1 (2007). P. 19.

<sup>28</sup> J. Anderwood, State regulation of keyword advertising : A lesson from Utah legislative, 15 J. Intell. Property, 2008, p. 282.

## **CHAPTER TWO: LEGAL AND TECHNICAL ASPECTS OF KEYWORD ADVERTISING**

### **1. THE INTERNET AND ITS IMPORTANCE**

The Internet is a network of computers that can intercommunicate packets of data via telephonic connection through the transmission control protocol/internet protocol (TCP/IP) standards. The Internet prototype was designed and developed in 1969 by Bolt, Beranek, and Newman Inc., under contract with the Advance Research Project Agency (ARPA) of the U.S.

Department of Defense. In 1996, ARPA was renamed the Defense Advanced Research Projects Agency. The resulting network became known as the "ARPANET." U.S. universities joined ARPANET in the 1970s, and connections to some European universities were made at the end of that decade. The defense application was segregated in 1983 and then ARPANET ceased to exist in 1990. The Internet began to be opened to commercial internet service providers after 1992 and, through them, to private individuals.<sup>29</sup>

The Internet has positively changed human life. It has made life easier and has promoted the people's welfare. The Internet, or the "World Wide Web" (WWW), is a worldwide network that makes connections among millions of computers that facilitate communication and exchange of information.<sup>30</sup>

The Internet has become a major part of human life and has provided a great venue to learn, search, communicate, perform online transactions, and shop, among others. It has become the main source of information in any area.<sup>31</sup> The WWW is now the primary source of information for a large number of consumers. Moreover, the Internet has become a new channel for many products and services over the last few years.<sup>32</sup>

Accordingly, the Internet provides new ways of conducting business in the modern world. It has a larger bigger market than that of traditional

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<sup>29</sup> R. Rahman, Computer Science Handbook, UKM Publication , 2014 , p. 16.

<sup>30</sup>Yelena Dunaevsky —Don't Confuse Metatags with Initial Interest Confusionl, (2001), 29(3), Fordham Urban Law Journal , p. 618.

<sup>31</sup>Gholam R. Amin, Ali Emrouznejad , Optimizing search engines results using linear programmingl, Journal of expert system with applications , (2011), 38(9) ,p. 1537

<sup>32</sup>Purushottam Papatla, Feng (Oliver) Liu—Google or BizRate? How search engines and comparison sites affect unplanned choices of online retailersl, (2009), 62(11), Elsevier, p. 1042.

channels for sales. Consequently, companies need Internet-based marketing activities to attract customers in faster and more effective ways. This worldwide network of computers brings together buyers and sellers and provides a new competitive environment where companies can conduct business. Furthermore, it has become a wide market place for consumers to find and obtain products, as individual buyers and sellers are matched according to product offerings and needs.<sup>33</sup>

The Internet has made a fundamental change in the manner by which consumers obtain information by facilitating consumer search and purchase patterns.<sup>34</sup> Consumers generally have several ways to access information on products that aid them in making purchase decisions in the traditional manner, such as regular mass media (e.g., television, radio, newspapers, and magazine), people (e.g., inquiry to friends, family, or experts), information provided by the producers or manufacturers (advertisements, catalogues, or companies' marketing representatives), and personal observation and experience.<sup>35</sup>

On the one hand, customers can bring together all traditional channels of information in this manner. They can also find reliable information and product catalogues from the official web sites of companies, watch or read web advertising, and use the web sites that provide experts' critical reviews on products. On the other hand, producers or manufacturers can ask users to share their experiences or opinions on their products or services. Moreover,

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<sup>33</sup>Lisa R. Klein, John A. Quelch, (1997), 14(5), "Business-to-business market making on the Internet," *International Marketing Review*, p. 352.

<sup>34</sup>Ghose and Yang —An Empirical Analysis of Search Engine Advertising: Sponsored Search in Electronic Marketsl, (2009), 29(3), *Management Science*, Articles in Advance, p. 7.

<sup>35</sup>Christopher Skinner, (2010), 11(6), "Innovation in the internet age", *Business Strategy Series*, p. 409.

they provide a discussion area in their web sites where users can place their queries. For example, many web sites in the tourism industry, such as Agoda<sup>36</sup> and Trip advisor<sup>37</sup>, provide in-depth details on destinations, hotels, and services that help users gather information before making decisions.

In this regard, the Internet is a huge source of information and a communication tool, with over 2.6 billion search queries per day on Google alone. Clearly, a great opportunity for business beyond e-commerce exists.<sup>38</sup>

Business organizations need to represent themselves on the Internet to attract more customers and to increase public awareness of their organizations and products to increase sales. Internet popularity and the low cost of publishing information on the WWW have caused the increase in utilization of cyberspace for businesses. Millions of users globally can view the web pages of different companies as the Internet is easily accessible at an affordable price. Consumers can search for the products of a company and ask questions directly to the company without going to the store, which is important to save money and time. The traditional ways of advertising will no longer influence consumer perception and behavior in this new and amazing market.

Therefore, companies have to come up with new advertising channels to attract customers and connect with them. Technically, dealing with customers in cyberspace is useful in eliminating communication cost. The information provided on the web site enables customers to find the answers

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<sup>36</sup>[WWW.GEDODA.COM](http://WWW.GEDODA.COM)

<sup>37</sup>[WWW.TRIPADVISOR.COM](http://WWW.TRIPADVISOR.COM)

<sup>38</sup>Christopher Skinner, (2010), 11(6), "Innovation in the Internet Age", Business Strategy Series, p.

to their inquiries themselves.<sup>39</sup> Initially, obtaining specific information from the abundant information on the Internet was not easy. Today, search engines have become the main tool for surfing the Internet.<sup>40</sup> This practical tool plays an important role in connecting sellers and buyers. The next section discusses the history and function of search engines.

## **2. SEARCH ENGINES**

### **2.1. Search Engine Definition**

The growth of the Internet as a massive and dynamic repository of the world's information continues at an unprecedented rate. The depth of expanding information that resides in billions of servers around the world is logically impossible to grasp. Internet users rely on search engines to find information.<sup>41</sup> According to some scholars, "when the search engine software finds pages that match the search request, it presents the user with brief descriptions and clickable links to the web page."<sup>42</sup>

Generally, "searching" is a major activity on the Web and it uses keys. Search engines are frequently used for accessing information. The amount of queries and search results is in thousands or even millions because of the large and widespread information on the Web.<sup>43</sup>

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<sup>39</sup>Karen A. Forcht, (1996), 4(4), "Doing business on the Internet: marketing and security aspects", Information Management & Computer Security, p. 4.

<sup>40</sup>Nadia Abou Nabout, Bernd Skiera—Return on Quality Improvements in Search Engine Marketing, (2012), 26(3), Journal of Interactive Marketing, p. 141.

<sup>41</sup>Tasneem Fidali, An evaluation on how keyword advertising affects Google search results, Master thesis, San Jose State University, 2006, p. 14.

<sup>42</sup> Poremsky, Diane, Visual quickstart guide: Google and other search engines, Berkeley, CA: Preachpit press, p. 18.

<sup>43</sup>J. Bar-Ilan et al.—Methods for comparing rankings of search engine results, (2006), 50(10), Computer Networks, p. 1448.

Search engines are defined as powerful tools that assist consumers in their activities in the online environment. These tools help users find better information in an efficient manner.<sup>44</sup> They function as mediators between consumers and online information. The most frequently used search engines to locate information on the Web are Google and Yahoo.<sup>45</sup>

Recent surveys show that about 120 million American adults (84% of the adult Internet population in the United States) used search engines in the past and that about 59 million American adults use search engines on a typical day. A shopper may use Web search tools to look up pre-purchase product information (prices, designs, styles, reviews, etc.), even if the transaction is ultimately executed offline.<sup>46</sup>

With regard to Internet World Stats (2010) between 2000 and 2010, the number of Internet users worldwide more than quadrupled from fewer than half a billion to 1.9 billion. Approximately 85% of Internet users bought at least one product online, and search engines supported 37% of their purchase decisions.

## **2.2. Emergence of Search Engines**

The WWW Worm, which was one of the first search engines, had an index of 110,000 web pages and accessible documents. By the late 1997, some search engines claimed to index up to 100 million web pages. Similarly, the number of searches conducted grew rapidly. The WWW Worm received an

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<sup>44</sup>C. Flavián-Blanco et al.—Analyzing the emotional outcomes of the online search behavior with search engines, (2011), 27(1), *Computers in Human Behavior*, p. 540.

<sup>45</sup>Gholam R. Amin, Ali Emrouznejad—Optimizing search engines results using linear programming, (2011), 38(9).

<sup>46</sup>N. Kumar, K.R. Lang—Do search terms matter for online consumers? The interplay between search engine query specification and topical organization, (2007), 44(1)

average of about 1,500 queries per day in March and April of 1994. Alta Vista, a then popular search engine, claimed it handled roughly around 20 million queries per day by November 1997. The demand for more relevant and faster search results increased because of the competition among search engines and required search engines to improve their search technology to meet user demands.<sup>47</sup>

### **2.3. Search Engines Technology and its Financial Importance**

Search engines gather data by deploying robot programs that are fully automated and index pages on the Internet. Search engines generally respond to queries by finding and indexing large numbers of web sites, which they display according to their relevance to the user's search. Each result is ranked by its relevance to the query.

Search engines use special software called spider or bot to collect data from web sites. The collected data include the web site URL, keywords that define the content of the web site, the code structure that forms the web page, and links provided on the web site. This program moves by using the hyperlink structure of the Web. It navigates through web pages periodically and captures changes that have been made since its last navigation. Then, the search engine indexes and stores them in a database. This database is referred to as the index of the search engine, and the performed operation is called indexing. Therefore, when a user searches the Web to collect data or information, the query is transferred to the search engine index and the results are shown to users (query). An essential competition factor among search engines is the sorting process and display of relevant results. Pages relevant to a performed query are determined and shown to users in a sorted

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<sup>47</sup> Amir Mortazavi , Master thesis in computer sciences , USM University , 2012 , p. 16

list structure. At this point, search engine algorithms take on the important role of determining and showing the most relevant results to users.<sup>48</sup>

In brief, search engines collect data using robots from each Web URL and store them in a database for when users perform queries through them. They also use the database as reference to show the results.

Technically, search engines gather data by deploying robot programs that are fully automated to index pages on the Internet. These robot programs, as mentioned above, are spiders or crawlers. These robots in Google create lists of findings automatically. The robot programs periodically visit pages on the Internet to check whether any information on the page has been updated. The programs automatically add new information to the index if they find updated information on the pages.<sup>49</sup> Important elements for updates, such as page titles, text on the page, and other elements, play a role in how Web pages are categorized and presented in searches. Users are able to access these indexes when they search for information through a search engine.

Search technology has improved with the developments in information technology, and the ability of search programs to get faster and more relevant search results has been enhanced along with it. Many search engines have started to incorporate reading meta tags as part of their indexing formula and use tags to position, rank, and categorize web sites in results. Commercial sites started to scramble to attract visitors as the number of web pages increased exponentially on the Internet. Webmasters added

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<sup>48</sup>Jin Zhang, Search engines' responses to several search feature selections, (2010), 42(3), *The International Information & Library Review*, p. 212.

<sup>49</sup>Tasneem Fidali, An evaluation on how keyword advertising affects Google search results, Master thesis, San Jose State University, 2006, p. 16.

popular search keywords to meta tags not related to the content on the page. Rogue web pages could then be accessed frequently and receive high ranking. Search engines took action against Webmasters who manipulate search results by excluding the pages altogether from their search results to provide relevant results.<sup>50</sup> Companies realized that they had to use innovative ways to advertise to get the attention of search engines users because of the way search engines are tied to keyword advertising, which is caused by the sophistication of the search software that weeds out irrelevant sites. Advertisers have started to buy the most frequently searched keywords related to their products from search engines so that their sites would appear frequently in the search results.

The major reason for the popularity of search engine marketing lies in its unique ability to customize an ad for the keyword in the customer's search. This customization attracts qualified visitors with potential intention to buy from the advertisers' web sites.<sup>51</sup> This highly popular online advertising format is also known as search engine marketing, keyword advertising, and paid or sponsored search. Statistics shows that 47% of the total worldwide online advertising expenditure in 2009 in the United States alone reached \$10.7 billion.<sup>52</sup> This type of advertising has become the largest source of revenue for search engines.<sup>53</sup>

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<sup>50</sup> Tasneem Fidali ,An evaluation on how keyword advertising affects Google search results , Master thesis ,San Jose State University , 2006 , p. 14.

<sup>51</sup>Nadia Abou Nabout et al.—An analysis of the profitability of fee-based compensation plans for search engine marketing, (2012), 29(1), Intern. J. of Research in, p. 68.

<sup>52</sup>Nadia Abou Nabout, Bernd Skiera—Return on Quality Improvements in Search Engine Marketing, (2012), 26(3), Journal of Interactive Marketing, p. 141.

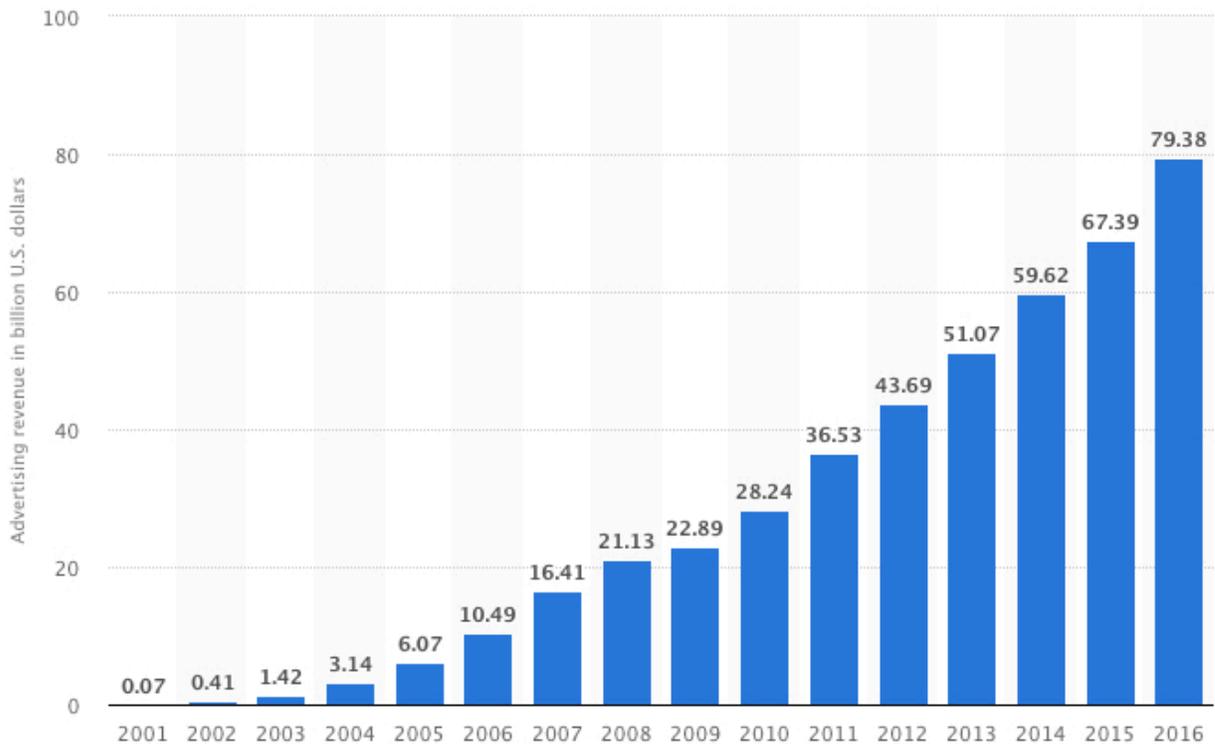
<sup>53</sup>Ghose and Yang—An Empirical Analysis of Search Engine Advertising: Sponsored Search in Electronic Markets, (2009), 29(3), Management Science, Articles in Advance, p. 8.

In short, the mechanism of keyword advertising works in such a way that users receive two types of results when they type keywords into search engine bars, namely, unsponsored and sponsored search results. Unsponsored or natural search results depend on result relevancy. The display of natural results is free of charge in contrast to the sponsored search results (located on the top right-hand side), which advertisers pay for each click on their ad. The price and ranking paid per click depends on the keyword auction. Yahoo and Google are two market leaders that use similar auction designs. Generally, advertisers offer a bid for each keyword for each click, and the search engine provider values the offered bid according to the ad's quality, which is measured by the proprietary quality score. Currently, the sale of advertisements placed on search result pages is a major source of income for many of popular search engines. Google also earn the largest part of its revenues through Ad-Words.

The graph in below shows how much is Google revenue from Google advertising from 2001-2016.<sup>54</sup>

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<sup>54</sup> Available at: <https://www.statista.com/statistics/266249/advertising-revenue-of-google/>



Advertising is any paid form of non-personal communication about an organization, product, service, or idea by an identified sponsor. Advertising was originally established in print media, such as newspapers and magazines, and then it was applied to the television and radio broadcast scenes. However, advertising has started to shift away from the traditional print and broadcast media toward the growing online advertising industry because of the popularity of online services.<sup>55</sup>

In the last 20 years, a number of different approaches to online advertising have been devised. The current incarnation is that a business purchases either an ad space from an online publisher or search keywords, usually through an advertising agency as an intermediary. Search keywords are bought on the basis of a particular piece of text (e.g., eBay may buy the

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<sup>55</sup>Hamed Sadegh Neshat , Effective Online Advertising , Master thesis , Simon Fraser University Thesis 2011 , P. 19 .

keyword “used DVD”), and the search engines display an ad if the keyword bid is high enough and the ad content is deemed relevant enough. The advertiser pays the search engine a certain amount of money, called the cost-per-click, if the ad is clicked on. Non-search advertising is typically called “display advertising,” and its business model is more varied and different from search advertising. Typically, an advertiser or agency purchases an ad space through an online publisher such as Google.<sup>56</sup>

Generally, online advertising is a form of promotion that uses the Internet and the WWW for delivering marketing messages to attract customers. Examples of online advertising are contextual ads on search engine results pages, banner ads, rich media ads, social network advertising, interstitial ads (placing commercial messages between the current and destination page), online classified advertising, advertising networks, and email marketing (including email spam).

Differences exist among the types of advertising. For instance, paid search differs from traditional advertising in that companies do not pay to have their ads displayed. Companies only pay when their ad is clicked on by a user. This pay-for-performance format substantially reduces the wastage incurred by advertisers compared with traditional pay-per-exposure advertising formats.<sup>57</sup> The tool being a high target is another reason why paid search leads to limited wastage compared with other media. A company’s ad is only triggered by a specific keyword, which enables the company to reach a more targeted audience. Furthermore, the ads are

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<sup>56</sup>John Chandler-Pepelnjak , Modeling Conversions In Online Advertising , PhD thesis , University of Montana , 2010 , p. 17.

<sup>57</sup>Animesh, A., Viswanathan, S., Agarwal, R., 2011, “Competing “Creatively” in Sponsored Search Markets: The Effect of Rank, Differentiation Strategy, and Competition on Performance”, Information Systems Research, Vol. 22, No. 1, pp. 153–169.

considered far less intrusive than online banner or pop-up ads because they are based on the consumers' own queries.<sup>58</sup>

With respect to paid search advertising, some inter-government agencies reported Google as a global leader as it holds 86% of the market share. BingHoo (representing the integration of Bing and Yahoo's platform in 2010) and Baidu have a market share of 7% and 6%, respectively, in the global paid search market.<sup>59</sup>

### **3. GOOGLE**

#### **3.1. Historical Overview of Google Website**

Google is the world's most preferred search engine, as it is used by 80% of Internet users worldwide. Google is one of the most profitable advertising tools, with a large number of people using its search results. The name "Google" originated from the word "googol," which is a term used by mathematician Milton Sirotta to refer to the number represented by the numeral 1 followed by 100 zeros. The chosen name represents Google's mission "to organize the immense, seemingly infinite amount of information available on the web."<sup>60</sup>

Larry Page and Sergey Brin, two Stanford students from California, USA, founded Google in 1998. Through word of mouth, Google developed quickly into a large company in only 10 years. It has become so well-known that "Google someone or something" is now a common phrase used when searching the Internet for someone or something. According to Google, Page

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<sup>58</sup>Ghose and Yang, 2009a, "An Empirical Analysis of Search Engine Advertising: Sponsored Search in Electronic Markets", *Management Science*, Vol. 55, No. 10, pp. 1605–1622.

<sup>59</sup>Covario, 2012, "Paid Search Grows 17% in Second Quarter", accessed August 6, 2014: < [http://www.covario.com/phocadownload/design/q2-12\\_gpssa\\_FNL.pdf](http://www.covario.com/phocadownload/design/q2-12_gpssa_FNL.pdf)>.

<sup>60</sup>Google's official website, Company overview <http://www.google.com/about/company/>

and Brin wanted to collect the world's information and make it available for everyone. Google's services are free, easy to use, and deliver relevant results in less than a second. The founders want their users to know when someone has paid to be shown on their site, which is why they chose to differentiate the search results from paid ads.

### **3.2.Google Ad-Words**

After the invention of search engines, advertisers found that customers hit on search engine web sites more than any other web sites. Search engine web sites that receive millions of hits daily present great opportunities for advertisers. Pay-per click advertising began with Bill Gross who developed the idea for the first pay-per-click (PPC) search engine called Goto.com, which was later bought by Yahoo in 2003. At the beginning, people were not interested in PPC search engines because of the advertisement on them. PPC search engines did not become popular until the late 2000s when Google introduced its AdWords. Paid search as an industry grew from a base in the low millions to \$4 billion in revenue in the late 1990s to 2004. Google's total advertising revenues in 2010 was \$28 billion and that for the third quarter of 2012 was around \$10 billion.<sup>61</sup>

The widespread use of Internet searching and online shopping has created a huge effect on commerce and consumer purchasing habits. The world has over 2.4 billion Internet users as of February 2013. North America

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<sup>61</sup><http://investor.google.com/financial/tables.html>

has recorded over 273 million Internet users alone; this fact means that search engines are more than willing to promote their advertisements.<sup>62</sup>

AdWords is Google's keyword-triggered advertising program. In other words, it is Google's online advertising that helps advertisers drive interested people to their web sites. AdWords enables advertisers to take advantage of the millions of searches conducted on Google each day. Business owners create ads for their business and choose whether to have them appear on Google above or next to the search results. They choose a word that is relevant to their product or service, and then Adwords shows their ad on Google when someone searches for that or for related words.<sup>63</sup> AdWords enables advertisers to purchase keywords for their web site's meta tags and their Google advertisements. These keywords are recognized by Google's algorithm when a searcher types the relevant keyword. This process is like buying the right to have the advertiser's ad to appear with the search results for a certain keyword.<sup>64</sup> Disgruntled trademark owners filed more than 100 lawsuits in the United States and Europe when search engines began offering ads using trademarks as keywords.<sup>65</sup>

Google goes through millions of web pages to find the most relevant when users perform search through the Google toolbar. Thousands of search results will appear, but not all businesses will be on top of the results. Nevertheless, AdWords gets business visibility even if the web site is not in

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<sup>62</sup>Miniwatts Mktg. Group, *Internet World Stats: Usage and Population Statistics*, <http://www.internetworldstats.com/stats.htm>

<sup>63</sup><http://support.google.com/adwords/bin/answer.py?hl=en&answer=1704410>

<sup>64</sup>aleasha j. boling, confusion, or mere diversion? rosetta stone v. google's impact on expanding initial interest confusion to trademark use in search engine sponsored ads , *indiana law review* , vol 47 , no 1 , 2014 , p. 282.

<sup>65</sup>David. J Franklyn & David. A Hyman, Trademark as search engine keywords: much ado about something?, *Harvard Journal of Law and Technology*, Volume 26, No. , Spring 2013, p. 484.

the top results. AdWords can help users' ads appear on Google in front of many of potential customers. These users could become the web sites' customers.<sup>66</sup>

In simple terms, Google AdWords artificially manipulates search results to prioritize an advertiser's web site over other search results. Advertisers purchase the keywords they want their web site and AdWords advertisements to be associated with.<sup>67</sup> Google sells advertisements based on the keywords searched by users. An advertiser purchases a keyword from Google and pays for each time the ad is clicked by a search engine user who searched for that keyword. Practically, AdWords gives the opportunity to advertisers to purchase keywords, which are words related to their businesses and will show under "sponsored links" on Google when users inquire about those words. Sponsored links are usually located on the right side or above of the organic or natural search results.<sup>68</sup>

For instance, Nokia advertisement will be displayed in the sponsored link area of the search result page if a user performs a search for mobile phones.<sup>69</sup> Initially, an AdWords account is necessary to purchase ad words. In particular, an account holder has to pay a non-refundable activation fee to create an account before the account holder can create ads and select keywords for free. On Google, an ad can be paid in two ways:

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<sup>66</sup><http://support.google.com/adwords/bin/answer.py?hl=en&answer=1704410>

<sup>67</sup>lazaros g. grigoriadis , comparing the trademark protections in comparative and keyword advertising in the united states and european union, California Western International Law Journal , Volume 44, No. 2, p. 149

<sup>68</sup>Stephanie Yu Lim—Can Google be Liable for TrademarkInfringement? A Look at the "Trademark Use" Requirement asApplied to Google AdWordsl, (2007), 14(2), UCLA Entertainment Law Review, p. 266.

<sup>69</sup>Thomas H. Watson—Pay Per Click: Keyword Advertising Programs and the Search for Limitations of Online Trademark Infringement Liability| (2010), Journal of Law, Technology & the Internet, p. 4, Available online: <http://ssrn.com/abstract=1591142>

- Cost-per-click: the account holder will be charged each time someone clicks on the ad.
- Cost-per-thousand-impressions: the account holder will be charged each time someone views the ad.

The account holder has to determine a maximum amount for billing rate, which Google uses to weigh the ad's ranking. Google determines where on the search result the ad will be located on the basis of its ranking. In fact, advertisers compete for the use of a keyword by bidding on it. Therefore, the account holder's financial power implies the degree of the ad's visibility. The display location of non-sponsored links is generally sorted by Google according to their relevance to the search query. The Google search algorithm uses non-commercial factors to determine the relevance of web pages.<sup>70</sup>

By contrast, although ads are also ranked among themselves, sponsored links do not follow the algorithm of natural results. Therefore, the value of AdWords for advertisers lies on the fact that Google allows its keyword-linked ads to override Google's normal page ranking system for non-sponsored links. Sponsored links obtain priority over non-sponsored links in Google's search results display as they appear beside or above the non-sponsored ones. Google search users may be misled to assume that the ads are the most relevant results as no explicit indication exists to set apart sponsored links from non-sponsored links.

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<sup>70</sup> Paul F. Rush, Clearing up the confusion: aiding court decisions regarding trademark infringement and the internet, *Steson law review*, No. 43, p. 639.

Some scholars consider that, under the current trademark law, “a trademark owner's job of protecting his [or her] rights merely begins when the trademarks are registered. It is up to the owner to actively police the market, or the world for that matter, for violations. Once discovered, it is up to the trademark owner or licensee to take action against those infringements. The Internet has added a new dimension to the job of policing for trademark infringements, but the law is still the same.”<sup>71</sup> However, this practice has raised a significant trademark concern that businesses are free to purchase not only generic search terms but also their competitor's trademarks.

This question has been the subject of a great debate among scholars because businesses, such as Apple and Samsung, have turned to Google AdWords, which enables them to bid on keywords and create corresponding advertisements.<sup>72</sup> To date, no uniform method is used to analyze whether trademark infringement exists in these cases. Although both U.S. and foreign courts have applied versions of likelihood of confusion tests in this context, all of the decisions fall short of actually protecting what is at stake when trademarks are sold as keywords on the Internet. The damage to trademarks in this context is not necessarily that consumers will confuse one product with another but that the goodwill and value associated with a trademark that

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<sup>71</sup>Glen Emerson Morris, Protecting Your Trademark on the Internet, *Advert. & Mktg. Rev.* Nov. 2001, p.3.

<sup>72</sup>Richard J. Pinto et al., *Recent Developments in Trademark and Copyright Law*, in *Understanding Trademark Law And Copyright Developments For Online Content* 37, (2010), p. 39-40.

another advertiser purchases to garner recognition for the advertiser's own mark will be damaged.<sup>73</sup>

The Internet's inherently intangible nature, coupled with the intangibility of intellectual property right<sup>74</sup> including trademark rights, render the issue of trademark infringement on the internet an abstruse and complex legal problem. Often, the requirements that one needs to fulfill in bringing a successful trademark infringement action remain unsatisfied when the action concerns third party trademark infringement, and in particular where OSPs are sought to be held accountable for the actions of their infringing users.

In simple terms, Google Adwords artificially manipulates search results to prioritize an advertiser's web site over other search results. Advertisers purchase the keywords they want their web site and Adwords advertisements to be associated with.<sup>75</sup> Practically, AdWords gives the opportunity to advertisers to purchase keywords, which are words related to their businesses and will show under "sponsored links" on Google when users inquire about those words. Sponsored links are usually located on the right side or above organic or natural search results.<sup>76</sup>

Keyword advertising appears to be a lawful and beneficial advertising program that offers consumers a wide range of options when they search the

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<sup>73</sup>Fallon R. Scholl, Abandoning consumer confusion in keyword advertising Trademark infringement cases: proposal for a modified dilution analysis, 7 *Intell. Prop. L. Bull.*, 2013, p. 47.

<sup>74</sup> Yee Fen Lim, *Cyber Space Law* (Oxford University Press, 2<sup>nd</sup> ed) 2007, p3.

<sup>75</sup> Lazaros Grigoriadis, 'Comparing the Trademark protection in comparative and keyword advertising in the United States and European Union' [2014] 44 *California Western International Law Journal*, No 2, p. 149

<sup>76</sup> Yu Lim Stephanie, 'Can Google be Liable for Trademark Infringement? A Look at the "Trademark Use" Requirement as Applied to Google AdWords' [2007] 14 *UCLA Entertainment Law Review*, p. 267.

Web for goods or services. However, this approach to advertising is problematic in that search engine owners allow advertisers the unfair practice of using protected trademarks as keywords and connecting the search results to websites owned by those advertisers despite the absence of a relationship between the goods or services to these marks.<sup>77</sup> Advertisers find this practice beneficial and thus make the most of it, but trademark proprietors complain of unfair competition and infringement. Nevertheless, search engine owners dismiss claims of trademark infringement given the large profits that keyword advertising brings in.<sup>78</sup>

The popularity of keyword advertising among advertisers lies in its ability to increase profits. The fact that search engines can be tapped to advertise products and services without having to pay for actual advertising costs prompted trademark holders to complain and raise legal issues on unfair competition and trademark infringement. Search engine companies strongly insist that keyword advertising is legal and does not infringe on trademark owners' rights. However, trademark holders find this argument and the practice unacceptable.<sup>79</sup> In an era when companies extend their trademark protection to jingles, scents, and shapes, nobody can freely use or unintentionally misuse any trademark to mislead consumers.<sup>80</sup>

Google used to disallow advertisers to link their ads to other trademarks<sup>81</sup> but this advertising policy was amended in the United States

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<sup>77</sup> Aitken Benjamin, 'Keyword-Linked Advertising Trademark Infringement and Google's Contributory Liability' [2005] *Duke law & technology review*(no 21) , p. 3

<sup>78</sup> In 2014, Google's ad revenue amounted to almost 59.06 billion US dollars. That year, advertising accounted for 89.5 percent of the online company's total revenues.

<sup>79</sup> Bartholomew Mark, 'Making a Mark in the Internet Economy: a Trademark Analysis of Search Engine Advertising' [2005] *Oklahoma Law Review* ,p. 364

<sup>80</sup> Lindemann Jan, *The Economy of Brand* (Palgrave Macmillan Publication 2010 UK), p. 17.

<sup>81</sup> Lastowka, 'Google's Law' [2008] *73 Brookline Law Review* , p. 1329.

and Canada in 2004 to allow buying their competitors' trademarks as keywords.<sup>82</sup> This policy was subsequently adopted in the United Kingdom and Ireland in 2008 and the rest of Europe in 2010.<sup>83</sup> In early 2013, this policy was applied in Australia, Hong Kong, and China. According to Google, it "will no longer prevent advertisers from selecting a third party's trademark as a keyword in ads targeting these regions."<sup>84</sup>

In simple terms, Google Ad-Words artificially manipulates search results to prioritize an advertiser's web site over other search results. Advertisers purchase the keywords they want their web site and Ad-Words advertisements to be associated with<sup>85</sup> Practically, Ad-Words gives the opportunity to advertisers to purchase keywords, which are words related to their businesses and will show under "sponsored links" on Google when users inquire about those words. Sponsored links are usually located on the right side or above organic or natural search results.<sup>86</sup> Keyword advertising appears to be a lawful and beneficial advertising program that offers consumers a wide range of options when they search the Web for goods or services. However, this approach to advertising is problematic in that search engine owners allow advertisers the unfair practice of using protected trademarks as keywords and connecting the search results to websites owned by those advertisers despite the absence of a relationship between the goods

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<sup>82</sup> Franklyn David , Hyman David, David. 'Trademark as Search Engine Keywords: Much Ado About Something' [2013] 26 Harvard Journal of Law and Technology, p. 484.

<sup>83</sup> Saltmarsh Matthew , 'Google Will Sell Brand Names As Keyword in Europe ' *The New York Times* (, 4 August 2010)

<sup>84</sup> " <<https://support.google.com/adwordspolicy/answer/6118?hl=en> > accessed 12 April 2016

<sup>85</sup> Lazaros Grigoriadis, 'Comparing the Trademark protection in comparative and keyword advertising in the United States and European Union' [2014] 44 California Western International Law Journal (No 2). P. 149

<sup>86</sup> Yu Lim Stephanie, 'Can Google be Liable for Trademark Infringement? A Look at the "Trademark Use" Requirement as Applied to Google AdWords' [2007] 14 UCLA Entertainment Law Review (no 2) , p. 266.

or services to these marks.<sup>87</sup> Advertisers find this practice beneficial and thus make the most of it, but trademark proprietors complain of unfair competition and infringement. Nevertheless, search engine owners dismiss claims of trademark infringement given the large profits that keyword advertising brings in.<sup>88</sup>

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Google used to disallow advertisers to link their ads to other trademarks<sup>91</sup> but this advertising policy was amended in the United States and Canada in 2004 to allow buying their competitors' trademarks as keywords.<sup>92</sup> This policy was subsequently adopted in the United Kingdom

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<sup>87</sup> Aitken Benjamin, 'Keyword-Linked Advertising Trademark Infringement and Google's Contributory Liability' [2005] *Duke law & technology review*(no 21) , p. 3

<sup>88</sup> In 2014, Google's ad revenue amounted to almost 59.06 billion US dollars. That year, advertising accounted for 89.5 percent of the online company's total revenues.

<sup>89</sup> Bartholomew Mark, 'Making a Mark in the Internet Economy: a Trademark Analysis of Search Engine Advertising' [2005] *Oklahoma* , 364

<sup>90</sup> Lindemann Jan, *The Economy of Brand* (Palgrave Macmillan Publication 2010 UK), p. 17.

<sup>91</sup> Lastowka, 'Google's Law' [2008] *73 Brookline Law Review*, p. 1329.

<sup>92</sup> Franklyn David , Hyman David, David. 'Trademark as Search Engine Keywords: Much Ado About Something' [2013] *26 Harvard Journal of Law and Technology*, p. 484.

and Ireland in 2008 and the rest of Europe in 2010.<sup>93</sup> In early 2013, this policy was applied in Australia, Hong Kong, and China. According to Google, it “will no longer prevent advertisers from selecting a third party’s trademark as a keyword in ads targeting these regions.”<sup>94</sup>

**CHAPTER THREE: KEYWORD ADVERTISING ;  
TRADEMARK FUNCTIONS AND THEIR PROTECTION  
JUSTIFICATION IN ONLINE ENVIRONMENT**

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<sup>93</sup> Saltmarsh Matthew , 'Google Will Sell Brand Names As Keyword in Europe ' *The New York Times* (, 4 August 2010)

<sup>94</sup> " <<https://support.google.com/adwordspolicy/answer/6118?hl=en> > accessed 12 April 2015

# 1. TRADEMARKS; FROM DEFINITION TO DEVELOPMENT

## 1.1.Introduction

As a starting point for the analysis of the justifications for trademark protection and overview of its function , the definition of ‘trademark’ itself should be considered. Before doing so, however, it bears mentioning that trademark law is not the instantaneous emanation of a singular secular occurrence or philosophical proposition. Rather, it is the culmination of progressive developments in the requirements for the proper consummation of economic activities among economic actors. Such activities, as in most aspects of human life, have often involved competing interests, leading to disputes.

Trademark law is the outcome of judicial interventions in such disputes in attempt to validate and uphold rights between competing parties. It is, thus, the result of the felt need to secure signs of ownership against parties who seek to exploit their beneficial use, without permission from their owners. But even for all its perceived importance, there remains lacking a rational and systematic strategy for its optimal governance.<sup>95</sup> Although it is unclear when exactly trademarks were first employed as a means for determining the origin of products, it was not until the 18<sup>th</sup> and 19<sup>th</sup> centuries that they started to enjoy recognition as important rights worthy of protection in the advancement of local and foreign commerce.<sup>96</sup>

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<sup>95</sup> Sakulin, *Trademark Protection and Freedom of Expression: An Inquiry into the Conflict between Trademark Rights and Freedom of Expression under European Law* , p. 35

<sup>96</sup> The Paris Convention for the Protection of Industrial Property (1883) is considered to be the first successful attempt, at the international level, at unifying the trend towards achieving robust protection for all industrial property rights in general, and trade marks in particular.

## **1.2. Definition of Trademarks**

Diverse definitions have been proffered for trademark. Legally speaking, however, and for the present purposes, the definition provided in TMD, itself open to broad interpretations, would be adopted.<sup>97</sup> According to Article 2 thereof:

*A trade mark may consist of any sign capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings.*

From the above definition, it can be gleaned that two conditions need to be met for a mark to qualify for protectable registration. It must be a sign as defined above, and which sign is capable of differentiating between the goods or services of competitors. It should, nevertheless, be clarified that the above definition is presently undergoing reconsideration. As part of the pending reform of the TMD, it has been suggested that the necessity for a sign to be graphically represented should be discarded, meaning that it would be enough for a mark to be represented in such a manner as to be capable of being identified.<sup>98</sup> Those two conditions are elaborated below.

### **1.2.1. It Must be a Sign**

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<sup>97</sup> First Directive 2008/95/Ec of the Council, of 21 December 1988, to Approximate the Laws of the Member States Relating to Trade Marks (Codified Version) '

<sup>98</sup> Trademark law and practice, The elements , Oxford University Press , p. 41.

The term, ‘sign’, as an element of a protectable trademark, is normally construed widely, taking into account continuous changes in global commerce.<sup>99</sup> The provision in Article 2 should, therefore, be seen only as an indicative, rather than a closed list of signs that may be worthy of protection. On the whole though, a sign should be capable of visual perception. At the same time, as the ECJ has clarified in *Philips Electronics*, this does not always have to be the case. In fact, a sign may still be deserving of protection as a trademark, even if not capable of visual perception, including sounds and smell.<sup>100</sup>

Despite the apparent flexibility in the interpretation of ‘sign’, it does not follow that any means of identification can qualify as a protectable trademark.<sup>101</sup> For example, one may not apply to register the shape of a product as a trademark and seek to exclude others from the use of that shape. The shape is, at best, only a feature of the relevant product and cannot amount to a sign. More importantly, to allow such a practice would unleash intolerable restriction on free competition by preventing others from offering products having an identical shape.<sup>102</sup> It would also undermine the very essence of trademark law as it would amount to granting owners more than what is necessary to avoid consumer confusion.<sup>103</sup> It would leave owners of

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<sup>99</sup> Bently and Sherman, *Intellectual Property Law*. D. Bainbridge, *Intellectual Property* (7th edn.: Longman: Pearson Education Limited, 2009) at 639; C. Morcom et al., *The Modern Law of Trade Marks* (3rd edn.; Butterworths: LexisNexis, 2008) at 53-54; W. Cornish and D. Llewelyn, *Intellectual Property: Patents, Copyright, Trademarks and Allied Rights* (6th edn.; London: Sweet & Maxwell, 2007) at 687.

<sup>100</sup> ‘Sieckmann V German Patent Office’, (C-273/00).

<sup>101</sup> *Philips Electronics Nv V Remington Consumer Products Limited*, (C-299/99).

<sup>102</sup> *Dyson Ltd V Registrar of Trade Marks*, (Case C-321/03).

<sup>103</sup> R Burrell and M Handler, *Australian Trade Mark Law* (Oxford University Press, 2010), p389

rival products almost defenceless in infringement claims, where any alleged confusion hinges on similarities.

### **1.2.2. Capable of Distinguishing between the Goods or Services of Different Undertakings**

This requirement is the primary purpose of trademark protection; the need to distinguish the products or services of one competitor from those of another to avoid consumer confusion. In determining how trademarks perform this distinguishing function and how they help in affirming the source of goods or services, it is desirable to examine their key attributes. As the ECJ has posited, “[t]he essential function of the trade mark is to guarantee the identity of the origin of the marked product to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the product or service from others which have another origin.”<sup>104</sup>

It means that for a trademark to effectively perform the function of differentiating products or services, it has to serve as a ‘badge of origin’. Thus, in *Elvis Presley*, it was held that the name of the music icon, “Elvis”, which was marked on products, did not serve as an indication of origin because it was not distinctive and capable of differentiating the marked products from those of other competitors. As a result, it did not, by itself, qualify for protection.<sup>105</sup> The ECJ clarified that consumers who patronised the marked products, did so because of the popularity enjoyed by that name, and not because it helped them to identify the origin of the products. Put differently, popularity does not, *eo ipso*, prove distinctiveness, and the name

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<sup>104</sup> ‘Canon Kabushiki Kaisha V Metro-Goldwyn-Mayer Inc.’, at para 28.

<sup>105</sup> ‘Elvis Presley Trade Mark [1997] Rpc 543.

at issue was not, in the circumstances, a 'keyword'.

The requirement of 'distinctiveness' is meant to clearly indicate or allude to the origin of products or services, an observation that reechoes the opinion of the ECJ on the significance of the origin of trade.<sup>106</sup> According to the ECJ in *Hoffman-la-Roche*, the affirmation of origin is the very attribute that enables a trademark to serve the purpose of winning consumer patronage, thereby securing for the mark owner an advantage over other competitors.

“[The] guarantee of origin means that the consumer or ultimate user can be certain that a trade-marked product which is sold to him has not been subject at a previous stage of marketing to interference by a third person, without the authorisation of the proprietor of the trade mark, such as to affect the original condition of the product”.<sup>107</sup>

In light of the ECJ jurisprudence, trademarks provide their owners a way of guaranteeing to consumers that the marked products or services have actually originated from them and, in that sense also, serve as a way of assuring free and unfettered competition with rivals. It is the ability to identify the origin of particular products or services that confers a competitive advantage on trademark owners. Apparently, on the ECJ's view, this advantage would be eroded, if the law fails to protect the products or services of trademark owners to enable them maximise the associated

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<sup>106</sup> P. Torremans and J. Holyoak, *Intellectual Property Law*, 4th edn.; Oxford: Oxford University Press, 2005, p. 374.

<sup>107</sup> *Hoffmann-La-Roche V Centrafarm*, at para 7.

benefits.<sup>108</sup>The Court recognizes, indeed, that trademarks are indispensable to the growth of free competition under EU law by affording a way to “guarantee that all the products conveyed have originated under the control of a single undertaking which is responsible for their quality”.<sup>109</sup> In the spirit of free trade, it also entitles trademark owners to ratify, as their own, products or services having other origins, provided those other products or services fulfill their standards.<sup>110</sup>

### **1.3.Development of Trademarks**

It is useful to provide a brief historical account of trademarks, both to unveil their sociological basis, and illuminate the development of the legal regimes for their regulation in terms of the features, ambit and order of importance of the functions they perform. <sup>111</sup>

It is difficult to tell when the use of trademarks first began, as the practice seems to have existed alongside the beginning of trade.<sup>112</sup> There are indications that, even as far back as five millennia ago, marks were used as a

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<sup>108</sup> Griffiths, *An Economic Perspective on Trade Mark Law*, Edward Elgar Publishing, 2011 Ed, p. 10.

<sup>109</sup> *Canon Kabushiki Kaisha V Metro-Goldwyn-Mayer Inc.*, at para 28; *'Sa Cnl-Sucal Nv V Hag Gf Ag (Hag Ii)*', (C-10/89 [1990] ECR I-3711) at paras 13 & 14.

<sup>110</sup> *Primark Stores Ltd V Lollypop Clothing Ltd* ', ([2001] ETMR 30).

<sup>111</sup> J. Ammar, *Think Consumer: The Enforcement of the Trade Mark Quality Guarantee Revisited, a Legal and Economic Analysis* (Newcastle, United Kingdom: Cambridge Scholars Publishing, 2011,p 8.

<sup>112</sup> R. Merges et al., *Intellectual Property in the New Technological Age*, 3d edition, 2003,p. 529.

means of identifying pottery and the ownership of livestock.<sup>113</sup>

As trade increased across borders, the use of trademarks grew in importance among manufacturers, who affixed them to their products as indications of origin, although during this time, they enjoyed no legal recognition.<sup>114</sup>

With the emergence of the guilds of craftsmen during the Middle Ages, trademarks took on added importance. A key impetus for this development was the requirement by local law for guild members to mark their products so as to ease the identification of the makers of defective products. An additional reason was to help secure domestic monopoly by protecting the commercial interests of guild members against competition from foreign products, which, at that time, were amenable to confiscation.<sup>115</sup> Despite these requirements that were implemented at both local and national levels, trademarks did not provide any protection for individual product makers, but only served the purpose of assuring quality for privileged classes.<sup>116</sup>

With the advent of the Industrial Revolution early in the 19<sup>th</sup> century and the rise of the entrepreneurial class, along with the inventive and manufacturing activities that flourished, global trade boomed, necessitating

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<sup>113</sup> S. Diamond, 'The Historical Development of Trademarks ', Trademark Reporter, 73 ,1983,p. 223; B. Paster, 'Trademarks-Their Early History', Compiler Publications, 1969, p. 551.

<sup>114</sup> F. Schechter, 'The Rational Basis of Trademark Protection', 60 Trademark Rep, 1970, p. 814

<sup>115</sup> Diamond, 'The Historical Development of Trademarks ',73 Trademark Rep, 1983, p. 234; G. Pickering, Trade Marks in Theory and Practice, Hart Publishing , 1998 ,p. 37.

<sup>116</sup> R. Bone, 'Enforcement Costs and Trademark Puzzles', Virginia Law Review 90 , 2004, p. 2100.

the broadening of trade distribution channels.<sup>117</sup>

Those developments, in turn, created the need for competitors to secure as much share as possible of the market, as well as competitive advantage, through the advertisement of their products. In this way, trademarks started to gain the increased importance they enjoy today as indicators of the origin of particular products and their makers.<sup>118</sup> Along with this, the desirability for trademark protection intensified.<sup>119</sup> Given their importance and derivable financial benefits, trademark infringement disputes expectedly increased, warranting judicial interventions, which themselves, enhanced the role played by the courts today in trademark law enforcement.<sup>120</sup>

During the latter part of the 19<sup>th</sup> century, which, could be seen as marking the modern phase of trademark law, it became necessary to streamline trademark rules to bring greater uniformity and dependability into the trademark regime.<sup>121</sup>

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<sup>117</sup> D. Landes et al., *The Invention of Enterprise: Entrepreneurship from Ancient Mesopotamia to Modern Times*, Princeton University Press, 2012, p. 84.

<sup>118</sup> Diamond, 'The Historical Development of Trademarks', 73 *Trademark Rep.* 1983, p. 238.

<sup>119</sup> D. Long, 'Unitorial' Marks and the Global Economy', *J. Marshall Reviv Intellectual Property Law*, 2002, p.191.

<sup>120</sup> The first reported decision relating to trade marks protection against the imitation of the mark came in the year 1824 in *Sykes v. Sykes* (1824) 3BC 543.

<sup>121</sup> Bently et al., *Trade Marks and Brands an Interdisciplinary Critique*, 2<sup>nd</sup> Edition, Cambridge Publication, 2010, p. 43.

## 2. EVALUATION OF KEYWORD ADVERTISING WITH REFERENCE TO TRADEMARK LAW

The importance of the Internet and e-commerce cannot be overemphasized, as reflected by the large numbers of economic entities that have extended their presence to the virtual world through the establishment of websites meant to maximise sales opportunities.

Morcom et al. have rightly observed that, “the Internet is now a vital part of commercial life. Many traders use an Internet web page as a sole, or at least main, ‘shop front’ for their goods or services. We bank online, shop online, book holidays and buy houses online, even our unwanted second hand goods are disposed of online”.<sup>122</sup>

An important emanation from those developments is online keyword advertising. It is, therefore, pertinent to examine the technical dimensions of AdWords services, their essential attributes and the ways in which they may impact trademark rights. This task necessarily entails an interrogation of the nature and extent of the protection trademark holders should be allowed to enjoy in circumstances involving keyword advertising.

It is difficult to resist the urge to exploit the recent economic opportunities, especially in a largely *laissez faire* world that relentlessly takes advantage of perceived opportunities. Through the Internet, e-businesses can access a wide range of consumers spread across vast

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<sup>122</sup> C. Morcom et al., *The Modern Law of Trade Marks*, 2nd editions, Ohio Butterworths Publishing, 2005, p 371.

distances, providing them huge opportunities to market their products with greater rapidity and at reduced costs.<sup>123</sup> Businesses are able to deal with consumers directly and sidetrack middlemen, as well as the extra costs they usually thrust on buyers and sellers. This makes for lower costs and greater sales.

Thus, the Internet facilitates simultaneous trading in identical products and services on both the virtual and real-world markets.<sup>124</sup> Those benefits, however, come with dilemmas. While the free flow of information is good, too much of it can confront consumers with the challenge of separating the relevant from the irrelevant. To overcome this problem, Internet users patronise ISPs, especially Google, to help them retrieve what is relevant, and as quickly as possible.

Hence, “Google” has today become a nearly universal language for searching a relevant piece of information on the Internet. Search engines like Google “generate and maintain extensive databases of Internet content in an easily searchable format”, which are itemised, using intricate algorithms.<sup>125</sup> As a result of this benefit, consumers employ the Internet as a tool to search for products and services they may end up patronising, thus highlighting the valuable role that ISPs play in promoting e-commerce.<sup>126</sup> They make it

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<sup>123</sup> P. Soto-Acosta and A. Meroño-Cerdan, 'Evaluating Internet Technologies Business Effectiveness', *Telematics and Informatics*, 26 (2) , 2009, p. 211.

<sup>124</sup> B. Urrutia, 'Internet and Its Effects on Competition', the Universidad Internacional Menendez Pelayo Barcelona, 2000, p. 3.

<sup>125</sup> K. Perset, 'The Economic and Social Role of Internet Intermediaries', OECD Series, 2010, p. 12.

<sup>126</sup> J. Darrow and G. Ferrera, 'The Search Engine Advertising Market: Lucrative Space or Trademark Liability?', *Texas Intellectual Property Law Journal*, 17 (2009), p. 226.

easier to retrieve useful information from the Internet.<sup>127</sup>

In fact, ISPs “vastly improve our ability to research, manage and process knowledge for social, cultural and economic good.”<sup>128</sup> Consumers in particular benefit from reduced search time and effort, access to up-to-date information, opportunity to compare prices and “better matching” with producers.<sup>129</sup>

Ironically, notwithstanding the large numbers of users, sites, and growing sums of money generated, the economic advantages of the Internet is yet to be fully exploited due to a number of factors, one of which is the ability of businesses to protect their trademarks.<sup>130</sup>

In the contemporary world of commerce, many business entities have huge portfolios of intellectual property that require protection and enforcement.<sup>131</sup> Similarly, major commercial undertakings like Google have significant roles to play in meeting the needs of consumers. These entities assert considerable influence over the presentation of information from the Internet by means of highly variable mathematical algorithms that consider

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<sup>127</sup> J. Strickland, 'Why Is the Google Algorithm So Important?', <<http://computer.howstuffworks.com/google-algorithm.htm>>, accessed 12th February 2016 ; Perset, 'The Economic and Social Role of Internet Intermediaries', OECD Series, 2010, p. 12.

<sup>128</sup> A. Spink and M. Zimmer, *Web Search, Multidisciplinary Perspectives*, Springer, 2008, p.119.

<sup>129</sup> J. Bughin et al., *High Tech Practice, the Impact of Internet Technologies: Search*, MCKensley&Company, 2011, p. 22.

<sup>130</sup> S. Kopp and T. Suter, 'Trademark Strategies Online: Implications for Intellectual Property Protection', *Journal of Public Policy and Marketing*, 19(1), 2000, p. 119.

<sup>131</sup> H. Coble, *Internet Domain Name Trademark Protection: Congressional Hearing*, DIANE Publishing, 2000, p. 84.

various criteria including relatedness, distinctiveness of webpage contents, keywords and other needs of the search engine user.<sup>132</sup> When a search is conducted, the businesses more likely to benefit are the ones that are able to channel appropriate levels of consumer traffic to their webpage.<sup>133</sup> Consumers spend less time and effort in their search by simply entering a search term, which Google then tries to match, using sophisticated algorithms that search and arrange information on the Internet in order of their relation to that term.<sup>134</sup>

A consumer may search the term, 'iphone', representing Apple's popular product. Apart from generating hits relating to Apple, the search engine may also generate hits relating to rival products, usually because the competitors have bought the keyword, 'iphone'. The consent or licence of trademark owners is not normally necessary to be able to buy mark-related keywords, neither is a commercial link to them necessary. What ISPs do is to generate all those advertisements that are most related to the search term, and which in most cases, consumers will find to be just as useful as the original results generated in response to the search term.<sup>135</sup>

Another reason why trademarks may be used as keywords is that the third party purchasers may be engaged in the provision of services related to

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<sup>132</sup> J. Dan Oja, *Computer Concepts 2013* (USA: Wadsworth Publishing Co. Inc, 2013), p. 376.

<sup>133</sup> D. Hawkins et al., *Consumer Behaviour, Building Marketing Strategy*, Tata McGraw-Hill, 2010, p. 605.

<sup>134</sup> D. Meale, 'The Online Advertising Free-Riding Free for All', *Journal of Intellectual Property Law and Practice*, 3 (12), 2008, p. 782.

<sup>135</sup> Ashley Tan, *Google AdWords: Trademark. Infringer or Trade Liberalizer?*, 16 *Michigan Telecommunication Technology Law Review* 473, 2010, p. 477.

those marks, for example, a trader engaged in the sale of accessories or provision of maintenance for Apple products. These traders would usually like to have advertisements of their services displayed whenever “Apple” is entered on the search engine. Likewise, other economic actors engaged in the supply or resale of original products, including used ones, could be interested in buying and using trademarked keywords. These keywords are specially collated and reserved by websites providing information about products and services, some examples of which are sites dedicated to products review and price comparison.<sup>136</sup>

By Google’s reckoning, its keyword services can provide access to about 80% of Internet users, enhancing the ease and effectiveness of trade.<sup>137</sup> Keyword advertisements offer traders significant freedom and power to manage their businesses.<sup>138</sup> There is also considerable transparency as one could even see which advertisements have enjoyed the most views and potentially the highest levels of consumer traffic.<sup>139</sup>

Despite those advantages, it is equally clear that by allowing traders to buy trademarks as keywords, providers of keyword services could undermine the rights of trademark owners. A trademark, especially one popular among consumers, may well be the most important asset on which a

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<sup>136</sup> opinion of the AG in *Google France* case at para 111.

<sup>137</sup> G. Jones, 'The Advantages and Disadvantages of Google Adwords', Online Article in Blog, Available at: <https://www.grahamjones.co.uk/2012/articles/internet-marketing-articles/the-advantages-and-disadvantages-of-google-adwords.html>, Accessed Feb 2017.

<sup>138</sup> Inside Adwords ; more flexible targeting on the google display network . Google Adwords blog , Available at: <https://adwords.googleblog.com/2012/06/more-flexible-targeting-on-google.html> Accessed Oct 2017.

<sup>139</sup> Google, 'Comparing Analytics and Adwords Conversion Metrics', [www.google.com/support](http://www.google.com/support)

particular business depends, so much so that it would naturally frown at any unauthorised use of same by third parties, even if for a lawful cause.<sup>140</sup>

Arguably, when advertisements belonging to other parties are shown in response to the use of a trademark as a keyword, the commercial goodwill of the trademark owner is impinged because he is thereby deprived of the right to exclusively benefit from the popularity of that mark as a campaign tool, or to restrain ISPs from profiting from its use, a situation that would cause the trademark owner to lose patronage and suffer economic loss, even without any adverse impact on the mark *per se*.<sup>141</sup>

That situation could be avoided by forbidding ISPs from selling trademark-related keywords. In that way, consumers would be directed right away to the website offering the product intended by the search term originally entered on the search engine, and which would also curb consumer confusion. Unfortunately, while this would be favourable to trademark owners, assuming it were possible, it could cut down on the range of product options available to consumers.

By serving as affirmation of origin and quality, trademarks ensure symmetry of information about products. Trademark owners can exercise supervision over the manufacturing of their products and be reassured that the products on the market actually originated from them, while consumers are provided certainty that products bearing the mark will always be the

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<sup>140</sup> Phillips, *Google and the Law*, Information Technology and Law Series, No 22, 2013, p. 44.

<sup>141</sup> G. Sheas, 'Trademarks and Keyword Banner Advertising', *Southern California Law Review*, 75 (2002), 529- 58.

same and will be of the expected quality.<sup>142</sup>

According to Landes and Posner, economically speaking, trademarks ensure “economic efficiency” by minimising the “search costs” faced by consumers; they recognise the mark, are confident that the product is from the known source and of the known quality.<sup>143</sup>

In other words, in a free market, an easily recognisable mark is a kind of abstract information that enhances consumer awareness, and provides a means for them to communicate with manufacturers, and to be certain about product quality.<sup>144</sup> Thus, when trademarked keywords are used as advertisements, they invariably create a source of confusion for consumers as to origin, and altogether increase search time and effort. In this way, the trademark is robbed of the ability to perform the function intended, and rendered undependable as a means of communication between consumers and manufacturers.

It is also worth noting that the origin and quality functions aside, trademarks can also perform an advertising function, that requires considerable time, effort and expenses from trademark owners for the purposes of developing and projecting distinctiveness for both the mark and the associated products or services.<sup>145</sup>

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<sup>142</sup> Horwitz, 'Conflicting Marks: Embracing the Consequences of the European Community and Its Unitary Trademark Regime' 18 *Arizona J Intl & Comparative Law* , 2001, p. 249.

<sup>143</sup> Landes and Posner, 'The Economics of Trademark Law', 78 *Trademark Rep.* , 1988 , p. 267.

<sup>144</sup> Dogan and Lemley, 'Trademarks and Consumer Search Costs on the Internet', *Houston Law Review*, Vol. 41 , 2004 , p. 777.

<sup>145</sup> *Kitchin et al., Kerly's Law of Trade Marks and Trade Names* , Sweet&Maxwell Publishing ,

Through the advertising function, trademark owners are able to secure distinctiveness for their marks and to create a connection between those marks and their products in the minds of consumers.<sup>146</sup>

Nevertheless, as already pointed out, trademarks have equally received adversarial comments for conferring potentially perpetual rights of exclusivity on their owners, leading to unjust monopolies that entitle them to exclude third parties from using their marks.<sup>147</sup> While that is a potent criticism, it should also be recognised that, in the absence of such monopolies, trademarks would largely be incapable of performing their functions.<sup>148</sup> The term, ‘monopoly’, is an unsavory one because of the unjustifiable power it is thought to vest, making it useful to pause a while to examine its true connotation and consequences.<sup>149</sup>

Furthermore, industrial property rights<sup>150</sup> do not, after all, confer monopolies on holders, but only exclusive rights to use their marks. That is to say, holders enjoy exclusive control over their marks’ ability to guarantee quality, thereby winning customers.<sup>151</sup> Therefore, in the context of the

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2005, p. 9.

<sup>146</sup> Schechter, 'The Rational Basis of Trademark Protection', at 829.

<sup>147</sup> C. Pickering, *Trade Marks in Theory and Practice*, Hart Publishing, 1998, p. 74

<sup>148</sup> Maniatis and Sanders, 'A Consumer Trade Mark: Protection Based on Origin and Quality' *EIPR Journal*, Issue Nov. 1993, p. 411.

<sup>149</sup> C. Pickering, *Trade Marks in Theory and Practice*, Hart Publishing, 1998, p. 75.

<sup>150</sup> Industrial property rights take a range of forms such as: patents, trademarks, industrial designs, and geographical indications. See World Intellectual Property Organisation Booklet, *Understanding Industrial Property*, 2008, p. 7.

<sup>151</sup> H. Ullrich, 'Patents and Know-How, Free Trade, Interenterprise Cooperation and Competition within the Internal European Market', *IIC*, 23, 1992, p. 603.

discussion that follows, the crucial task is to equilibrate the lawful protection of the owners of trademarks with free trade.<sup>152</sup>

As the ECJ acknowledged in *Hag (II)*, the main policy goal underlying the TMD is the advancement of “undistorted competition”.<sup>153</sup> Such realisation has undergirded ECJ’s interpretation of European trademark law, always taking care to grant protection in such a manner as would be consistent with that policy goal; integrating the need for trademark protection with the need to ensure that trademarks are used in a way that does not undermine free competition.<sup>154</sup>

That balancing act must be conducted in a way that protects the origin function of trademarks and the associated products, while also permitting the unfettered flow of marks and products in the wider societal interest; this has been the main inspiration behind ECJ’s interpretive approach to the TMD.<sup>155</sup>

As always, the cardinal tenet on which the EU is founded, is the development of a single market among the Member States, with the least possible barriers to free competition and flow of products and services, including distortions by private actors.<sup>156</sup>

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<sup>152</sup> A. Machnicka, 'Trademark Licensing Agreements in Light of the Ec Competition Rules', *Anuario Facultad de Derecho – Universidad de Alcalá*, 2008, p. 192.

<sup>153</sup> *Sa Cnl-Sucal Nv V Hag Gf Ag (Hag Ii)*, at para 13. the ECJ emphasised that trade marks rights constitute an essential element in the system of undistorted competition which the EEC Treaty seeks to boost.

<sup>154</sup> R. Knaak, 'Trade Mark Protection and Undistorted Competition', *Max Planck Institute for Intellectual Property and Competition Law*, No. 11&12, 2009, p. 5.

<sup>155</sup> 'Treaty Establishing the European Economic Community (Eec Treaty)', at preamble.

<sup>156</sup> 'Treaty Establishing the European Economic Community (Eec Treaty)', at preamble.

Consumers benefit from free competition, and this, in a way, provides justification for advertisements that help them to compare and choose between rival products, provided effort is also made to ensure that they are not misled.<sup>157</sup> Yet, it cannot be denied that by comparing rival products, such advertisements make it possible for less famous competitors to free-ride on the established fame of trademark owners simply by presenting their own products beside the marked ones, thus marketing them based on the fame of mark owners. This also undermines the substantial investments that trademark owners make to develop and maintain the distinctiveness and fame of their marks.<sup>158</sup> Notwithstanding, that could also be construed as freedom of expression and trade.<sup>159</sup>

Indeed, the need to progress competition in the virtual world argues for freedom of information and trade to trump trademark rights, given the usefulness of the strategies employed to access consumers during their search for products and services on the Internet.

Whatever the case, the use of trademark-related keywords in online advertising brings free competition principles into conflict with trademark rights, and how best to reconcile these conflicting interests, calls for further enquiry.

Typically, ISPs are only concerned with the provision of their services

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<sup>157</sup> 'Misleading Advertising Directive (84/240) as Amended by the Comparative Advertising Directive (97/55)'. See also the ECJ's decision in '*O2 V Hutchison 3g*', at para 41-49.

<sup>158</sup> Article 3(f) of CAD comparative advertising is not deemed per se as taking unfair advantage; in *L'Oréal and Others*, it took the existence of imitations, falling under Article 3(g) of the directive, for the Court to find that there was such an unfair advantage

<sup>159</sup> '*O2 V Hutchison 3g*', at para 38-40; '*L'oréal Sa Et Al. V Bellure Nv Et Al.*', at

and the enabling technical platforms that facilitate the use of marks; they do not concern themselves with the protection of marks.<sup>160</sup> And, it would certainly not augur well for the continued availability of those services, if trademark rights were always enforced in every case where a mark is used as a keyword by other advertisers. It would even not be possible to track every keyword that may be used, and an ISP like Google, disclaims liability by providing that “advertisers are responsible for the keywords that they choose to trigger ads and the text that they choose to use in those ads”.<sup>161</sup>

The choice of keywords, for instance, is not reviewed to determine whether it is trademark infringing or not.<sup>162</sup> In fact, Google may only conduct an investigation, if it receives an infringement petition from a trademark owner. Whenever an investigation is conducted and an infringement is found, Google would withdraw the mark from the offending advertisement or the keyword that generated it. Unfortunately, Google's algorithms may continue to capture and represent the infringed mark so that ultimately, responsibility would fall back on the mark's owner to contact the advertiser directly to stop and desist from using the mark on its website; thus, the protection of marks from being used in keyword advertising becomes the final responsibility of their owners.<sup>163</sup>

There is no doubt about the immense benefit that businesses enjoy from online keyword advertising services; they could actually estimate their

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<sup>160</sup> Ashley Tan, Google AdWords: Trademark Infringer or Trade Liberalizer? , 16 Michigan Telecommunication and Technology Law Review , 473 , 2010 , P. 472.

<sup>161</sup> Google TM Help

<sup>162</sup> Ashley Tan, Google AdWords: Trademark Infringer or Trade Liberalizer? , 16 Michigan Telecommunication and Technology Law Review , 473 , 2010 , P.477.

<sup>163</sup> Ashley Tan, Google AdWords: Trademark Infringer or Trade Liberalizer? , 16 Michigan Telecommunication and Technology Law Review , 473 , 2010 , P. 481.

performance from the level of consumer traffic, the number of visitors who have viewed their advertisements, and even the number of those that proceeded to make purchases, very much unlike real-world advertising, where businesses could not readily assess their performance in terms of the number of customers won.<sup>164</sup>

This gives businesses flexibility in designing their keywords, by exploiting information provided by ISPs based on the online activities of customers, to create truly potent advertisements that can win great numbers of customers and generate high sales levels.

In that way, new entrants to the market with little known marks are able to capture customers for their own products and even steal customers that would otherwise have patronised popular trademark owners.<sup>165</sup>

Although trademark owners have reason to be concerned, keyword advertising benefits consumers as they are able to access businesses in more precise ways, including a wider range of products and services, information about alternative and complementary ones, as well as price differences, thus facilitating comparisons and more informed choices<sup>166</sup>, in addition to the results generated by their original search.

Therefore, consumers enjoy lower prices and higher standards of

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<sup>164</sup> W. Hung, 'Limiting Initial Interest Confusion Claims in Keyword Advertising', *Berkeley Technology Law Journal*, 27, 2012, p. 647.

<sup>165</sup> D. Iwanow, 'Adwords Plays If You Can't Beat Them Trademark Them', *Search Engine Journal*, 2011, p. 131.

<sup>166</sup> R. Taubner, 'Google Adwords and Canadian Trademark Law', *Canadian Journal of Law and Technology*, 7, 2009, p. 289.

quality as a result of keyword advertising.<sup>167</sup> Since trademarks may be the greatest assets that a business has, however, particularly when they are famous among consumers, their owners are bound to oppose their use by unauthorised third parties.<sup>168</sup> Considering that trademarks are an important marketing tool, the commercial goodwill of their owners is affected when advertisements from competitors are shown as a result of their use in keyword search, which also generates profits for ISPs.<sup>169</sup>

Trademarks usually serve to attract consumers, but this impact is weakened when their use in keyword searches leads to marked products being compared with those of competitors, which are also displayed along with them. Consumers are motivated to look beyond the marked products to other competing ones, thereby obliterating the distinctiveness of the brand, potentially resulting in the loss of consumer allegiance. Competitors thus enjoy an unjust advantage by basically free-riding on the fame of trademark owners.<sup>170</sup> This practice has been described as “ambush marketing”,<sup>171</sup> or as Duthrie defines it, ‘the unauthorised trading off the goodwill or exposure of another...It is a form of "free-riding" where an advertiser seeks to associate

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<sup>167</sup> Kurt. Saunders, 'Confusion Is the Key: A Trademark Law Analysis of the Keyword Banner Advertising', *Fordham Law Review*, 71(2) , 2002, p. 545.

<sup>168</sup> Phillips, *Google and the Law, Information Technology and Law Series No. 22* , 2012 , p. 44.

<sup>169</sup> Sheas Gregory, 'Trademarks and Keyword Banner Advertising' *Southern California Law Review*, Vol.75 , 2002, p. 529.

<sup>170</sup> ECJ's decisions in '*L'oréal Sa Et Al. V Bellure Nv Et Al.*'; '*Interflora Inc V Marks & Spencer Plc.*'.

<sup>171</sup> A. Louw, *Ambush Marketing & the Mega-Event Monopoly: How Laws Are Abused to Protect Commercial Rights to Major Sporting Events* ,Springer Science & Business Media, 2012, p. 94.

itself ...without paying for the right to do so.<sup>172</sup>

### **3. TRADEMARK FUNCTIONS AND THEIR PROTECTION JUSTIFICATION IN ONLINE ENVIRONMENT**

#### **3.1.Introduction**

Answering the question of why we need to protect trademarks in online environment is an important question due to economical importance of brands over the Internet. Any mark that is enough distinctive to address a product or service can be a trademark in general and single product in this market may be associated with more than one trademark.<sup>173</sup> And generally trademark infringement occurs when a Trademark is used as exact replicas in the same market and product circle.<sup>174</sup>

Generally by contemporary scholars it is argued that trademarks are granted too readily, that trademark holder are too strong by the rights which are conferred to their marks, that the situation that trademark rights have potentials of being invalidated and revoked are too narrow, and the defendants has limitations to escape from liability because trademark laws are too narrowly formulated and restrictively interpreted.<sup>175</sup> In my opinion

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<sup>172</sup> M. Duthie, *It's Just Not Cricket: Ambushing the Ambushers in South Africa* (Freehills Patent & Trade Mark Attorneys, 2003, p. 171.

<sup>173</sup> Mark A. Glick et al, *Intellectual Property Damages ; Guidelines and Analysis*, Wiley Publications, Wiley Publication, 2002, p. 253.

<sup>174</sup> Ann Bartow , *Intellectual Property Rights in a Networked World ; Theory and Practice , Exporting Trademark Confusion* , IGI Global Publishing , 2005, p. 141.

<sup>175</sup> Lionel Bently , from communication to thing : historical aspects of the conceptualization of trade marks as property , U Iowa Legal Studies Research Paper No. 07, 2007, p. 34.

this argument is not valid anymore. Internet age has brought a lot of challenges for intellectual property rights and one of them is trademark disputes. For instance the majority of decisions in ECJ are in favor of defendants but not trademark holders which contradict this argue.

The purpose of trademark legislation is to increase market transparency as it enables consumers to distinguish services and products according to the source they are coming from and it indirectly creates incentives for trademark holder to guarantee product quality or service in order to raise the value of trademark and consecutively the goodwill, which is connected to it.<sup>176</sup>

From economic perspective academic discussions of the justifications for trade mark protection have focused on the arguments that trade marks reduce consumer search costs From classic economic perspective of defending trademark legislation trademark is valuable as it decrees costs for consumer search and thus it promote overall efficiency in the economy.<sup>177</sup>Furthermore, it is based on protecting against misappropriation of other traders' labor and investment.<sup>178</sup>There is another justification for trademark protection and its based on consumers comfort as well. Having trademark legislation can make it cheaper and easier for consumers to locate products with qualities they are looking for and consecutively making

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<sup>176</sup> *Josef Drexl*, Research Handbook on Intellectual Property and Competition Law, Is there a 'more economic approach' to intellectual property and competition law? 2010, p. 51.

<sup>177</sup> William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J. L. & ECON, 1987, p. 265.

<sup>178</sup> Enselm kamperman sanders, unfair competition law: the protection of intellectual and industrial creativity , 1997, p. 41.

related markets more competitive.<sup>179</sup> Therefore , as there are different justification and different functions regarding Trademarks we will address them separately .

### **3.2. Legal and Economic Function of Trademarks**

As seen already, diverse theories exist explicating different functions for trademarks, and proposing corresponding justifications for protecting them from infringement, particularly in the marketplace. Some of these theories have an ethical bent that support protection so as to prevent third parties from reaping where they have not sowed; unjustly enriching themselves by taking an unfair advantage of trademarks owned and developed by others.<sup>180</sup>

Perhaps, the most practical justification for protection is offered by the ‘cost and benefit’ theory that considers trademark rights as means that enable their holders to communicate with consumers.<sup>181</sup>

According to trite principles of economics, all economic decisions inhere value that ensures the maximisation of benefits for the greatest number of people, whether with regard to protection or its integration with free competition, and it is this objective that provides a basis for the protection of the economic functions performed by trademarks.<sup>182</sup>

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<sup>179</sup> L. Dogan , Mark A. Lemley A search-cost theory of limiting doctrines in trademarks law , Stacy. Trademark law and theory , Elgar Publications

<sup>180</sup> Bently and Sherman, Intellectual Property Law at 715-21.

<sup>181</sup> W. Landes and R. Posner, Landes and Posner, 'The Economics of Trademark Law', 78 Trademark Rep. , 1988 , p. 267.

<sup>182</sup> Sakulin, Trademark Protection and Freedom of Expression: An Inquiry into the Conflict between Trademark Rights and Freedom of Expression under European Law, UOA Faculty of law , PhD.

Viewed from the angle of holders, the protection of trademarks increases the ‘dynamic benefit’ derivable from them by encouraging mark owners to aspire to higher levels of quality.<sup>183</sup> That of course, involves substantial commitment of time, effort and financial resources since “the value of a trademark in facilitating purchasing decisions depends on the information or reputation that mark conveys about the producer of particular branded product”.<sup>184</sup>

When consumers acknowledge a product’s reputation for quality or identify with “lifestyle messages”, purchases increase and so do profits for mark holders, given consumers’ readiness to pay higher prices for the marked product than for rival ones. Protection, therefore, affords trademarks their “modern commercial value” and enhances their “marketing power.”<sup>185</sup>

On the other hand, trademark protection comes with costs in that it confers exclusive rights on holders and invariably constitutes them into monopolists, understood here as individuals vested with the right to prevent other parties from using a sign as a trademark; a cost that may be viewed with significant cynicism.<sup>186</sup>

The extension of legal protection to the advertising and

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Thesis, 2010 , p. 29.

<sup>183</sup> D. Shanahan, 'The Trademark Right: Consumer Protection or Monopoly?', 1982, p. 240.

<sup>184</sup> W. Landes and R. Posner, *The Economics of Trademark Law*, p. 270.

<sup>185</sup> Torremans, 'The Likelihood of Association of Trade Marks: An Assessment in the Light of the Recent Case Law of the Court of Justice', *Intellectual Property Quarterly*, 1998, p. 302; Griffiths, *An Economic Perspective on Trade Mark Law*, Edward Elgar Publishing, 2011 Ed, p. 6.

<sup>186</sup> C. Pickering, *Trade Marks in Theory and Practice*, Hart Publishing, 1998, at 74

communication functions of trademarks has been mired in controversy, often facing opposition in the context of free competition.<sup>187</sup> Beier, for example, has complained that when trademarks are used as advertisement and assertion of quality, they perform not legal, but economic functions, although his remarks date back to 1970, and predate the advent of modern worldwide communications.<sup>188</sup>

Two and a half decades on, Beier recognises that there have been profound changes in trademark law since that time.<sup>189</sup> Further, it is clear that as a trademark enjoys increasing fame in the marketplace, it is more likely to provide the owner an effective means of advertisement.

It should also be mentioned that while Recital 11 of TMD's Preamble avers that trademark protection is primarily intended to identify the origin of products and services, there is scope for trademarks to perform other functions equally deserving of protection.

As a whole, it is reasonable to say that a well propagated trademark may ultimately become valuable, and worthy of protection because of the functions it performs as an instrument of advertisement and identification of source and quality, which might tempt competitors to seek to take advantage of it. These functions help trademarks to acquire brand personality giving them an upper-hand position over other assets, both tangible and intellectual,

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<sup>187</sup> I. Simon, 'How Does "Essential Function" Doctrine Drive European Mark Trade Law?', *International Review of Intellectual Property and Competition Law*, 36 (4), 2005, p. 401.

<sup>188</sup> Beier, 'Territoriality of Trade Mark Law and International Trade', 1 *IIC*, 1970, p. 53.

<sup>189</sup> F. Beier, 'The Development of Trademark Law in the Last Twenty-Five Years', *International Review of Intellectual Property and Competition Law*, 26(6), 1995, p. 769.

and making them the most priced assets of most economic entities that guarantee future business.<sup>190</sup> That is why it is important to protect trademark owners against infringement by third parties intent on diluting their marks and robbing them of consumer allegiance, without the investments that have made such marks valuable.<sup>191</sup>

### **3.3.Origin and Quality Function**

It is said that distinct characteristics of trademark function is identified as its origin advertising and quality function<sup>192</sup> and we can see that regarding Keyword advertising all these three elements are there and actually they are problematic issues as well. Some authors suggest that trademarks are historically actual indicators of ownership of goods, owing to ramifications of electronic and international commerce and consecutively distribute of goods nationally and internationally from the manufacturer through the jobber or importer to the consumer. Therefore, source or origin of the goods bearing a well known trademark is seldom known to consumers.<sup>193</sup>

Furthermore, Some scholars believed that the only function of trademarks which is entitled to enjoy from legal protection is origin function

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<sup>190</sup> R. Klieger, 'Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection', *University of Pittsburgh Law Review*, 58, 1997, p. 790.

<sup>191</sup> Horwitz, 'Conflicting Marks: Embracing the Consequences of the European Community and Its Unitary Trademark Regime', 18 *Arizona J Intl & Comparative Law*, 2001, p. 249.

<sup>192</sup> William Cornish et al, *Intellectual Property: Patents, Copyright, Trademarks and allied Rights*, Sweet & Maxwell, 7<sup>th</sup> ed, 2010, p. 655.

<sup>193</sup> Frank I Schechter, 'Rational basis of trademark protection' (1927)40(6) *Harvard Law Review*, p. 813.

of trademark.<sup>194</sup> This Idea does not fit with realities that is about trademark law and in general among IP scholars the preferred view is that origin function may look more important therefore it is only primary function while particular function which are considered secondary have to enjoy from protection which come from legislation.<sup>195</sup>

Regarding the secondary functions it is believed that the function which is called quality function take prominence as it is supposed to guarantee the quality and it is connected to consumers<sup>196</sup> and why we can not confront protection to only one function of trademarks is because of primary function which distinguish commercial origin of goods which is sold under trademark has a lot to do with the quality of trademark<sup>197</sup> and this is reasonable that some consumers would like to make sure that the goods which is bought by them is coming with same kind and quality under trademark even the product might not originate from a single factory or set of factories<sup>198</sup> and even the quality and origin should be guaranteed by trademark even other entities other than trademark holder might be involved is some part of delivery circle like small part of manufacturing , packaging and the distribution of products through licensing contract.<sup>199</sup>

Due to link between quality function and origin function, consumers

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<sup>194</sup> Friedrich-Karl Beier, 'Territoriality of Trade Mark Law and International Trade' *International Review of Industrial Property and Copyright Law* 1 (1), 1970, p. 61.

<sup>195</sup> Day Shanahan, 'The Trademark Right: Consumer Protection or Monopoly?' 72(3) *Trademark Reporter*, 1982, p. 234.

<sup>196</sup> Elmer William Hanak, 'The Quality Assurance Function of Trademarks' (1975) 65 *Trademark Reporter*, 1975, p. 318.

<sup>197</sup> Day Shanahan, 'The Trademark Right: Consumer Protection or Monopoly?', 72(3) *Trademark Reporter*, 1982, P 238

<sup>198</sup> Robert Burrell and Michael Handler, *Australian Trademark Law*, Oxford University Press, 2010, p. 3.

<sup>199</sup> Shannon, P239.

become legally eligible to be protected against low quality counterfeits or competing products which is not desired by them as they search and look for a trademark which is supposed to guarantee the origin and quality<sup>200</sup> and similarly trademark owners become incentivized to maintain the standards and the quality of their products in order to maintain their clients regarding the quality and origin of goods they are buying. Regarding this the investment which trademark owner put into quality of trademark is the reason that trademark owner should be protected against unauthorized use of his mark in relation to third party or competitor products. <sup>201</sup>

So, with mentioned to above it is notable to say that ironically, trademark is not symbolizing or guarantying actual origin of the goods and even not its quality but the origin of the quality which is reason for having authorities or organizations for maintaining a consistent standard of quality control. <sup>202</sup>This feature of trademark justifies and rationalizes trademark protection that entices invidious traders to utilize well-known marks, renowned for their quality and high standards, to pass off products that are unable to achieve those same standards of quality.

Even above statement may apply classically to market but it will apply with greater force in online challenges of trademark infringement even keyword advertising. Due to importance of internet and large number of

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<sup>200</sup> Lord Mackenzie Stuart, 'The Function of Trademark and the Free Movement of Goods in European Economic Community' .(1976)7(1) International Review of Industrial Property and Copyright Law 27. 30.

<sup>201</sup> Ibid, p30

<sup>202</sup> Shannon Cummins et al, Consumer Behaviour in the Online Context, 8(3) Journal of Research and Interactive Marketing, 2014, p. 169.

buying over the internet <sup>203</sup> business enterprises would know it's a vehicle for promoting their selling nationally and internationally and therefore they utilize internet for advertising and selling their product. In this process trademark holders normally rely on distinctiveness of their trademark together with the quality it has which makes it different with what competitors and third parties are offering in the same market.

In physical market consumers mostly look for both origin and quality by even checking product and packaging but in Internet environment there is only one role player and it is distinctiveness of a trademark. Consumers who are familiar with origin and quality of a trademark expect that the goods or services they receive are as same as physical market. Due to Internet abstract nature consumers heavily rely on trademarks, as they are indicator of quality and origin to locate and purchase the products they would like to buy.

This is why some famous scholars believed that the most rational and convincing argument for trademark protection is that it provide and supply information to consumers and therefore satisfy consumers.<sup>204</sup> So, as we can see in this phenomenon we easily see the communication function of Trademark, which takes messages to consumers and relates new products to existing products that consumers recognize from shelves of the stores and it

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<sup>203</sup> E-commerce is the fastest growing retail market in Europe. Sales in the UK, Germany, France, Sweden, The Netherlands, Italy, Poland and Spain are expected to grow from £132.05 bn [€156.28 bn] in 2014 to £156.67 bn [€185.39 bn] in 2015 (+18.4%), reaching £185.44 bn (€219.44 bn) in 2016. In 2015, overall online sales are expected to grow by 18.4% (same as 2014), but 13.8% in the U.S. on a much larger total. Center for retail research studies . Available at : <http://www.retailresearch.org/onlineretailing.php>

<sup>204</sup> Lionel Bently and Brad Sherman, Intellectual Property Law (Oxford University Press, 3<sup>rd</sup> ed, 2009, p. 718.

facilitates comparison and undermines loyalty to other brands.<sup>205</sup>

So, in this manner trademark is playing an advertising role and this communicative feature of trademarks makes it strong effective advertising tool.<sup>206</sup> And when trademark can take such strong message and are symbols around which a business's investment in the promotion of its goods are built even where there is no misuse of trademark regarding origin and quality it deserve protection by law.<sup>207</sup>

### **3.4.Overview of Advertisement and Investment Function**

Although economic justification is advanced for the protection of the origin and quality functions of trademarks, such justification does not quite hold for the protection of the advertising function. Clearly, when protection is extended to the origin or quality functions of trademarks, this favours consumers and society at large, whereas the main beneficiaries of the protection of the advertising function are the holders of trademarks. Since trademarks now tend to enjoy a life of their own, independent of the products on which they are affixed, the protection of the advertising function will certainly have a bearing not just on the interests of holders by assuring their goodwill, but also those of consumers.<sup>208</sup> Such a scenario is at odds with traditional trademark law, and exposes the protection of the advertising function and goodwill to controversy,<sup>209</sup> and, indeed, renders the economic

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<sup>205</sup> Anselm Kamperman Sanders and Spyros M Maniatis, A Consumer Trademark: Protection Based on Origin and Quality, 11 European Intellectual Property Review, 1993,p. 406.

<sup>206</sup> Ralph S Brown, 'Advertising and the Public Interest' 57(7)Yale Law Journal , 1984, p. 1165.

<sup>207</sup> Cornish , Intellectual Property law and practice , P 655

<sup>208</sup> Sakulin, Trademark Protection and Freedom of Expression: An Inquiry into the Conflict between Trademark Rights and Freedom of Expression under European Law at 53;

<sup>209</sup> R. Bone, 'Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law', 86

justification for the protection of the advertising function untenable.

Further, as one commentary puts it, “a more subtle effect occurring in international trade is that because of the asymmetrical distribution of trademarks in favor of richer nations, the effects of brand loyalty on consumers can to a certain extent be leveraged to transfer market power acquired elsewhere, thereby distorting the development of local industry sectors”.<sup>210</sup>

Therefore, given the roles they play in affirming the origin and quality of products, trademarks could justifiably be seen as a variant of advertisement by which consumers are enticed to patronise the products or services bearing them.<sup>211</sup> Trademark owners invest substantial amounts of money and effort to create a sense of distinctiveness for their marks and the products on which they are affixed.<sup>212</sup> By conjuring their products and services in the minds of consumers through unique association with their distinctive marks, they try to secure consumer allegiance.<sup>213</sup>

Acknowledgement of the function performed by trademarks as advertising tools, provides an additional rationale for their protection; it

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Boston University Law Review, 2006, p. 547.

<sup>210</sup> Ramello, 'What's in a Sign? Trademark Law and Economic Theory', (at 558; E. Baroncelli et al., 'The Global Distribution of Trademarks: Some Stylised Facts', *The World Economy*, 28(6), 2005, p. 765.

<sup>211</sup> P. Fletcher, 'Joint Registration of Trademarks and the Economic Value of a Trademark System', *University of Miami Law Review*, 36, 1982, p. 321; D. Kitchin et al., *Kerly's Law of Trade Marks and Trade Names*, 14 edn.; London: Sweet & Maxwell Ltd, 2005, p. 9

<sup>212</sup> Fletcher, 'Joint Registration of Trademarks and the Economic Value of a Trademark System', 36 *Univ. of Miami Law Review*, 1982, p. 316.

<sup>213</sup> Schechter, 'The Rational Basis of Trademark Protection', 60 *Trademark Rep.*, 1970, p. 829.

equally enables them to serve as the best means of independently attaining and sustaining goodwill, separate from that enjoyed by the marked products and services, as well as their owners.<sup>214</sup>

Recent advances in information and communications technologies have provided more sophisticated means through which manufacturers are able propagate their products and services to a wider range of consumers across vast distances. In this respect, trademarks play the very prominent role of a communications channel through which their owners persuade consumers as to the uniqueness and quality of their products and services.<sup>215</sup>In effect, they serve as a “commercial magnet”<sup>216</sup> both for capturing and retaining consumer patronage.<sup>217</sup> Thus, trademarks have metamorphosed in character from “mere existence on the rational and physical plane to that of the emotional and psychological”.<sup>218</sup>

Another point worth noting is that, in a way, advertising amounts to a comparison between rival products and services, elevating that which is advertised over and above competitors, and by the same token, diverting allegiance from the latter to the former.

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<sup>214</sup> Maniatis and Sanders, 'A Consumer Trade Mark: Protection Based on Origin and Quality' EIPR Journal , Issue Nov. 1993, p. 408.

<sup>215</sup>Lisa P. Ramsey, Intellectual Property Rights in Advertising, 12 Mich. Telecomm. & Tech. L. Rev, 2006, p. 196.

<sup>216</sup> Brown, 'Advertising and the Public Interest: Legal Protection of Trade Symbols', 57 Yale Law Journal, 1948, p. 1619.

<sup>217</sup> B. Rutherford, 'Misappropriation of the Advertising Value of Trade Marks, Trade Names and Service Marks', South African Mercantile Law Journal, 1990, p. 152.

<sup>218</sup> C. Gielen, 'Harmonisation of Trade Mark Law in Europe: The First Trade Mark Harmonisation Directive of the European Council', European Intellectual Property Review, 14 No 8 , 1992, p. 264.

In the age of the Internet and e-commerce, online advertising serves as a veritable medium through which vendors of products and services attempt to communicate with as wide a range of consumers as possible through the use of keywords associated with trademarks.<sup>219</sup>

A key objective of such communications is what has been described as the 'lifestyle statement' that involves substantial investments in the sponsorship of sporting events and teams, as well as endorsements by celebrities.<sup>220</sup> As Meenaghan observes, for example, "Pepsi as a brand is regarded as having achieved associations of entertainment, freshness and youth through its sponsorship, endorsement, youth lifestyle and entertainment marketing approach".<sup>221</sup>

Through those advertising measures, marked products and services are made more appealing to consumers, who not only end up identifying with them, but also, as users, become advertisers of those products and services to other consumers.<sup>222</sup>

In that sense, trademarks transcend the usual function of indicating source or quality to also persuade consumers to patronise products and

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<sup>219</sup> B. Mills, 'Comparative Advertising- Should It Be Allowed in the United Kingdom?', *Trademark Reporter*, 86, 1996, p.178.

<sup>220</sup> J. Phillips, *Trade Mark Law: A Practical Anatomy*, Oxford University Press, 2003, p. 27.

<sup>221</sup> T. Meenaghan, 'The Role of Advertising in Brand Image Development', *Journal of Product & Brand Management*, 4 (4) (1995), p. 28.

<sup>222</sup> Grimes et al., 'The Protection of Merchandising Properties', *Trademark Reporter* 69, 1979, p. 431.

services that pitch for themselves as if to say “this is the sort of person I am’’.<sup>223</sup>

When consumers patronise marked products and services, they are also presenting themselves to others as users of those products and services such that the trademarks become a means of communication, amounting to an ‘expressive use’ of trademarks;<sup>224</sup> a function that warrants legal protection. This makes advertising to be a formidable tool for sales promotion, giving trademarks the ability, like humans, to arouse passions, instead of just being mere devices.<sup>225</sup>

Trademark owners indulge in sustained advertising that requires substantial commitments in terms of money and time not just to create an association between their marks and products, but to project themselves as the origin of such products about which consumers have become so passionate.<sup>226</sup>

All in all, two components of advertising can be identified namely, communication and investment. As Gotting quite usefully elaborates, “as well-known trade mark embodies the goodwill, meaning the appreciation that the company with its performance in the market place has gained among

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<sup>223</sup> D. Klerman, 'The Expressive Function of Trademarks', (unpublished article by author, February 2, 1998 , p. 2.

<sup>224</sup> R. Pfeffer, 'Who's Fooling Whom: An Economic Analysis of Expressive Trademark Use', Wake Forest Intellectual Property Law Journal, 6 (2006), p. 72.

<sup>225</sup> T. Meenaghan , 'The Role of Advertising in Brand Image Development', Journal of Product & Brand Management, 4 (4) (1995), p. 31.

<sup>226</sup> D. Pickton and A. Broderick, Integrated Marketing Communications (1st edn.; Essex: Person Education Ltd, 2001, p. 38.

the consumers. It is an image carrier and as such not only represents the products or services but the company as a whole”.<sup>227</sup>

In other words, a particular impression is left in the perception of consumers pulling them to the relevant products through the creation of what might be termed as “brand equity”; a sense of distinctiveness, quality and marketability.<sup>228</sup> A trademark that falls short of this result would as, Picton and Broderick maintain, be but just a name devoid of “brand equity”.<sup>229</sup>

So, with reference to above and to sum up it is worthy to note that trademarks contribute to the efficient functioning of the market,<sup>230</sup> given the origin, quality, information and advertising functions that they perform.<sup>231</sup> From a historical perspective, trademarks were originally meant to indicate the ownership of products bearing them.<sup>232</sup> As time went by, trademarks started to serve as affirmations of origin for goods or services,<sup>233</sup> although with recent expansion in global trade, consumers are not readily able to

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<sup>227</sup> H.Gotting, 'Protection of Well Known Unregistered Marks in Europe and the United States', 31 (4) International Review of Intellectual Property and Competition Law, 2000, p. 390.

<sup>228</sup> D. Pickton and A. Broderick, *Integrated Marketing Communications* (1st edn.; Essex: Person Education Ltd, 2001 , p. 34.. & F. Mostert,, *Trademark Dilution and Confusion of Sponsorship in United States, German and English Law*, 17 International Review of Industrial Property and Copyright Law, 17 ,1986 , p. 86.

<sup>229</sup> Pickton and Broderick, *Integrated Marketing Communications*, p. 39.

<sup>230</sup> M Landes and R Posner, ‘Trademark Law: An Economic Perspective’) 30 *Journal of Law and Economics*, 1987, p. 265. They utilise economic theories to justify trademark protection and argue that trademarks are necessary to maintain an efficient market

<sup>231</sup> W Cornish, D Llewelyn and T Aplin, *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights* , 8th ed, Sweet & Maxwell, 2013,p. 644.

<sup>232</sup> TD Drescher, ‘The transformation and evolution of trademarks – From signals to symbols to myth’ ,82 *Trademark Reporter*, 1992, p. 319

<sup>233</sup> *Hanover Star Milling Co. v. Metcalf* 240 U.S. 403 (1916)

determine the origin of products even when they have trademarks affixed to them.<sup>234</sup> Despite that, trademarks generally give consumers the assurance that the products to which they are attached originate from a particular undertaking that controls product quality<sup>235</sup>, even though those products may actually be produced at different production facilities<sup>236</sup> and other undertakings separate from the trademark owner may also partake in their production, packaging and distribution under diverse licensing agreements.<sup>237</sup> Thus, given their attribute as tools for communication between producers and consumers, trademarks could be seen as powerful advertising instruments.<sup>238</sup>

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<sup>234</sup> FI Schechter, 'Rational basis of trademark protection', 40 Harvard Law Review, 1927, p. 815. See also, BG Paster, 'Trademarks—Their Early History', 59 Trademark Reporter, 1969, p. 552

<sup>235</sup> D Shanahan, 'The Trademark Right: Consumer Protection or Monopoly?', 72 Trademark Reporter, 1982, p. 233.

<sup>236</sup> R Burrell and M Handler, *Australian Trade Mark Law*, Oxford University Press, 2010, p. 3.

<sup>237</sup> EW Hanak, 'The Quality Assurance Function of Trademarks', 65 Trademark Reporter, p. 318.

<sup>238</sup> RS Brown, Jr, 'Advertising and the Public Interest: Legal Protection of Trade Symbols', 57 Yale Law Journal, 1948, p. 1165.

**CHAPTER FOUR: TRADEMARK INFRINGEMENT AND  
KEYWORD ADVERTISING UNDER EU LEGISLATIONS;  
PERSPECTIVE ON ECJ AND NATIONAL MEMBERS CASE  
LAW**

**1. INTRODUCTION**

Internet which has been described as Third industrial revolution<sup>239</sup> has enabled web search engines to greatly expand their field of services which one of them is keyword advertising which was mentioned detailed in last two chapters from legal and technical perspective. Notwithstanding the benefits that keyword advertising provide to facilitate trade liberalization<sup>240</sup> and electronic consumer transactions, trademark owners have often sought to hold search engines accountable for third party and competitor infringement that is resulting both from act of search engines users and services which are provided to them by search engines themselves.<sup>241</sup>

With the advent of technology and the widespread availability of internet access to many people , trademark owners face unprecedented rates of trademark infringement regarding keywords as more individuals residing in remote regions of planet in a day by day basis on dramatic scale and they can distribute their product internationally within a second and in order to

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<sup>239</sup> B.L. Smith , The Third Industrial Revolution : Law and Policy for the Internet ,in *Recueil des Cours*, 2000 , P. 282.

<sup>240</sup> Ashley Tan, *Google AdWords: Trademark Infringer or Trade Liberalizer?* , 16 *Michigan Telecommunication and Technology Law Review* , 473 , 2010 , P.501.

<sup>241</sup> Jason Kessler, *Correcting the Standard for Contributory Trademark Liability over the Internet*, *Columbia Journal of Law and Social Problems* , 2006 , P. 376

achieve this goal it could be said Google Ad-Words is role player as it facilitate trade liberalization.<sup>242</sup>

A company brand's most valuable asset is often its trademark, which signifies the status, quality, and price of the brand's goods<sup>243</sup> and it is identifier of source of goods<sup>244</sup>, which help the efficiency of the market.<sup>245</sup> Therefore the risk of infringement of such important assets to any company poses a serious and tremendous threat to a company's business and reputation.<sup>246</sup> Therefore, each trademark holder would like to enjoy and benefit from legal protection which is provided by trademark legislation in Europe jurisdiction and also consecutively seek for remedies by principles of liability.

So, with mention to above this Chapter examines the existing legal framework for the resolution of trademark infringement disputes arising from keyword advertising in the EU. It focuses on relevant pieces of legislation, especially the Trade Mark Directive (TDM), the Community Trademark Regulation (CTMR), as well as the E-Commerce Directive, and considers how both the national courts and the CJEU have attempted to grapple under these provisions with the challenges presented by keyword advertising. In this respect, attention is also given to the preliminary reference procedure provided under Article 234 EC, which allows the

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<sup>242</sup>Mark Bartholomew & John Tehranian , The Secret Life of Legal Doctrine : The Divergent Evolution of Secondary Liability in Trademark and Copyright Law , Draft.

<sup>243</sup> Kurt M. Saunders & Gerlinde Berger-Walliser , The Liability of Online Markets for Counterfeit Goods ; A Comparative Analysis of Secondary Trademark Infringement in the United States and Europe , Northwestern Journal of International Law & Business , Volume 32 , Issue 1 , 2001 , P38.

<sup>244</sup> Sheldon Mark Rose & Anderson , Trademark Infringement Liability Gets Real Personal , Law firm article , P. 1 .

<sup>245</sup> Robert Burrell and Michael Handler , Australian Trademark Law , Oxford University Press , 2010 , p. 3.

<sup>246</sup> Elizabeth K. Levin , A safe Harbor for Trademark ; Reevaluating Secondary Trademark Liability after Tiffany v. eBay , Berkeley Technology Law Journal , Volume 24 , Issue 1 , 2009 , p.491.

national courts of Member States to refer questions to the CJEU for clarification where there is uncertainty over the interpretation, or validity of EU law. Furthermore this Chapter will evaluate application of direct and secondary liability principles to keyword advertising.

## **2. TEADEMARK LEGISLATION IN EU**

Generally there are two sets of legislations within EU that are governing trademarks issues. The first one is the Trade Marks Directive (TMD) 89/104/EEC which was introduced to EU in order to approximate laws of the members states.

The reason for enacting TMD was rooted in substantial disparities which were a threat to the free movement of goods and freedom to provide services within the EU, and consecutively effect and undermines competition in market within Europe.<sup>247</sup>

Second (codified version), was adopted on October 22<sup>nd</sup>, 2008. This codified version was created to clarify the content of the repealed Council Directive 89/104/EEC. <sup>248</sup> This new Directive does not offer new substantive provision regarding trademarks and just amended the repealed Directive 89/104/EEC provisions. <sup>249</sup> Therefore it could be concluded that all case law based on former Directive applies under current Directive.

Council Regulation 40/94 was firstly enacted in 20<sup>th</sup> December 1993

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<sup>247</sup> Directive 89/104/EEC , Preamble 1.

<sup>248</sup> Directive 2008/95/EC , Preamble 1.

<sup>249</sup> Directive 2009/95/EC , Article 17.

and codified updated legislation was adopted on 26<sup>th</sup> February of 2009 to make clarification to the content of the repealed provisions of Council regulation 40/94<sup>250</sup> and it has only emended the repealed version and reference to the repealed legislation shall be construed as reference to codified version. <sup>251</sup>

Then, Article 6 together with Article 7 of Trademark Directive sets situations where trademark right holder is not legally eligible to prevent third party from using trademarks as his/her exclusive rights is not infringed by third party. Article 6 provides that:

*“Art. 6: (1). The trademark shall not entitle the proprietor to prohibit a third party from using, in the course of trade:*

*(a) His own name or address;*

*(b) Indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of goods or services;*

*(c) The trademark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts; provided he uses them in accordance with honest practices in industrial or commercial matters.*

*(2). The trade mark shall not entitle the proprietor to*

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<sup>250</sup> Regulation 207/2009, Preamble 1.

<sup>251</sup> Regulation 207/2009, Article 166.

*prohibit a third party from using, in the course of trade, an earlier right which only applies in a particular locality if that right is recognized by the laws of the Member State in question and within the limits of the territory in which it is recognized.”*<sup>252</sup>

Following that Article 7 states:

*“Art. 7: (1). The trademark shall not entitle the proprietor to prohibit its use in relation to goods, which have been put on the market in the Community under that trademark by the proprietor or with his consent.*

*(2). Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.”*<sup>253</sup>

Regarding keyword advertising related legislation, E-Commerce Directive of European Union is present as well.<sup>254</sup> In respect to E-Commerce directive, it is notable to say that there is no direct trademark related provision in it but it address online service providers and liability exemption for certain activities. Therefore, it is relevant to search engines as service providers and advertisement services they offer within European Union.<sup>255</sup>

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<sup>252</sup> Trademark Directive Art. (6)

<sup>253</sup> Trademark Directive, Art. 7

<sup>254</sup> Directive 2000/31/EC

<sup>255</sup> Smith, Technology law, 2010, p. 236.

The most important and relevant provision in E-Commerce Directive, which sets regulations that are related to trademark keyword advertising, is Article 14, which states the following:

*“ Article 14) 1. Where an information society service is provided that consists of the storage of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the information stored at the request of a recipient of the service, on condition that:*

*(a) The provider does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent; or*

*(b) The provider, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information.*

*2. Paragraph 1 shall not apply when the recipient of the service is acting under the authority or the control of the provider.*

*3. This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement, nor does it affect the possibility for Member States of establishing procedures governing the*

*removal or disabling of access to information.”*<sup>256</sup>

This legislative framework provides a background of how keyword issues are handled both with respect to trademarks registered under national laws of a Member State as well as community trademarks. It is notable to say that even Google France case as first case in ECJ regarding keyword advertising was influenced by E-Commerce Directive alongside with Trademark Directive as it was mentioned “Commercial communications are essential for the financing of information society services and for developing a wide variety of new, charge-free services.”<sup>257</sup>

The ECJ has followed a consistent pattern as it strives to strike a balance between (i) the promotion of competition in the online environment by allowing fair use of trade marks (ii) the protection of consumers from deceptive practices and (iii) the investment businesses make in promoting their brands.<sup>258</sup>

### **3. TRADEMARK JURISPRUDENCE IN THE EU**

The national courts of member-states and the community’s highest court, the Court of Justice of the European Union (CJEU) sitting in Luxembourg, share judicial functions in the EU. Courts in the member-states are similar to courts of first instance, and they are primarily responsible for enforcing EU law. However, Article 234 EC of the preliminary reference system states that

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<sup>256</sup> E-Commerce Directive, Article 14

<sup>257</sup> Google France, European Court of Justice

<sup>258</sup> Robert Cumming, Keyword Advertising in the EU, Where are We Now? , iPit blog take on Intellectual Property Versus Information Technology , 2013 , available at : <https://robertwcumming.wordpress.com/2013/02/17/keyword-advertising-in-the-eu-where-are-we-now/> accessed on Oct2017

a national court may refer questions to the CJEU for clarification during instances of uncertainty on the interpretation or validity of any EU legislation.<sup>259</sup> The national court decides on the issue pending before it on the basis of clarification by the CJEU. The CJEU neither decides on any case referred to it in accordance with the preliminary reference procedure nor presides over it as an appellate court; it only rules on questions of law that are referred to it. The widening scope of EU law and the tendency of national courts to refer questions for ruling after hearing the substance of a case show that the CJEU ruling is equal to a decision.

Advocates general assist the judges of the CJEU. Advocates general are legal experts who qualify as judges and whose role is to prepare and present independent, well-considered opinions on pending cases. Their opinions are not binding on member-states, and the court is not bound to adopt them either. The ultimate ruling of the court in any case may not be similar to the opinion rendered by the advocate general assigned to the case. The CJEU clarification binds not only the national court that makes the reference but also all other national courts, including those of other member-states. The preliminary reference procedure may help foster the uniform application of EU law across member-states. Nevertheless, the judicial powers exercised by national courts in cases of trademark disputes usually result in contradictory interpretations of the EU trademark law. This problem intensifies when national courts are burdened with disputes on modern technologies, such as Google Adwords. For example, whereas the French courts ruled that a violation of EU trademark law was committed when

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<sup>259</sup> Bardehle Pagenberg, —Trademark Protection in Europe I (2010) BARDEHLE PAGENBERG [http://www.bardehle.com/fileadmin/contentdocuments/broschures/Trademark\\_Protection.pdf](http://www.bardehle.com/fileadmin/contentdocuments/broschures/Trademark_Protection.pdf)

Google Ad-Words used trademarks as keywords, the national courts in England took the opposite position.

Courts in other member-states, such as Austria, Germany, and the Netherlands, also struggled with the problem posed by keyword advertising and had to go to the CJEU for clarification, under the preliminary ruling system, on how to apply the TMD to the Google Ad-Words case. The CJEU is tasked to provide interpretive guidance on the TMD and CTMR and on whether keyword advertising is equal to trademark infringement. In cases of infringement, the CJEU faces the additional challenge of determining whether to hold liable the referencing service provider, such as Google, or the advertiser that purchased and used the trademark as a keyword. The CJEU also clarifies whether advertisers and service providers are entitled to a counsel.

Under the EU trademark law, determining trademark infringement depends on two legislative provisions, also known as double-identity provisions, namely, Articles 5(1)(a) TMD and 9(1)(a) CTMR.

Article 5(1) TMD states the following:

*1. The registered trademark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:*

*(a) any sign that is identical to the trade mark in relation to goods or services, which are identical to those for which the trademark is registered.*

Article 9(1)(a) CTMR similarly states that a registered trademark gives the proprietor exclusive rights to the mark. In addition, the proprietor may prevent third parties from using it without his/ her consent all signs related to the goods or services that are identical to those for which the mark

was registered.

On the basis of CJEU jurisprudence, a proprietor who claims trademark infringement under Article 5(1) TMD or Article 9(1) CTMR does not need to show proof that the alleged infringer's use of his/her mark is likely to cause confusion. Rather, the proprietor can successfully prevent a third party from using the same mark under the existing provisions based on the possible effects of infringement on the mark. Under Article 5(1)(b) TMD and the parallel likelihood of the confusion provision in Article 9(1)(b) CTMR, a trademark proprietor can prevent a third party's unauthorized use (in the course of trade) of a sign for goods or services that is identical or similar to those covered by the registered mark because doing so can confuse the public. Thus, the likelihood of confusion covers the tendency of consumers to mistake the two signs or marks to be related.

Another provision relevant to determining keyword advertising disputes is the E-Commerce Directive 2000/31 of the EU. Although this directive is not concerned with trademarks, it is pertinent to trademark infringement in keyword advertising because it contains exceptions useful to information service providers when escaping liability for their hosting activities. This directive can be useful to search engine owners who offer keywords to advertisers in the EU. These provisions form the backbone of the legal framework necessary to resolve disputes on keyword search related to CTMs and those registered under the trademark systems of the member-states.<sup>260</sup>

### **3.1. Legal Structure of Article 5 TMD**

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<sup>260</sup> Smith Tyson, 'Googling a Trademark: A Comparative Look at Keyword Use in Internet Advertising,' 46 *Texas International Law Journal*, 2011, p. 231.

If an advertiser who buys a trademark as a keyword uses that mark in the course of trade and in relation to goods or services according to TDM, the key issue is whether the proprietor of the mark can prevent the advertiser from using the same mark. In examining this issue, the advertiser who uses a mark identical to that of the proprietor is the focus of attention. According to the CJEU, in cases such as Arsenal vs. Reed<sup>261</sup> and L'Oreal vs. Bellure<sup>262</sup> the exclusive right granted to a trademark proprietor under Article 5(1)(a) TMD ensures that the mark fulfills its functions; therefore, only the proprietor can exercise that right, and a third party's use of the mark affects (or may possibly affect) its functions. Aside from having the important task of indicating the origin of particular goods or services, a mark also indicates quality assurance, advertising, communication, and investment.

The court's interpretation of Article 5(1)(a) TDM indicates that this provision gives a broader scope of protection than Article 5(1)(b) because the latter only protects against the confusing use of a mark or a similar sign. Therefore, to that extent, it only protects a mark's function in indicating the origin of the goods and services.<sup>263</sup> Whether Article 5(1)(a) TDM was actually intended to provide an extended form of protection indicated by the court is unclear.

TRIPS Article 16(1) suggests that the only protected function of a mark, as in Article 5(1)(b) TDM, is that of indicating the origin of the goods and services. The TRIPS Article 16(1) states that the likelihood of confusion shall be presumed where an identical sign is used for identical goods and services. In the case of Google, the CJEU considered all the different

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<sup>261</sup> Arsenal V reed [2002] C-206/01(ECJ)

<sup>262</sup> L'Oréal V Bellure [2009] C-487/07 (ECJ)

<sup>263</sup> Para 78. Google Inc V Louis Vuitton [2010] C-238/08 (ECJ)

functions of a mark. However, it focused only on a mark's indication of origin and advertising functions, without providing any particular basis, in the cases of Arsenal vs. Reed and L'Oreal vs. Bellure.<sup>264</sup>

Therefore, a mark's investment function is also relevant despite the omission, as in the latter two cases. The court acknowledges that a proprietor may decide to register his/her mark as a keyword with a referencing service provider for advertising purposes, that is, having an advertisement appear as a sponsored link. In cases in which third parties may have already selected the said mark as a keyword, the proprietor is forced to pay a price higher than that paid by third parties if he/she wants his/her advertisement to appear in a priority position. However, the payment of a higher fee cannot guarantee the appearance of a proprietor's advertisement in a priority position because a combination of factors determines which advertisement appears in what position. Nevertheless, a proprietor should pay to use his/her own mark as a keyword and to pay even more if he/she wants his/her advertisement to appear at a better position in the search results in comparison with the third parties who purchased the mark earlier as a keyword. Therefore, the investment function of a mark is a problem in these cases.

Article 5(2) TMD is the second policy that concerns trademark infringement. According to this provision, a member-state may allow a proprietor to prevent unauthorized third parties from using, in the course of trade, any sign that is identical or similar to his/her mark if this mark is known and reputable in that member-state. In such a case, infringement takes unfair advantage or is harmful to the uniqueness or reputation of the

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<sup>264</sup> Para 78. Google Inc V Louis Vuitton [2010] C-238/08 (ECJ)

mark. This ruling applies even when the goods or services in relation to which that sign is used are different from those for which the proprietor registered his/her mark.

### **3.2. Legal Analyze of Article 5 TMD**

TMD is the outcome of the mutual concessions among the EU member-states and explains the convoluted nature of Article 5 of that directive. It harmonized the trademark laws of the member-states, but it did so only partially. Although full harmonization was not intended, the harmonization was meant to eliminate the aspects of national trademark laws that serve as obstacles to the effective functioning of the internal market. Therefore, the harmonization should allow for the free movement of goods and services and enhanced competition among member-states. As a result, the aspects of national trademark laws remain unaffected by the harmonization, as shown in Article 5(5) TMD, which states that protecting against other uses, apart from the use of marks for differentiating goods or services, is not precluded. For example, Article 5(1) TMD concerns the use of marks in relation to identical goods or services, and it applies uniformly and is binding to all member-states. By contrast, Article 5(2) TMD indicates that member-states are tasked to provide extra protection to reputable marks, even in instances in which the same are used for different goods or services.

Clearly, Article 5(1) TMD rests on two legs, namely, (a) and (b). Under (a), the sign or mark in question should be shown to be identical to the registered mark of the proprietor. The goods or services for which that sign is used should also be identical to those for which the mark was

registered. Under this leg of Article 5(1), a proprietor is not required to demonstrate the likelihood of confusion. This provision means that the offered protection is absolute, typical of the EU trademark law.

The double-identity provision is useful in cases of imitation and parallel trade, but difficulties emerge when this provision is applied to cases of using trademarks as keywords. A third party implicated in the keyword advertising of identical or similar goods and involving the use of another person's trademark, as well as the search engine that facilitates this advertising, could be prosecuted under Article 5(1)(a) TMD even without the confusion on the part of search engine users. Article 5(1)(a) TMD does not provide for an alleged infringing party to escape liability by showing due cause nor does it require proof of any particular injury, such as taking an unfair advantage of or damaging a mark's reputation or distinctiveness.<sup>265</sup> Under Article 5(1)(a), the CJEU still demands a trademark proprietor to also show that one of the functions of his/her mark has suffered an adverse effect, which is rigidly interpreted by the court on one of the mark's functions (not only the one guaranteeing origin), to ensure free competition.<sup>266</sup>

Articles 6 and 7 TMD summarize certain situations in which a trademark proprietor may not prosecute a third party and prevent the use of his/her mark because that use does not infringe on the exclusive rights to that mark as provided by the law. According to Article 6(1), the ownership of a

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<sup>265</sup> Vanderlaan Nicole , The Use of Trade Marks in Keyword Advertising Developments in ECJ and National Jurisprudence, Max Planck Institute for Intellectual Property and Competition Law Research Paper No. 12-06 ,2012,p. 18

<sup>266</sup> Ibid

trademark shall not entitle a proprietor to prevent a third party from using in the course of trade:

*(a) his own name or address; (b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of goods or services; (c) the trade mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts; provided he uses them in accordance with honest practices in industrial or commercial matters.*

Article 6(2) then states that a trademark does not entitle a proprietor to prevent third parties from using, in the course of trade, a pre-existing right recognized under the law of a member-state, and applying only within the defined boundary for which it was granted.

Paragraph 1 of Article 7 TMD states that a trademark proprietor cannot prevent the use of his/her mark in relation to goods once those goods are in the market in the community under the same mark or used with his/her consent. However, Paragraph 2 of Article 7 states that the proprietor may be entitled to prevent the use of the same mark given legitimate grounds for doing so, such as when the condition of the goods with the mark has subsequently been changed or degraded.

Although not part of the trademark law, the EU's E-Commerce Directive is significant to resolving keyword advertising disputes because it contains provisions that exempt certain hosting activities of information service providers. To this extent, the directive may be useful to owners of

the search engines used in keyword advertising within the EU. Paragraph 1, Article 14 of that directive states that where information service is provided (including storage of information supplied by users of that service), member-states should exempt the service provider from liability if it claims no actual knowledge of the illegality of information stored at a user's request or of any activity and when damages are claimed. Under this article, member-states are also required to exempt the service provider from liability if, upon becoming aware of the illegality of the information or any activity, it takes immediate and concrete steps to discard the information or make it inaccessible.

Nevertheless, under Paragraph 2 of that Article, this exemption cannot be applied if a user is acting under the authority or control of that service provider. Lastly, Paragraph 3 indicates that the article does not prevent national courts or other administrative bodies that act in accordance with their national laws from asking the service provider to terminate or prevent the infringement. Moreover, paragraph 3 states that the Article does not prevent member-states from creating procedures to guide the removal of information or the disablement of access to them.

As we have established the legal framework for dealing with keyword-related disputes in CTMs and those registered under the laws of member-states, the next section examines the related case law.

## **4. GOOGLE LEGAL RULES REGARDING KEYWORD ADVERTISING**

### **4.1. Google Policy**

Google's policy regarding using of trademarks in keyword advertising was not always consistent and it has evolved over time.<sup>267</sup> At starts, bidding of trademarks in advertisements, which was belonged to competitors or third parties, was not allowed. It could be said that this issue was mostly in favor of trademark owners and was suitable for protection of intellectual property over Internet but unfortunately this policy has changed in 2004.

From 2004 it became possible for advertisers to use trademarks belonging to competitors and third parties as keyword in their advertisements. Under this new policy, Google simply viewed marks as no more than the usual keywords that any interested party may bid for.

Consecutively, Google was not considering complaints that were claimed by proprietors of trademarks against competitors or third parties regarding their used trademarks which was basically used without notice and their consent. It looks very weird from intellectual property protection perspective when Google provided special device for its customers to choose their keyword from a trademark list, which was like a trademark menu, and then customers were able to bid their targeted trademark and use it as their advertisements keyword.

Nevertheless, at the insistence of trademark proprietors, then Google did not change its position on issue but not allowed marks to be featured in

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<sup>267</sup> Michael M. Lafeber et al , Did Rosetta Stone v. Google change the trademark infringement landscape for Keyword Advertising? , Intellectual Property Roundtable *Minneapolis*, 2012, p. 13.

the real text of advertisements. But surely, Google general policy of making trademarks available to be used as keyword without paying attention to complaints made by proprietors of those mark made considerable income for Google.

As Google reported right after this decision keywords derived from trademarks contributed about 7% to its total earnings.<sup>268</sup> A new milestone was recorded in June 2009, when Google began to allow marks to feature in the actual text of advertisements.

#### **4.2. Third-Party Trademark In Google AdWords Under 2009 Policy Change**

After policy change in 2004, Google was using that policy for near Five years which brought more financial contribution to the Google and later it was initial reason for another policy changing in 2009.

After Google changed its policy in 2009, most important change which happened was enabling advertisers to choose competitor or third party trademark as keyword and appearing this selection and therefore keywords in actual text of their advertisements, regardless of objections and complaints of the trademark proprietors and it is subjected to four conditions in new policy.<sup>269</sup>

First condition is where a mark is used in the text of an advertisement in a generic or descriptive manner, rather than to refer to its proprietor, or the goods, or services on which he uses the mark. Another condition in

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<sup>268</sup> Google statistics published in Google Website ,

<sup>269</sup> What Is Google's Trademark Policy for Resellers and Informational Sites?, GOOGLE ADWORDS, Available at: <http://support.google.com/adwordspolicy/bin/answer.py?hl=en&ans>

which a mark may be permitted to appear in the text of an advertisement is where the advertiser is selling, or clearly aiding the sale of goods, or services, which correspond with the mark. Furthermore, a mark will be allowed to appear in the text of an advertisement where the relevant advertiser is selling, or clearly aiding the sale of spare parts, components, or other compatible products related to the marked goods, or services. The last covered condition is where the primary objective of the landing page<sup>270</sup> of the relevant advertisement is to furnish informational material concerning the marked goods, or services, provided that the advertiser is not also selling or aiding the sale of goods, or services belonging to a competitor of the proprietor of the relevant mark.<sup>271</sup>

### 4.3. Google's Regional Policy

Apart from general policy that Google introduced, it has generally two policy regimes than one affects North America (United States of America and Canada) and another policy is designed for rest of the world.<sup>272</sup>

The difference of the policy which applies to Europe is that it is generally more slanted towards the proprietors of trademarks.<sup>273</sup> Regarding this policy, while a trademark right holder submit a complaint to Google regarding the keyword which is corresponding his trademark, Google will ensure that impugned advertisement is not utilizing corresponding term to

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<sup>270</sup> That is, the main page that appears when an Internet user clicks on the advertisement

<sup>271</sup> Matthew S. Compton —Quality scores a lawsuit: Google's new trademark rules and advertiser liability for trademark infringement, *Houston Law Review*, 2011, p. 16

<sup>272</sup> Dr Martin Schirmbacher et al, —The Use of a Third Party's Trademarks as a Keyword Trigger in Automated Advertising Systems of Internet Search Engines - Case Law in Europe and Germany(2008)141, *HeinOnline -Convergence*

<sup>273</sup> See Bing's UK —Intellectual Property Guidelines  
<http://advertising.microsoft.com/uk/support-centre/search-advertising/intellectual-propertyguidelines>

disputed trademark in its text, or as a keyword for generating advertisements.

In such cases if Google finds trademark proprietors' claim relevant then Google will ask the advertiser to remove the mark from his advertisement and will prevent using this mark in future regarding wrongdoer advertisements.<sup>274</sup>

This policy change happened due to suits and legal actions against Google by trademark holders and resulting court rulings mostly in Europe. In one way it is obvious that Google together with other search engines are earning considerable amount of profit by exploiting legal loopholes. Therefore, as the law narrow down such loopholes and limit act of selling trademark as keyword coupled with court rulings that have been issued, Google is modifying its policy in order to not be liable. So, it is obvious that this policy changing was outcome of efforts by trademark holders and rulings emanating from the court was role player in this issue as well.

Furthermore, it is notable to say that such policy changing has not solved the problem yet and instead, it only transfer potential liability for trademark infringement to advertisers instead of search engines. Furthermore it is notable that it remains to be seen what effect the changes in policy and disclaimers will have in protecting search engine owners from liability that will be addressed in next chapters.

In 2010, after having lots of lawsuits and receiving many negative

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<sup>274</sup> Philip J Greene —keyword advertising, and other invisible uses of third-party trade marks in online advertising - a newzealand/Australasian perspective (2009), *HeinOnline -Victoria U. Wellington Working Paper Ser. 1*

feedback, Google decided to change its policy regarding who is entitled and allowed to use their advertising system and purchasing a keyword which is trademarked across European countries which was basically different with Google policy in North America. In respect to policy changing Google Company announced that:

*“We defended our position in a series of court cases that eventually made their way up to the European Court of Justice, which earlier this year largely upheld our position. The ECJ ruled that Google has not infringed trademark law by allowing advertisers to bid for keywords corresponding to third party trade marks. Additionally, the court ruled that advertisers can legitimately use a third party trademark as a keyword to trigger their ads. Today, we are announcing an important change to our advertising trademark policy. A company advertising on Google in Europe will now be able to select trademarked terms as keywords. If, for example, a user types in a trademark of a television manufacturer, he could now find relevant and helpful ads from resellers, review sites and second hand dealers as well as ads from other manufacturers. This new policy goes into effect on September 14. It brings our policy in Europe into line with our policies in most countries across the world.”<sup>275</sup>*

After policy changed, Google still made it available for trademarks’ right holders to complain regarding trademarked keyword, which belongs to them.<sup>276</sup> But it is notable to say that under new policy, such complaint right

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<sup>275</sup> Available at : <last seen at 20<sup>th</sup> Nov 2015>  
[http://www.theregister.co.uk/2010/08/04/google\\_trade\\_mark\\_keywords/](http://www.theregister.co.uk/2010/08/04/google_trade_mark_keywords/)

<sup>276</sup> After Google changed its European keyword advertising policy in September 2010, it still offers a procedure for trademark owners to complain about the use of their trademark by third parties. Google explained the requirements for such complaints as follows: Google will no longer prevent advertisers from selecting a third party’s trademark as a keyword. However, in response to a complaint

for trademark owners being upheld are limited. Under this policy, where trademark law which prevents from confusion is affected, limited number of complaints is allowed due to liberalized registration system of trademark.<sup>277</sup>

## **5. EUROPEAN COURT OF JUSTICE AND KEYWORD ADVERTISING RULING**

### **5.1. Introduction**

It has been observed that, way back in the 1970s, during the early years of the ECJ, the Court had no knowledge of even the most basic function of trademark, the origin function.<sup>278</sup>

At that time, the Court was reluctant to recognise and confer legal protection on national trademarks, while showing a different attitude

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made under our European policy, we will do a limited investigation as to whether a keyword in combination with particular ad text is confusing as to the origin of the advertised goods and services. Under this policy, we will permit certain ads, provided that they are not confusing as described above. Some examples include, but are not limited to, the following:

- ads using a trademarked term in a descriptive or generic way, such as not in reference to the term as a trademark
- ads for competing products or services
- ads for informational sites about a product or service corresponding to the trademark
- ads for resale of the trademarked goods or services
- ads for the sale of components, replacement parts, or compatible products corresponding to a trademark.

<sup>277</sup> Stefan Bechtold and Catherine Tucker, Trademarks, Triggers and Online Search, *Journal of Empirical Legal Studies*, Vol. 11, Issue 4, 2014, p. 718.

<sup>278</sup> H. Jehoram, 'The Ideal-Standard Judgment: An Unheeded Warning', *Intellectual Property Quarterly*, 1 (1999), p. 114.

towards other classes of intellectual property rights.<sup>279</sup> There was greater disposition towards the protection of inventions and works of art, which were considered to promote innovation, and therefore needed to be protected against unauthorised uses by third parties, whereas trademarks were viewed as lowly forms of intellectual property rights, which deserved no protection.

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Now , European Trademark law after more than Two decade is facing new challenges due to new emerging technologies and Internet is major role player in making new challenges. According to a research which was carried by European Commission, half of European are using Internet as source of information regarding their buying over Internet on- or offline.<sup>281</sup>

Searching for or against a trademark makes Internet users able to look for goods or services' sources and allow them compare prices for same or similar products and review their alternative or complementary offerings. <sup>282</sup> While this options will lead to comfort for internet users by providing them different choices, it undermines trademark owner' efforts to protect their trademark.

Generally case law on keyword advertising evaluated online service providers liability for allowing their users to reserve registered trademark as their keyword for online search results without trademark right holder's

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<sup>279</sup> M. Jarvis, *The Application of Ec Law by National Courts (The Free Movement of Goods)*; New York: Oxford University Press, 1998, p. 313.

<sup>280</sup> Keeling, *Intellectual Property Rights in Eu Law: Free Movement and Competition Law* , Oxford University Press, 2004, p.153.

<sup>281</sup> Commission Communication, 'A coherent framework for building trust in the digital single market for e-commerce and online services' ,COM (2011) 942 final, Brussels, 11.01.2012 , P8.

<sup>282</sup> Ibid.

consent.<sup>283</sup>

There was inconsistent court' decisions within different member states jurisdiction and it varied considerable. Therefore, there was an urgent need for clarity as keyword advertising was most important tool for search engines business model' revenues. <sup>284</sup>

ECJ played an active role in case of keyword advertising as there were difficulties for applying TMF and CTMR to this new form of dispute due to Art. 267 of the TFEU which defined a duty for court of Justice to interpret TMD and CTMR. Some scholars saw this phenomenon as a concern as such judgments in effects are “invention in the guise of interpretations”. <sup>285</sup>

The most famous case which bears in minds issue of keyword advertising is Louis Vuitton. In an advisory opinion, which attracted numerous criticisms, Advocate General Poiares Madera argued that ECJ should not have found Google liable for infringement on account of the 1989 Trademark Infringement. A four-prong test must be used to determine if Google did in- fringe. First, a defendant's use of a trademark must not have the proprietor's consent. Second, the use must occur in the “course of trade.” Third, the use must relate to goods or services “identical or similar” to the ones covered by the trademark. Fourth, use must affect or be liable to affect the functions of the trademark.

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<sup>283</sup> T. Bednarz and C. Waelde, ‘Search Engines, Keyword Advertising and Trade Marks: Fair innovation or Free riding?’ . in *Law and the Internet* . eds. L. Edwards and C. Waelde(Oxford and Portland, Oregon: Hart Publishing, 2009, p. 267.

<sup>284</sup> J. Cornwaite , ‘To Key or Not to Key? The judgment of European Court of Justice in the Google France Adwords Cases’ *European Intellectual Property Review* 32 , No.7(2010) , p. 352.

<sup>285</sup> J. Bengoetxea et al., ‘Integration and Integrity in the Legal Reasoning of the European Court of Justice’, *The European Court of Justice*, eds. G. de Burca and J.H.H Weiler , Oxford University Press , 2011. p. 43.

On the basis of the four-prong test, the advocate general analyzed Ad-Words. When Google allowed advertisers to select their Keyword, no such link was established because the marketed service, that is, the inclusion in Ad-Words, was neither similar nor identical to Louis Vuitton's goods.<sup>286</sup> The advocate general reached the fourth prong of the infringement test only in terms of the display of advertisements. He found that such a display was insufficient to undermine the essential function of trademarks, that is, to guarantee the origin of goods, because it did not lead to confusion. Although the advocate general admitted that advertisers pay for the benefit of the "expectation of being relevant to the search," he stressed that search results usually disappoint the particular expectations of individual users. Therefore, Internet users assess the origin of goods or services only on the basis of advertisement content of the advertisement and, ultimately, the advertised websites.<sup>287</sup>

The CJEU ruled in 2010 on three different infringement cases. These three judgments marked the creation of the Community Case Law on keyword-generated advertising within the EU. This issue remains relevant until now and has been criticized by analysts who believe that the court should have used a traditional approach in analyzing trademark infringement, as suggested by its advocate general, to obtain the same conclusion. Analysts believe that the premise on which the court rested its ruling missed important parts of the evidence, bypassed its pre-existing jurisprudence, and threatened to open the floodgates of abusive trademark use in the future.

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<sup>286</sup> "Trademark Law Infringement Liability ; European Court of Justice Holds That Search Engines Do Not Infringe Trademarks, 124 Harvard Law Review, 2010, p. 648.

<sup>287</sup> Ibid, p.649.

In *Google France*, a triplex of French cases (c-236/08, c-237/08 and c-238/08), were involved. They all raised related issues, which the French highest court, the Cour de Cassation, submitted to the CJEU for clarification under the preliminary reference procedure. All three trademarks proprietors were aggrieved at Google's permission of their marks to be used in keyword advertising. Consequently, they brought this action against Google in the French courts. Having lost in the lower courts, which found Google liable for trademark infringement in all three cases, Google embarked on a prolonged appeal. At the Court de Cassation, the Court decided to halt proceedings in the three cases to abide clarifications from the CJEU on some *recondite* questions of law referred to it under the preliminary reference system.

## **5.2. Case Google France Google Inc. V. Louis Vuitton Malletier C-236/08**

The most celebrated of the three cases, is case C-236/08 involving Google, and Louis Vuitton, the proprietor of the CTMs, "Vuitton", "Louis Vuitton", and "LV", which were both registered under French national trademark law. The three marks were recognised as reputable. The —Louis Vuitton || trademark was used as a keyword. Apart from enabling advertisers to pick that mark as a keyword, *Google* made it possible for them to combine it with words suggesting imitation, such as Louis Vuitton imitations or replica and copy. Thus, when Internet users entered Louis Vuitton||, or Louis Vuitton imitations|| on the Google search engine, advertisements were generated, which led them to sites (headed sponsored links) offering products that were imitations of the Louis Vuitton luxury brand. Although not confusing as such, the advertisements explicitly displayed ambiguous messages such as -

Louis Vuitton copies- Louis Vuitton was aggrieved at this use of its mark in keyword advertising. Consequently, it brought this action against Google in the French courts. It won at the lower courts, which found Google liable for trademark infringement. Google then appealed to the Cour de Cassation, which decided to seek clarifications from the CJEU on three questions.

The first question was whether a paid referencing service provider that supplied registered trademarks as keywords to advertisers, and agreed to create and display, through those keywords, links to sites offering imitation products, was using the said trademarks in a way that the proprietors of the marks could oppose on the basis of Article 5(1)(a) and (b) TMD, as well as Article 9(1)(a) and (b) CTMR. Secondly, if the relevant trademarks were found to be reputable, whether their proprietors could oppose such use pursuant to Article 5(2) TMD, and Article 9(1)(c) CTMR. Thirdly, if such use was not one that the proprietors of the marks were entitled to oppose under both TMD and the CTMR, whether the provider of the paid referencing service could be considered to be an information society service provider that stored information supplied by the users of the service within the context of Article 14 of the E-Commerce Directive, and consequently, not liable, unless it had been notified by the proprietors of the marks of the advertisers' illegal use of the sign.

### **5.3. Google France V. Viaticum Luteciel**

In the second case, like the first, Viaticum SA (Viaticum) and Luteciel SARL (Luteciel), proprietors of the French trademarks, -bourse des vols- , -bourse des voyages- and -BDV- , were aggrieved That Google permitted advertisers to use Their marks as keywords. When Internet users Entered

Those marks on the Google search engine, advertisements for sites offering products identical with, or similar to the marked products were generated. But, unlike the first case, the products offered for sale on the generated advertising sites were not infringing imitations, but products of competitors to the proprietors of the marks.<sup>102</sup> Google was held Liable for trademark infringement, and further Top on appeal, for aiding trademark infringement. Dissatisfied, it appealed to the Cour de Cassation, Which Referred two questions to the CJEU for clarification. Those questions corresponded with the first and third questions that it had Referred to the CJEU in Case C-236/08 discussed above.

#### **5.4. Google France V. Cnrrh (C-238/08)**

##### **5.4.1. Back To Ground And Facts**

The parties in the third houses were Google, Mr. Raboin, and Tiger SARL (Tiger), on the one hand, and Mr Thonet, and Centre national de recherche en relations humaines SARL (CNRRH), on the other. CNRRH was a licensee of the French trademark –Eurochallenges-, the license having Been Obtained from Mr. Thonet, the proprietor of the mark. As in the other cases, Google permitted advertisers to use the Eurochallenges mark as a keyword. When Internet users - entered Eurochallenges on the Google search engine, advertisements Appeared leading them to sites offering products identical with, or similar to those of the proprietor of the mark. As in the second case above, the products sold on the advertised sites were not imitations, but belonging products to competitors, who, in fact, owned the sites. After hearing and determination, Google, Tiger, and Mr. Raboin were held Liable for trademark infringement.

This decision was affirmed on appeal, leading to further Top appeals brought separately by Google, and Tiger before the Cour de Cassation. Again, the Court Referred three questions to the CJEU for a preliminary ruling. The first was Whether, an economic operator, who agreed on the basis of a paid internet referencing service, to reserve, without permission, trademarks owned by third parties as keywords, Which When used in searches displayed links to the site operated by operators in That order to offer for sale goods, services or That were identical with, or similar to Those For which the marks were registered could be said to infringe the exclusive rights granted to the proprietors of the marks under Article 5 TDM. The second and third questions were rispettivamente a repetition of the first and the third questions Referred to the CJEU in Case C-236/08.

#### **5.4.2. Judgment Detail**

The CJEU eventually responded to the above questions referred to it by the Cour de Cassation in the three *Google* cases. The Court ruled that Google's Ad-Words program did not amount to trademark infringement, and it was, accordingly, not liable. Advocate General Poiares Maduro, in his opinion submitted to the CJEU, advised against finding Google liable for infringement under TDM. The Advocate General professed his commitment to the traditional analysis of European trademark law, and drew upon existing CJEU case law, to advance a four-part test for analyzing trademark infringement. The first part of this test is that the allegedly infringing party must have used the relevant mark without the proprietor's consent. Second, is that the purported use must have been in the course of trade. Third, the use must relate to goods, or services identical with, or similar to those for which the mark was registered. Fourth, the use must be shown to affect, or be likely

to affect the functions of that mark, the most essential of which, being the guarantee of the origin of the goods, or services for which the mark was registered. One way in which a use may affect this essential function of the mark, for example, is to create a likelihood of confusion.

In the instant case, Advocate General Maduro thought that Google's adwords program constituted two distinct uses. Google's permission of advertisers to pick keywords constituted one use, and when Google showed advertisements upon Internet users entering those keywords on the search engine, that constituted yet another use. However, it was clear to the Advocate General that Louis Vuitton did not authorize any of these uses. Moreover, each of the uses took place in the course of trade. This is because, in each case, Google was pursuing an economic activity from which it expected to benefit through advertising fees.

With respect to the third part of the test though, the first use was immaterial because the service offered thereby of allowing advertisers to pick keywords, was not identical with, or similar to Louis Vuitton's products. But the second use met that part of the test because the advertisements generated from the entry of the trademarked keywords on the search machine related to goods that were identical with, or similar to the products of Louis Vuitton. Consequently, it was on the basis of the second use (the showing of advertisements) that the Advocate General ultimately reached a conclusion on the fourth part of the test. According to him, the showing of the advertisements was not enough to affect the essential function of the registered mark in guaranteeing the origin of the covered products because that did not cause confusion among consumers 38. The Advocate General maintained that while it is case that advertisers paid for

the benefit of the —expectation of being relevant to the search<sup>288</sup>, Internet users did not always get the results they expected from their search. As a result, they often had to determine the origin of particular goods, or services based on what is contained in the advertisements, and invariably the sites advertised.

The CJEU adopted the Advocate General's opinion that Google was not liable for trademark infringement. It, however, followed an interestingly different line of reasoning to reach that conclusion. Instead of labouring through the Advocate General's four-part analysis<sup>289</sup>, the Court centered its attention on the third part of the test, -use in the course of trade-, ignoring all the others. The Court took the view that in storing trademarked keywords, and showing advertisements triggered through the use of those keywords, Google pursued a commercial activity. Nevertheless, the Court thought that the type of use contemplated in TMD required, at the very minimum, a showing that the allegedly infringing party, in this case, Google, used the mark in its individual commercial communication Ad-Words, the Court concluded, did not fit into this requirement. In that sense, Google could not be said to have used the trademarked keywords at all. Instead, all it did was to make it technically possible for other parties to use them. Turning to Article 14 of the E-Commerce Directive<sup>290</sup>, in determining

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<sup>288</sup> Opinion of Advocate General Poiares Maduro

<sup>289</sup> *Trademark Law and Infringement liability ;European Court of Justice holds that search engines do not infringe trademarks , joined cases c-236/08, c-237/08 & c- 238/08, google france sarl v. louis vuitton malletier. Harvard law review, 2010 , available at: [http://www.harvardlawreview.org/media/pdf/vol\\_12402\\_googlefrance.pdf](http://www.harvardlawreview.org/media/pdf/vol_12402_googlefrance.pdf)> Accessed Nov. 2017*

<sup>290</sup> Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market ('Directive on electronic commerce') 1. Where an information society service is provided that consists of the storage of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the information stored at the request of a recipient of the service,

whether the liability of the referencing service provider should be limited, the role played by that service provider must be considered in order to ascertain whether such a role was a neutral one in the sense of being merely technical, automatic, and passive. In this connection, for example, it was relevant that Google played a role in writing the commercials that accompanied the advertising links, or in establishing, or choosing keywords. However, the mere fact that the referencing service was provided for a fee, as in this case, was not a relevant factor capable of denying the service provider of the exemption provided for under Article 14 of the E-Commerce Directive 14. The controlling test of that Article is whether the service provider played any active role of a nature that gave it knowledge, or control of the information stored. This is an issue for the national courts to decide, and a service provider that is found to have played such an active role cannot avail itself of the exemption in Article 14. Even in the absence of any active role, such a service provider may still not be entitled to the Article 14 exemption, if it did not act promptly to discard the infringing advertisement, or render it inaccessible upon becoming aware of its illegal nature.

Although the CJEU's ruling only addressed the questions referred to it by the Court de Cassation, the overall result should be comforting to providers of keyword advertising, such as Google, and its counterparts in the EU. It is worth adding that aside from the liability of referencing service providers, such as Google, the Court took the opportunity to address the

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on condition that:

(a) the provider does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent; or

(b) the provider, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information.

liability of keyword advertisers, that is, those patronizing the Google AdWords program. The basis for proving liability in both cases is not the same. For example, according to the CJEU, there is no —use under TMD where a referencing service provider stores, as keywords, signs that are identical with trademarks, and shows advertisements that are prompted through the use of those keywords. On the other hand, according to the Court, an advertiser who uses, as a keyword on an internet referencing service, a sign that is identical with a trademark, uses that sign in relation to goods, or services in the context of Article 5(1)(a) TMD. Thus, even though Google was found not to be liable for trademark infringement, advertisers patronizing its adwords program may be liable for such infringement. In addressing the issue of an advertiser's liability, the CJEU placed emphasis on the advertising function of a trademark. According to the Court, the proprietor of a trademark may prevent the use of his mark as a keyword for goods, or services that are identical with those for which he registered that mark, if the advertisement generated from the use of the keyword makes an average Internet user unable to determine, or do so with difficulty, whether the goods, or services actually originated from the proprietor, an entity economically related to him, or from a third party.

## **5.5. Portakabin Ltd And Portakabin Bv V. Primakabin Bv Case C-558/08 Netherlands**

### **5.5.1. Background and Facts**

Preliminary Reference was from the Hoge Raad der Nederlanden (Netherlands), The Supreme Court of the Netherlands and Subsequent to

*Google France* referred by the Cour de Cassation, the CJEU also received a preliminary reference from the Dutch Supreme Court. There, the CJEU expatiated on the implications of using a third party's trademark as Google Ad-Words.

In Portakabin case both the plaintiff and the third party produced and sold movable houses. The plaintiff operated by way of a business entity that used the mark PORTAKABIN. It owned a subsidiary called Portakabin BV, which was a licensee of the mark. The defendant, Primakabin, which had no connection with Portakabin offered for sale and lease, new and used movable houses that included not only its own, but also those produced by Portakabin.<sup>291</sup>

Both parties advertised their products on their respective websites. But in advertising its products, Primakabin used Ad-Words, such as Portakabin, Portocabin, Portokabin and portocabin. If any Internet user entered any of these words on a search machine, it generated a Primakabin advertisement, which was shown as a sponsored link<sup>6</sup>, either to the right side of the search results, or above them. Portakabin attempted unsuccessfully to prevent Primakabin from using its mark in this manner. Primakabin contended, and the trial court agreed that, it only used the Ad-Words to let customers know that it also sold Portakabins. According to the trial court, Primakabin's use of the Portakabin mark was not meant to distinguish goods. Furthermore, the use did not take an unfair advantage of that mark. The only purpose for which Primakabin used the mark was to direct anybody interested to its own website on which it also offered second hand portakabins for sale.

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<sup>291</sup> Case C-558/08 Portakabin Ltd and Portakabin BV V Primakbin BV 2010 See Online: : <http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:62008CJ0558:EN:HTML>

Dissatisfied, Portakabin appealed to the Gerechtshof te Amsterdam (Amsterdam Appeal Court). The Appeal Court restrained Primakabin from making any advertisement generated through the use of the Ad-Word Portakabin, which carried used portakabin in it.

Moreover, if Primakabin chose to use the keywords, Portocabin, Portokabin, and the like, it should ensure that users were not linked to pages of its websites on which products not made by Portakabin were offered for sale. Nonetheless, the Appeal Court maintained that the use of the keywords Portakabin, Portocabin and Portokabin and the like, did not amount to use in relation to goods, or services. Portakabin was unhappy with this part of the Appeal Court's judgment, as it felt that the Appeal Court should have restrained Primakabin from making any use whatsoever of Portakabin as an Ad-Word.

That prompted Portakabin to take out a further appeal to the Dutch Supreme Court, which submitted several questions to the CJEU for a preliminary ruling. Among the questions raised was whether the proprietor of a trademark could prohibit an advertiser from using a sign that is identical with, or similar to his mark as a keyword on an Internet referencing service, pursuant to Article 5 TMD. The other questions raised, related to the applicability of the exemptions granted to resellers of trademarked products that have already been lawfully put on the internal market by the owner, or with his consent under Articles 6 and 7 TMD, which provide that a trademark proprietor may not exercise his right to prevent under Article 5 TMD in such a situation.

### 5.5.2. Analyzing CJEU's Ruling in Portakabin Case

Reiterating its ruling in *LVMH v. Google*, the CJEU stressed that an advertiser's use of a trademark as a keyword constituted use in the course of trade. Additionally, the Court agreed, in line with its earlier ruling in *Google France v. Louis Vuitton*, that Portakabin had the right to bring a suit under Article 5 TMD to prohibit a third party from using, without its consent, signs that were identical with, or similar to its own, and in relation to goods, or services that were identical with, or similar to those for which its mark was registered. But the Court maintained that it was for the national court to decide whether an alleged use of a sign that was identical with, or similar to a trademark, as a keyword on an Internet referencing service was one that could be considered to be consistent with honest practices in industrial, or commercial matters. In other words, with regard to the applicability of the exemptions in Article 6 TMD, it was up to the national court to decide whether the purported use was the type contemplated in that Article, even where it may also fall under Article 5 TMD. The Court noted the objective of Article 6(1)(b) and 6(1)(c) TMD in qualifying the rights granted to proprietors of trademarks so that they do not obstruct the free movement of goods and services within the internal market. In particular, Article 6(1)(c) aims to make it possible for parties selling goods, or services that are a necessary supplement to trademarked goods, or services to use that mark for the purposes of drawing the attention of the public to the practical connection between their goods, or services and those of the proprietor of the mark. It is up to a national court, using its discretion, to decide the existence, or otherwise of such a connection.

As Article 6(1)(c) provides, if the use of a mark in advertisement is

necessary to show the purpose of a third party's good, or service, for example, but not limited to accessories, and spare parts, the proprietor of that mark cannot prevent its use in the advertisement. Thus, in keyword advertising disputes, a national court must determine whether an allegedly infringing third party could argue that the use in question was consistent with honest practices in industrial, or commercial matters, entitling it to rely on the provisions of Article 6 TMD in its defense. Ultimately, the obligation imposed on third parties is to act fairly with regard to the lawful interests of the proprietors of trademarks, and the alleged use must be consistent with the aim of Article 6(1)(c) TMD.

With regard to Article 6(1)(b) TMD, the CJEU ruled that when a third party uses a sign that is identical with, or similar to a trademark belonging to another person in keyword advertising on an Internet referencing service, that use cannot generally be considered to be meant to indicate a characteristic of the goods, or services advertised by that party in the sense provided in the Article. This form of use does not fall within the purview of that Article. Nevertheless, certain situations may warrant an opposite conclusion, and it is for a national court to make the necessary determination based on an examination of the case in its entirety. Thus, in the present case, the Dutch Supreme Court must determine whether Primakabin's use, as a keyword, of signs identical with, or similar to the Portakabin trademark was meant to be a description of the products that Primakabin offered, consistent with Article 6(1)(b) TMD. In this regard, the Dutch Supreme Court should also take note of the fact that the use of the Portakabin trademark in the advertisement was not in a generic sense.

Another issue the Court touched upon is the limitation to the rights of the proprietors of trademarks imposed by the exhaustion rule in Article 7 TMD. Pursuant to that Article, once the proprietor of a trademark has produced and placed goods on the market within the European Economic Area (EEA), or where such goods have been so placed with his consent, he cannot subsequently prevent the use of his mark for the resale of those goods, unless he has a legitimate reason to do so. In such a case, a reseller of those goods is allowed to use the trademark of the producer for the purposes of advertising the goods, and alerting the public of their further commercialization. The proprietor of that mark cannot prevent this, in the absence of a legitimate reason.

In the present case, since Primakabin's advertisement was only directed at the resale of used mobile houses that Portakabin had produced and put on the internal market under its trademark, and further, since Primakabin's resale of those houses amounted to their further commercialization as conceived by Article 7 TMD, the CJEU went further to consider whether there was any legitimate reason for Portakabin to challenge Primarkabin's advertisement. According to the Court, such a legitimate reason may exist if an advertiser's use of a sign that is identical with, or similar to a trademark is seriously detrimental to the prestige of that mark, or if such an advertiser gives the misleading impression that both he and the proprietor of the mark are economically related.

Although the CJEU pointed out that it was for a national court to determine the existence, or otherwise, of a legitimate reason under Article 7(2) TMD, the Court, nevertheless, gave some specific indications of what would, or would not qualify as a legitimate ground, in order to ensure that

national courts reached the right decision in cases involving the resale of used products. In this regard, the Court reminded national courts to bear in mind the interest of buyers and sellers in seeing that the sale of used products on the Internet is not inhibited unnecessarily. As it were, the sale of used trademarked products is a recognized business practice to which the ordinary consumer is well accustomed. Therefore, according to the Court, the addition, for example, of words, such as “used”, or “second hand” to a trademark is not a legitimate reason for proprietor of that mark to oppose its use. This is because the addition of such words to a trademark does not mean that the advertiser is giving the impression that he is economically connected to the proprietor of the mark. Such an advertisement also does not seriously impair the reputation of that mark.

Similarly, where a trademark is used to advertise the resale of used goods, but not all of the goods are dressed in that mark, this may not constitute a legitimate reason for the trademark proprietor to oppose its use, unless such a use presents a danger of serious damage to the image of the mark arising from the quantity, poor quality, or presentation of the other goods advertised with the mark, but not dressed in it. In the instant case, the CJEU urged national courts to note that, although Primakabin’s advertisement referred to used portakabins, it directed Internet users not only to products made by Portakabin, but also other producers. Here, the Court clarified that a reseller like Primakabin, which specialized on the sale of used trademarked products could not be prevented from using that mark to advertise its resale efforts, notwithstanding that it also sold used products made by other producers.

But if Primakabin’s use of the portakabin’s trademark to sell products

made by other producers will expose the image of that mark to the risk of serious damage, due, for instance, to the quantity, poor quality, or presentation of the other products advertised with the mark, then Portakabin will have a legitimate reason to oppose Primakabin's use of its trademark in advertisements. The Court added if the party reselling the products removed the trademark, and in its place, affixed his own mark (relabeling), that may constitute a legitimate reason for the proprietor of the replaced mark to mount an opposition. This last example stresses the most essential function of a trademark, and the importance of making it clear to consumers as to the origin of the used products.

If after considering the case before it, a national court were to find that Article 6(1)(b), or 6(1)(c) TMD is applicable, it must next consider whether the relevant use was consistent with honest practices in industrial, or commercial matters. In order to decide whether this requirement has been met, the national court should consider whether the third party's use of the trademark has enabled the public, or at the minimum, a significant majority thereof to see a practical connection between his goods, or services and those of the proprietor of the mark, or his licensee. Equally important, is whether the advertiser was aware of this, as it is not tenable for him to claim ignorance of the fact that his advertisement created confusion, given his knowledge of the environment in which he does business, coupled with the fact that he is using a keyword that he knows to be identical with another party's mark.

#### **5.6. Interflora inc. interflora British unit V Marks & Spencer plc Flowers Direct Online Limited**

### 5.6.1. Background and Facts

This case is the most recent of a string of cases that overwhelmed the CJEU under the preliminary reference procedure on keyword advertising disputes related to Internet search engines. The plaintiff, Interflora, manages a global flower delivery network composed of independent florists. The INTERFLORA trademark is reputable in several parts of the EU, including the United Kingdom. Marks and Spencer (M&S), a leading UK store, also sells flowers but is not involved with the Interflora network. Through keywords purchased on Google's Ad-Words referencing service, advertisements of M&S would be generated and shown as sponsored links when Internet users entered keywords, such as "interflora flowers," "interflora," "interflora delivery", "interflora.co.uk" or "interflora.com" on Google. These advertisements did not carry the Interflora trademark but offered M&S flower delivery service to Internet users. Consequently, Interflora brought this suit for trademark infringement against M&S before the High Court of Justice (England and Wales, Chancery Division).

In turn, the High Court referred a set of questions to the CJEU on the use of a mark of an Internet referencing service by a competitor without the consent of that mark's proprietor.<sup>292</sup> One of the questions focused on the rights derived from trademarks under Article 5(1) TMD and Article 9(1)(a) CTMR, which give exclusive rights to the proprietors of marks and entitle them to prevent the use, without their consent, of identical or similar signs. The other question was on the protection of reputable marks under Articles

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<sup>292</sup> Flint David, 'computers and Internet; What Is the Value of Personal Data?' 37 Business Law Review, Issue 1, 2016, p. 38.

5(2) TMD and 9(1)(c) CTMR.

### **5.6.2. Ruling of the CJEU**

On the basis of its reasoning in the case of Google France and Google Inc vs. Louis Vuitton which was discussed in detail in above CJEU reaffirmed in its September 2011 ruling that the use of a sign as a keyword in advertising is equal to the use in the course of trade and in relation to the goods or services offered by the party making the advertisement. The important issue is that keyword should not have been shown on the advertisement generated. On the basis of the infringement stated in Article 5(1)(a) TMD, which forbids the use of a sign that is identical to a registered trademark and is related to goods or services for which the mark was registered, the court ruled that this case concerned whether the alleged use had an adverse effect on the functions of the mark. As with the court ruling in Google France, the proprietor of the mark could only contest such a use if it adversely affects the functions of the mark. Here, the court pointed out that aside from the essential function of a mark in guaranteeing the origin of products, its investment and advertising functions should also be considered. The court then presented steps to be followed in determining whether the infringing use had adverse effects on those functions.<sup>293</sup>

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<sup>293</sup> Cohen Tobias, 'The Function Theory in European Trade Mark Law and the Holistic Approach of the CJEU', 102 Trademark Reporter Law Journal of International Trademark Association, 2012, p. 1279

### **5.6.3. Functions of Dispute**

#### **5.6.3.1. Function of Indicating Origin**

Relying on its ruling in the Google case, the CJEU stated that the use of a sign as a keyword that is identical or similar to a trademark is considered to adversely affect the function of that mark in indicating origin if the advertisement generated through the use of the sign does not make it possible or makes it difficult for reasonably well-informed and observant Internet users to determine whether the goods or services mentioned in the advertisement actually originated from the proprietor of the mark, an entity economically related to him, or a third party.

In the case at hand, the court stated that Internet users who entered “Interflora” and the like on the Google search engine would experience difficulty differentiating from the advertisement generated between the service offered by Interflora and that from M&S, especially in the absence of any clarification by the latter. In other words, the resulting advertisement by M&S tended to give Internet users the wrong impression that M&S was involved in the Interflora flower delivery network. However, the court left this matter to be decided by the English national court.

#### **5.6.3.2. Advertising Function**

While recognizing that a trademark is useful in promoting the owner’s goods or services, the CJEU noted that the mere ownership of a mark does not necessarily entitle one to prevent practices that are, by nature, fair to competition. Competitors’ use of identical words in keyword advertising

does not stop the proprietor of the mark from gaining its own customers. However, if the proprietor is forced to use extra marketing measures as a result of others' use of his/her mark, then such a use may be considered to adversely affect the advertising function of the mark. The more the advertisers bid for a particular keyword, the more that keyword is likely to cost. In the present case, M&S, by bidding on the Interflora trademark, made bidding for the same trademark expensive or costly for the owner. The consequence is that Interflora would be forced to scale down on its advertising or be prepared to pay more for it.

Arguably, this situation is an adverse effect on the advertising function of its mar. This argument from the Google France case was not accepted by CJEU, which had a similar stand on Interflora. However, the observation in Interflora is that keyword advertising did not negatively affect the advertising function of a mark in every case. This observation led the court to recognize that keyword advertising could have such an effect in several cases. Nevertheless, the court attempted to rationalize its refusal to consider the aforementioned consequences of the competitive bidding for a mark, which led to an adverse effect. The court explained that the purpose of the trademark law is not to protect proprietors from practices intrinsic to competition. The objective of keyword advertising is to provide Internet users with other options apart from the one originally sought when the keyword was entered in the search engine. The court suggested that keyword advertising is a force for good. Moreover, it maintained that keyword advertising does not deprive the mark proprietor of the opportunity to communicate effectively with and attract his/her customers. However, this

court's reasoning is doubtful because the prospect of a trademark proprietor communicating effectively with and attracting his/her customers may be lost due to the escalated advertising cost resulting from the competitive bidding for his/her mark as a keyword.<sup>294</sup>

So, the decision of the CJEU indicates that the use of a competitor of a sign the same as or similar to a mark does not automatically and adversely affect the advertising function of that mark. As for the advertising function, the ECJ has noted both in *Google France* and *Interflora*.

Advertising function is defined by the CJEU in *Google France* as the function of acting 'as a factor in sales promotion or an instrument of commercial strategy and the 'investment function' in *Interflora* as the function of 'acquiring or preserving a reputation capable of attracting consumers and retaining their loyalty'.<sup>295</sup> Both of these definitions are vague and there is no attempt to provide any justification for either, whether from the language, scheme or purpose of the TMD or CTMR, case law or otherwise.<sup>296</sup>

### **5.6.3.3. Investment Function**

In terms of the investment function of a mark, the CJEU noted that such a function enabled the proprietor not only to create and maintain a reputation

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<sup>294</sup> Darren Meale, 'Interflora: The Last Word on Keyword Advertising?', *Journal of Intellectual Property Law & Practice*, 2012, p. 14

<sup>295</sup> Para 78. *Google Inc V Louis Vuitton* [2010] C-238/08 (ECJ)

<sup>296</sup> Cornwell, J, 'Keywords, Case Law and the Court of Justice: The Need for Legislative Intervention in Modernising European Trade Mark Law', 27 *International Review of Law, Computers and Technology*, 2013, p. 85.

but also to draw in customers and retain their patronage.<sup>297</sup> If a third party uses a sign identical to the mark and related to the goods or services that are identical to those for which that mark was registered, then this function will be adversely affected in a manner that significantly interferes with the proprietor's use of the mark in creating and maintaining a reputation, drawing in customers, and retaining their patronage. The court observed an overlap between the investment and advertising functions of a mark. Similar to the case of the advertising function, if a proprietor is forced to use more marketing measures because his/her mark is used in keyword advertising, then that action does not suggest an adverse effect on the mark's investment function. The court left the national court to decide on whether the use of the Interflora trademark by M&S endangered that mark, thus restraining Interflora from gaining customers and retaining their loyalty. In resolving the trademark infringement disputes from keyword advertising, reconciling the protection of reputable marks with the interest of fair competition should be considered. In the aforementioned cases, the CJEU attempted to provide direction on how pre-existing laws should be applied to the new environment of keyword advertising and its related challenges.

The following points should be considered. In considering that a trademark is contributory to the acquisition and preservation of reputation, which could help its proprietor acquire customers and retain their loyalty, the CJEU suggested that a mark could aid in attaining goodwill. Moreover, the court noted that advertising and other commercial means are a way of investing in a mark.

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<sup>297</sup> Para 60. *Interflora V Marks&Spencer* [2011] C-323 (ECJ)

Any use that considerably interferes with the objective of acquiring and preserving the reputation of the mark causes an adverse effect on the investment function of that mark, which entitles its proprietor to lodge an opposition. According to the court, in cases in which a mark already has a reputation, its investment function will be diminished by any use that affects its reputation, consequently endangering its preservation.

In the latter case, the effect of the use is not required to be substantial. Furthermore, one is not certain if the reputation of a mark referred to by the court is the type indicated by Article 5(2) TMD. To ensure fair competition, CJEU apparently provided the added qualification that it will not be sufficient if the only effect of a use is to force the proprietor of a mark to adapt to acquire or maintain his/her mark's reputation. However, this reasoning is difficult to understand because if a proprietor is forced to adapt, then his/her mark's reputation can face threat or interference. Although the court has undoubtedly provided useful insights into the functions that a mark may serve, this last point does not explain much.<sup>298</sup>

#### **5.6.3.4. Dilution**

Dilution is a fairly recent invention in trademark law that radically shifts the balance in the law by dispensing with the confusion test<sup>299</sup> and has proven to be a dauntingly elusive concept.<sup>300</sup> The CJEU explained that, in

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<sup>298</sup> Ren Enlim, 'Google's Decision To Permit Competitors And Rivals To Purchase Keywords Of Trademarks Acceptable As Long As It Does Not Cause Consumer Brand Confusion', UK Law Student Law Review Volume 1, Issue 2, 2013, p. 17

<sup>299</sup> Robert N. Klieger, Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection, 58 University of Pittsburg Law Review, 1997, p. 789.

<sup>300</sup> Christine Haight, 'Why We Are Confused about the Trademark Dilution Law', 16 Fordham Intellectual Property Media and Entertainment Law Journal (No 4), 2016, p. 9

determining dilution cases, the test of the “reasonably well informed and reasonably observant Internet user” is relevant. Thus, in the Interflora case, if the English High Court determined that reasonably well-informed and observant Internet users could tell that the goods and services offered were those of M&S rather than those of Interflora from the advertisements generated by entering “Interflora” keywords on the search engine, then no trademark dilution would have occurred.<sup>301</sup>

In terms of free riding, the court indicated that if the advertiser is a competitor offering different goods or services, which are alternatives rather than imitations of those of the proprietor of the trademark, and then the advertiser cannot dilute the distinctive character of the mark. Therefore, an advertiser that offers goods or services that are genuine alternatives to those of the proprietor of a trademark should be considered as engaging in fair competition rather than free riding, even if the advertiser uses keywords that are identical to the mark.

In this case, Interflora was concerned that the action of M&S would dilute the distinctiveness of its Interflora mark and turn it into a generic word for flower delivery service. However, the CJEU did not consider such concerns. If the M&S advertisements did not confuse the reasonably well-informed and observant Internet users, then the advertisements only assisted to present the service offered by M&S as an alternative to that offered by Interflora. Thus, it did preserve, rather than dilute, the distinctiveness of the Interflora mark. However, the court’s reasoning is not beyond reproach. If proof of confusion among Internet users is considered a precedent for

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<sup>301</sup> Para 82. *Interflora V Marks&Spencer* [2011] C-323 (ECJ)

making a dilution case in keyword advertising, then the whole notion of dilution will become redundant. The reason is that if the proprietor of a trademark can prove the confusion, then a basis already exists for him to succeed on other grounds for trademark infringement (e.g., Article 5(2) TMD). Thus, the proprietor would have no reason to further prove the dilution.

#### **5.6.3.5. Unfair advantage**

The CJEU admitted that keyword advertisers have the advantage when they bid for the reputable marks of their competitors as keywords. The reputation of these marks enables them to be featured outstandingly in the keyword searches of consumers. As a result, many consumers will encounter the advertisements of competitors generated by using the keywords. In the L’Oreál case, the court ruled the act of riding on the reputation of a mark, in which the competitor taking advantage makes no effort of his/her own or does not financially compensate the proprietor of the mark, to be unlawful. This ruling, which declared smell-alike, look-alike imitation perfumes unlawful and resulted in widespread judicial criticism, also led the court to conclude that keyword advertising took unfair advantage of reputable marks in the Interflora case. However, the court explained that keyword advertising helped to provide consumers with alternatives to the products offered by the proprietor of the mark, thus absolving it from being unlawful. As the court further explained, taking unfair advantage of a reputable mark under Article 5(2) TMD or Article 9(1)(c) CTMR would only be unlawful if such act did not have due cause.

In the Interflora case, the advocate general cleverly sidestepped the issue by distinguishing both cases rather than rigidly following the L’Ore á l

ruling, an approach that would have made keyword advertising unlawful. According to the advocate general, although the L’Ore á l case involved imitation, M&S offered ordinary products in the Interflora case, which involved commercial alternatives to the products offered by the latter to consumers. Therefore, this action had due cause and was a fair one despite the view of the advocate general that M&S clearly tried to take advantage of the reputation of Interflora. The reason is that keyword advertising was used in the aforementioned approach meant to offer consumers commercial alternatives. He stated that this approach intended to promote competition and offer consumers more choices.<sup>302</sup>

The opinion of the advocate general was qualified. If the trademark was not only used to promote the relevant advertisement or displayed the mark, then it would mean taking unfair advantage. In such a case, whether the advertisement is a lawfully comparative one (permissible use) or simply one that rides on the reputation of the mark (prohibited use as indicated in the L’Oreál case) should still be determined. Disputes caused by these forms of advertisements have rarely been considered from a comparative advertising perspective, whether by the CJEU or the national courts of the member states. Therefore, Advocate General Jääskinen raising the point was remarkable, although it was not addressed extensively. The clarification sought by the English High Court sought in its preliminary reference to Article 5(1)(a) TMD comprised issues similar to those addressed in the previous CJEU rulings. Some of those issues include whether the form of keyword advertising implicated in the instant case involved the use of a

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<sup>302</sup> Para 82. *Interflora V Marks&Spencer* [2011] C-323 (ECJ)

mark by the advertiser and whether the use was related to the goods or services for which the aforementioned mark was registered. Following the previous rulings of CJEU The advocate general answered both questions positively.

In the present dispute, another question that the English High Court mentioned in its preliminary reference was the relevance of the idea that the advertisement was capable of leading several consumers to assume that M&S was involved in the Interflora network. Yet again, the advocate general repeated the CJEU position in the Google case that using a trademarked key- word could affect the origin function of the relevant mark. Therefore, such an action is prohibited when the advertisement generated does not allow average Internet users, or allows them but with difficulty, to determine if the goods or services advertised actually come from the proprietor of the used mark, the entity economically connected with it, or a third a party.

However, according to the advocate general, even when a mark is mentioned in the generated advertisement, an adverse effect on the origin function of that mark may not be assumed if the advertisement makes it effectively clear that the advertiser is not linked to the mark, as in the case of comparative advertising. The advocate general raised the issue of comparative advertising again, although he failed to elaborate on it. Moreover, he added that the advertisements generated from trademarked keywords sometimes presented alternatives to the marked products, explaining that the opportunity, which was offered to consumers to make informed decisions among alternative products, is one of the benefits of the Internet. Nevertheless, the advocate general presented his position on Article

5(1)(a) TMD by emphasizing the special nature of Interflora. That is, the mark was meant to indicate a network of independent commercial florists offering standardized flower delivery service, which is the second meaning of the mark, based on the description of the advocate general. He explained that the fact that M&S was generated when Interflora was entered into a search engine was likely to make Internet users assume that M&S was involved with the Interflora network. This assumption would be equal to a mistake regarding origin and thus would be considered infringement.

CJEU ruled that M&S took unfair advantage of the Interflora mark, without giving any financial compensation for its proprietor. The use constituted an infringement (free riding), unless a just cause for it was present. With policy considerations in mind, the court concluded that an infringement could result if the products advertised were simply imitations of those offered by the proprietor of the mark. However, the court further explained that no infringement would exist if the products advertised were commercial alternatives to those offered by the proprietor of the mark, did not erode or tarnish the products of that proprietor, or affected the functions of the mark. Such a use would generally be considered fair competition in the relevant class of products and thus having just cause. However, on the basis of the surrounding facts, the CJEU left it to the English High Court to decide on whether the actions of M&S caused dilution or amounted to free riding.

#### **5.6.4. High Court Of England And Wales: Victory For The Trademark Owner**

The extensive ECJ process that involved trademark infringement related to

keyword advertising between Interflora and M&S concluded on May 21, 2013, when the High Court of England and Wales issued a 99-page significant decision favoring Interflora as the trademark owner. This decision was a triumph for the individuals who believe that, in cases in which keyword advertising principles of intellectual property rights and trademark protection is overlooked, businesses should base their trade on the use of keywords already protected as trademarks by their competitors.<sup>303</sup>

The court concurred with the ECJ point of view that the choice and use of M&S of the keyword “Interflora” led to the use of this trademark. Moreover, the use of trademarks has harmful effects on the origin function of the Interflora trademark. Thus, M&S infringed on the exclusive rights that belonged to Interflora in its trademark under Article 5(1)(a) of the Trademarks Directive.<sup>304</sup>

The High Court of England and Wales considered several major elements in promulgating its decision. The high court considered what constitutes as the “average consumer” in the disputes and the effects of keyword advertising on the origin function of trademarks. The high court also scrutinized the effects of keyword advertising on the investment function of trademarks, including unfair advantage and due causes.

On the matter of the average consumer in this legal case, confusion and misinformation about trademarks could be mitigated if the average

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<sup>303</sup> Simon Nevile, 'Interflora wins trademark case against Marks & Spencer' *Guardian newspaper online*, 21 May 2013, available: <<http://www.theguardian.com/business/2013/may/21/interflora-wins-trademark-case-against-marks-spencer>> Accessed April 2017.

<sup>304</sup> Lisa Egan, Jonathan Feder and Christine Dan, ' Keyword Advertising Law Blossoming in the UK: Interflora v Marks & Spencer ', Practice Group of Intellectual property of Legal Insight, 2013, p. 4

consumer is reasonably well informed, observant, and cautious. In its decision, the high court stated that the average consumer is “not particularly technically literate, does not know precisely how Ad-Words operates and is not aware of the issues.” Furthermore, the high court mentioned that current Internet users learn by being proactive and seem to be aware of the differences between natural and sponsored search results unlike in the past. Nevertheless, the high court eventually found that a significant percentage of Internet users in the United Kingdom did not appreciate the appearance of the sponsored search results appear because advertisers paid for links to their services. This situation was generated by keywords consisting of or related to the search term entered by users.

With respect to the origin function of trademarks, the decision of the high court mentioned that the ECJ jurisprudence cases, including *Google France L'Oreal vs. eBay* and the current case, considered the effects of keyword advertising on the origin function of a trademark. The high court confirmed that the aforementioned case had established that the use of the keyword “Interflora” by M&S had adversely affected the origin function of the Interflora trademark as the advertisements of M&S had not enabled reasonably well-informed and observant Internet users to determine whether the M&S flower delivery service originated from Interflora, was economically connected to Interflora, or came from a third party. The high court eventually concluded that the M&S advertisements did not enable users to make this distinction. Moreover, the Internet users did not have enough general information about the market of the flower delivery system to distinguish between the two. The M&S advertisements did not clearly indicate that M&S was competing with Interflora. The court determined that

this situation was probably caused by the nature of the Interflora business as a network of traders operating under their own business names. This fact became more difficult for users who clicked on the M&S advertisements to distinguish the origin. Eventually, the high court decided that, although not every individual Internet user searching for a flower delivery system believed that the M&S flower delivery service was involved in the Interflora network, a significant percentage of users searching for “Interflora” and consequently clicking on a link to the M&S service was led to believe that it was involved in the Interflora network, thus adversely affecting the Interflora business. The court decided that M&S had infringed on the trademark of Interflora under Article 5(1)(a) of the Trademarks Directive of the European community.<sup>305</sup>

With regard to the investment function, the high court considered whether the M&S keyword advertising had adversely affected the investment function of the Interflora trademark by harming the trademark’s image that was conveyed to the public. The court was not convinced that Interflora had presented proof of such issue. Consequently, M&S was not held accountable for trademark infringement in this manner.

In terms of unfair advantage and due cause, the high court considered whether M&S had taken unfair advantage of the Interflora trademark and, if so, whether such use had been fair and with “due cause.” However, the high court was not convinced about the arguments of Interflora that M&S had deliberately targeted the former, which had been unable to respond. Thus, M&S was not held liable for infringement under Article 5(2).

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<sup>305</sup> Birgit Clark, 'When Keyword Advertising May Exceptionally be a Trademark Infringement After All, *Journal of Intellectual Property Law & Practice*, 2014 ,p. 7

### **5.6.5. Court of Appeals Sends Interflora Back To High Court**

After the high court decision, which was a victory for trademark owners, the Court of Appeals of England investigated the high court decision based on a request by M&S and rendered a new decision that weakened the victory of the trademarks owners.

On November 5, 2014, the Court of Appeals ruled on the ongoing dispute between Inter- flora and M&S. The decision was based on previous ECJ rulings in 2011 and those of the high court in 2013. As previously discussed, the high court ruled that M&S had infringed on the trademark rights of the florist by registering “Interflora” as a Google Adwords keyword. However, the Court of Appeals found a number of “legal errors” in the high court ruling and ordered a retrial of the case.<sup>306</sup>

The Court of Appeals found that, in considering the test, it makes no difference whether the question is asked and answered from the perspective of the single hypothetical, well-in- formed, and observant Internet user or whether that hypothetical person gives the benchmark for identifying a population of Internet users with significant views. Furthermore, the Court of Appeals determined that the judge was entitled to consider the effects of the advertisements on a significant portion of the relevant class of consumers. However, the court warned that considering only the views of the Internet users who were unobservant could set the bar too low. The Court of Appeals emphasized that only the effects of the advertisements on Internet users who were reasonably well informed and reasonably observant that should have been considered.

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<sup>306</sup> Lexis Nexis World of IT and IP law Blog, 'Interflora v M&S – Adwords are ok says Court of Appeal', 2014, available: <<http://blogs.lexisnexis.co.uk/wipit/interflora-v-ms-adwords-are-ok-says-court-of-appeal>> Accessed April 2017

In terms of the relevance of the doctrine of initial interest confusion in the current case, the Court of Appeals determined that the judge had made a mistake in depending on the initial interest confusion. This concept arises when the initial confusion of the average consumer may be dispelled before the point of sale; however, the consumer may still purchase even without the confusion. The Court of Appeals reiterated that the only test to consider if the functions were affected was the “reasonable Internet user” test provided by CJEU. In addition, the court explained that the doctrine of initial interest confusion was a “potentially misleading gloss,” which should not be included in the analysis of the trademark infringement, at least in cases involving keyword advertising.<sup>307</sup>

Finally, the Court of Appeals decided that the judge was correct in determining that a trademark infringement could occur when an advertisement appeared as a result of a search for a trademark term when the advertiser had not bid on it as an Adword but the advertisement came up as a result of the advanced broad matching function of Google. The Court of Appeals clarified that in determining whether an advertiser had used the trademark in these circumstances, the court would need to consider whether the object and effects of the activities of the advertiser were intended to generate the appearance of its advertisements as a result of the search for the trademark term.

### **5.6.6. Interflora Case’ Critical Analyzing**

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<sup>307</sup> Maeve Lynch, 'Interflora: a Pyrrhic Victory as Both Parties Return to the Drawing Board', Oxford Journal of Intellectual Property law & Practice, 2015, p. 7.

The ECJ decision on keyword advertising and its issuance of a decision unfavorable to trademark owners was expected because of jurisprudence, which is based on the Trademark Directive process. Nevertheless, the high court decision could still be considered an important victory for trademark owners, particularly Interflora.

This decision has been long overdue and is certainly a significant triumph for Interflora. Moreover, this decision can reassure other trademark owners. Some extended decisions that favor Interflora were the result of the distinct situation of Interflora as a business, which is built in a network of independent businesses operating under their own business names. Consequently, this situation proves the difficulty of distinguishing the origin of the services between Interflora and M&S.

The high court decision resulted in the necessity for keyword advertisers to consider re-viewing their online advertising functions and strategies to guarantee that their advertisements and sponsored links that use keywords identical to the trademarks of competitors or third parties clearly indicate that they are not associated with their competitors.

According to court's decision, the average consumer's awareness has increased and continues to increase, as Internet users use search engines more and more to browse the Internet. Therefore, a court may not automatically favor the trademark owner should a similar case arise in the future. As regards the high court decision, the presiding judge in this case was surprised that M&S had not attempted to use a defense based on its keyword advertising that constitutes comparative advertising pursuant to Article 4 of the EU Misleading and Comparative Advertising Directive (2006/114/EC) and previous EU legal cases. Although the judge did not mention the merits of such a defense, businesses encountering similar

infringement allegations of using key- words protected by trademarks may use this option when drafting their defense.

Note that the high court decision abided by the ECJ responses, proving that the use of third-party trademarks as keywords in Google search cannot establish trademark infringement unless it has harmful effects on the trademark functions. Thus, the high court's ruling is relevant to businesses because it emphasizes the fact that the use of the competitor trademark as a key- word can result in trademark infringement, particularly if confusion can arise from determining the origin of the goods or services.

The high court decision was largely against M&S as it looked at the factual grounds of the case from the viewpoint of reasonably well-informed and observant users. Note that a considerable percentage of Internet users cannot identify between sponsored and organic results de- rived from Google. These users are not aware that advertisements are generated by keyword search terms. As Internet users become more informed, begin to comprehend how keyword searching works, and become more aware of sponsored links, pursuing infringement actions on these grounds may become more difficult to execute. However, business owners can and should reduce their liability and risk exposure by guaranteeing that advertisements clearly indicate that the relevant goods and services come from a competitor. Keyword advertisers should review their online advertising strategies and procedures to confirm that their advertisements and sponsored links that use keywords identical to competitor trademarks expressly indicate that they are not associated with their competitors.

After the decision favoring Interflora, the Court of Appeals heavily criticized the dependence of the high court judge on the "initial interest confusion" doctrine, indicating in strong terms that the "doctrine of initial

interest confusion is therefore an unnecessary and potentially misleading gloss on the tests the Court has articulated.” Furthermore, the Court of Appeals held that Justice Arnold, in his original decision, had turned the responsibility to the defendant to prove that no trademark infringement occurred, when the usual approach is place the onus on the claimant to prove that infringement occurred (i.e., the defendant should not have to prove the negative). In addition, the Court of Appeals criticized the decision of Justice Arnold to admit into the proceedings several forms of evidence from Interflora.

In a highly unusual move, the Court of Appeals did not overturn the original high court decision but ordered a retrial. Barristers for Interflora claimed that the “errors” of the original judge were so minor that the original decision would have been no different even if the high court had abided by the reasoning of the Court of Appeals. However, the Court of Appeals cannot retry cases on facts unless compelled to do so and can only point out errors of law. Thus, it argued that the “errors” were so grave that the original case warranted to be reheard by the high court, which would re-examine the evidence and re-cross-examine witnesses for both parties. In short, the Court of Appeals ordered the high court to conduct a second hearing of the case.

A crucial point is understanding the fact that the Court of Appeals did not consider the original decision to be wrong. Rather, it determined that the high court over-relied on a doctrine of the trademark law in the form of the “initial interest confusion” concept. The Court of Appeals also determined that the high court incorrectly placed the onus on the defendant to prove that no infringement occurred and wrongly admitted or relied on pieces of evidence in the proceedings.

Although the Court of Appeals could have immediately overturned the

high court decision, the former did not. This author suspects that the Court of Appeals was cautious of the fact that this case was a finely balanced one and was highly dependent on factual evidence. As a result of the Court of Appeals findings and given that it did not and could not re-hear evidence of facts beyond exceptional circumstances presented in the original decision, it effectively determined that the high court should retry the case. The high court would possibly arrive at the same decision as before. Nevertheless, the Court of Appeals cited sections of the original decision of the high court judge on numerous occasions, such as that bidding on a competitor trademark as part of a keyword advertising campaign is not actually prohibited. Determining if infringement has occurred will always rely on the individual facts of the case and whether consumers were confused or perceived an association between the brand owner and the advertisement.

Although the Interflora case greatly relied on the specific structure of the Interflora network of florists, that is, a group of independent florists using the same Interflora brand, the presumption is that M&S was more likely to infringe on the rights of Interflora had Interflora been a “traditional” business. The case and its decision are important in creating guidelines in the multi-billion-pound keyword and pay-per-click advertising sector of the United Kingdom. The triumph of M&S may reinforce the relatively liberal use of bidding on the trademarks of a competitor in keyword advertising.

### **5.7. Discussion on ECJ Ruling**

After a long period of intractable uncertainty, the curtain has now been

drawn, at least, for now, on the lawfulness of third parties using, without authorization, trademarks as keywords to generate advertisements. Needless to reiterate, the CJEU has now given judicial approval to this practice. And on this premise, bearing in mind as well, the need to promote competition, the Court has found no need to grant reputable marks any extra protection that would otherwise enable their proprietors to challenge the practice.

The CJEU performed much of the task of shedding light on the uncertainty arising from keyword advertising in a series of rulings that predated *Interflora*. Notable among those were the rulings in *Google France* joined cases, and *Portakabin*, all of which were examined earlier on. Nevertheless, with the *Interflora* ruling, the Court eventually addressed most of the issues potentially posed for trademark law by keyword advertising. The cumulative result is that the Court has apparently signaled its approval, at least, of keyword advertising that does not involve the use of marks belonging to brand owners. Advertisers need no longer be wary of using the trademarks of other parties in order to offer consumers' , goods, or services that are commercial alternatives to those offered by the proprietors of those marks.

Based on the clarifications provided by the CJEU, it was predictable that English High Court will ultimately find in favour of M&S. This is because M&S could persuasively contend, in the context of Article 5(2) TMD, and Article 9(1)(c) CTMR, that it took advantage of *Interflora*'s trademark with a due cause: that is, in order to provide consumers with an

alternative to what Interflora offered.<sup>308</sup>

Despite the CJEU jurisprudence that has emerged so far, however, some areas of doubts still exist. One such area is how precisely to apply some of the nascent functions of a trademark that the CJEU articulated in the above cases, and what their implications might be. For example, although the Court dwelt on the investment function of a mark, it ended up shedding more fire, rather than light on the issue. This lack of clarity is a potent source of future disputes, both in the context of keyword advertising, and beyond. The situation is compounded by the rapidity of technological advances and breakthroughs, with the likely result that much of the emerging CJEU jurisprudence is made obsolete, taking us back to the drawing board.

Furthermore, although it is remarkable that the CJEU observed a likelihood of confusion in that case, that observation is limited to the particular facts of the case, and will hardly apply to most keyword advertising disputes, which normally involve economic entities that are not brand names, or organized like the Interflora network.

Another problematic issue that the CJEU may still need to contend with, stems from the fact that, although it is unpopular third parties that are usually implicated in the use of reputable marks in keyword advertising, the proprietors of reputable marks are also often desirous of using the reputable marks of their competitors in keyword advertising. Therefore, unless the Court attempts, in some way, to distinguish its all- be-it controversial ruling in the Google cases, it may, in certain situations, be positioned awkwardly to

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<sup>308</sup> Darren Meale , *Interflorida ; The Last Word on Keyword Advertising?* , Oxford Journal of Intellectual Property law and practice , 2011, p. 12.

rule unlawful, a practice that it has already endorsed in those cases. And, if the Court continues to maintain a liberal stance on the taking of unfair advantage, that will have implications for EU trademark law as a whole, not only keyword advertising. One particular provision that is likely to be a trouble spot is Article 5(2) TMD. Given that the law governing comparative advertising also forbids the taking of unfair advantage, this aspect of the law could be affected, as well.

The Max Planck Institute for Intellectual Property and Competition Law which is one of most accredited institutes in the field of IP law in Germany conducted a study on keyword advertising, EU trademark law, the rulings of the CJEU, and the emerging jurisprudence of the national courts of Member States. The study examined the nature of Ad-Word programs, and the parties implicated in the use of trademarks as keywords.<sup>309</sup>

Beginning with the last issue mentioned above, the study concluded that the protection of trademarks is meant to provide choices to consumers, ensure the diversification of products, and guarantee their quality. If these objectives are to be achieved, then it is important for the law to guide against consumer confusion as to the origin of marked products. The study, therefore, agreed that the CJEU was right in considering the origin function as the essential function of a trademark. But the study also pointed out that the freedom of information, as well as the Community's desire to promote competition should be borne in mind in determining the degree of protection granted to trademarks, especially where this goes beyond the protection of

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<sup>309</sup> Vanderlaan Nicole , The Use of Trade Marks in Keyword Advertising Developments in ECJ and National Jurisprudence, Max Planck Institute for Intellectual Property and Competition Law Research Paper No. 12-06,2012,p. 18

the origin function.

On the application of established trademark infringement criteria to the use of trademarks as keywords, the study noted that the CJEU has ruled that an advertiser's use of a trademark as a keyword is a use in relation to goods, or services<sup>11</sup>, and, therefore, comes within the ambit of Article 5(1) and (2) TMD. The study observed though that, in this respect, the Court has not been willing to attach liability to the owner of the relevant search machine.

Quite importantly, the study referred to the CJEU's test for determining a likelihood of confusion, or detriment to the origin function of a mark, and cautioned against an unduly rigid adherence to that test. It pointed out that the decisions of some national courts surveyed, demonstrated the difficulty of meeting, in the short text of an advertisement, the requirement of full transparency with regard to the identity of a relevant advertiser. The study further suggested that courts should be slow to infer a likelihood of confusion, where an advertisement is recognizable, the advertiser's name is disclosed, and the trademark used as the triggering keyword is not shown in the advertisement. Here, the study raised the point that a negligible degree of confusion on the part of inexperienced Internet users could be accommodated in return for the benefits derivable from keyword advertising in terms of information supply and the promotion of competition.

Noting that, in addition to the origin function, the CJEU has endorsed the protection of the other functions of a trademark under Article 5(1)(a) TMD, the study examined the CJEU's interpretation of those functions in

relation to keyword advertising. It observed that, with regard to the investment and the advertising functions of a mark, the Court demands a substantial adverse effect. Thus, the mere taking of advantage by an advertiser, or the fact that the trademark proprietor is exposed to increased costs, the loss of customers, or forced to adopt additional measures, will not be enough to warrant a finding of an adverse effect on those functions. According to the study, the CJEU tends to integrate competing interests in its application of Article 5(1)(a) TMD to the use of trademarks as keywords.

The study further noted that the CJEU's position on the use of trademarks in keyword advertising is equally applicable to Article 5(2) TMD. Unless an advertisement causes confusion, no finding of free riding, or dilution will be made. Here, according to the study, the Court apparently attaches importance to the fact that consumers are being provided with alternatives to the marked products. The freedom of information, and the promotion of competition, therefore, feature in the Court's consideration.

Turning to the limitations contained in Article 6 TMD, and the exhaustion principle in Article 7 TMD, the study observed that the CJEU has interpreted them rather narrowly as they concern the use of trademarks as keywords. For example, the Court has generally maintained the position that a use opposable under Article 5(1) TMD because of the ambiguity of the ensuing advertisement, cannot be considered to be in accordance with honest practices<sup>11</sup>, and the proprietor of the affected trademark has a legitimate reason to oppose the continuation of that use. The study did not accept this reasoning of the Court. Instead, it argued that the lawful uses permitted under Articles 6 and 7 TMD help advertisers to inform consumers, and therefore, to facilitate transparency and competition. Consequently, the use

of trademarked keywords in such situations ought to be permitted to the extent that they do not create a likelihood of confusion. But unfortunately, the study noted, the CJEU's transparency requirement for the use of trademarks as keywords carries the risk that national courts might interpret it so strictly as to deny the uses otherwise allowed under Article 6 and 7 TMD.

According to the study, the two most common factors that feature in the determination of whether or not to allow the use of a trademark as a keyword, are confusion and unfairness. But the study thought that the CJEU had unduly expanded the likelihood of confusion criterion in trademark law in applying it to keyword advertising. As the jurisprudence of the national courts since the CJEU's rulings has already shown, the drafting of a sufficiently transparent advertisement within a short text entails considerable difficulty. Consequently, the use of trademarks as keywords is prevented even where consumers are not led to believe that particular advertisers are economically connected to the proprietors of the used marks. The study suggested that simply because the possibility of consumers assuming an economic connection cannot be ruled out completely should not be taken to constitute a likelihood of confusion.<sup>310</sup>

As the study noted, restraints on the use of trademarks as keywords do not affect the advertising of counterfeits alone, but also genuine competitive products, supplementary products, spare parts, and second hand products. They may also hinder product commentaries, and comparative pricing. In the end, the balance is tilted overwhelmingly in favor of the proprietors of trademarks at the expense of competition, advertisers' desire to supply

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310 Ibid

information, and consumers' interest in using such information. All this makes it particularly important that the national courts of Member States appropriately interpret the CJEU's test for the likelihood of confusion, the study added.<sup>311</sup>

Finally, however, that the CJEU has apparently refused to endorse the notion that a third party's use of a trademark in keyword advertising amounts to an unfair exploitation of that mark's goodwill, particularly where the advertisement concerns products that are in competition with those for which the mark is registered. The study identified with the Court's view in this regard. As a whole, it called for trademark law to be interpreted and applied to keyword advertising in a manner most conducive to the goals of information flow and competition, with a main focus on the need to prevent consumer confusion. Thus, if the use of a trademark in keyword advertising does not cause real confusion, it should also not be considered unfair.

### **5.8. The Problematic Issue of 'Use' in the Internet Environment**

As a basic principle of intellectual property law, trademark rights are territorially limited.<sup>312</sup> The implication of this principle is that a trademark owner who desires to enjoy the protection of its mark under the law of a foreign country must have it registered in that jurisdiction, particularly where such registration is a requirement for statutory protection. Even though popular marks are usually exempted from this principle,<sup>313</sup> in

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<sup>311</sup>Ibid

<sup>312</sup> Beier, 'Territoriality of Trade Mark Law and International Trade', 1 IIC, 1970, p. 53.

<sup>313</sup> Paris Convention, Art.6bis and TRIPS, Art.16:2 that prohibits the registration and use of a

jurisdictions such as the UK, and Member States of the EU, such marks must still be registered, if they are to enjoy protection under domestic trademark laws.<sup>314</sup>

Impliedly, given the borderless nature of the Internet, determining what constitutes “use” entails considerable difficulty. In situations where trademarks are used on websites, an important enquiry would be whether products or services are being offered from those websites to consumers within the jurisdiction where trademark enforcement is being claimed. Should the answer be in the affirmative, such conduct would qualify as use in that jurisdiction.<sup>315</sup> Although it is unnecessary to show that products or services are being sold through such websites, the mere accessibility of a website in a jurisdiction is not enough to constitute use.<sup>316</sup> In *Euromarket v. Peter*, for example, where a website was accessible to UK consumers, it was held that the website was not directed at those consumers, but only intended to advertise a shop located in Ireland. Several factors may be used to determine whether a website or an online material is targeted at consumers in a specific jurisdiction. These include the language in which the website or online material is presented, (2) currency in which prices are quoted and (3)

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mark that reproduces a well-known mark so as to cause confusion.

<sup>314</sup> See, TMD, Art.5(2) (TMA, s10(3)). Art.16:3 of TRIPS that requires the grant of more expansive protection to well-known marks, has been interpreted to mean that a well-known mark must be registered within the territory in which such expansive protection is sought.

<sup>315</sup> *1-800 Flowers Inc v. Phonenames Ltd* [2000] FSR 697 and *Euromarket Designs Inc v. Peter and another* [2000] ETMR 1025 (*Euromarket v. Peter*).

<sup>316</sup> *L'Oréal v. eBay*, [64].

the provision of manuals through that website in a specific language.<sup>317</sup> These yardsticks are, however, not exhaustive.

Furthermore, The role of the ‘commercial communication’ requirement in the determination of trademark infringement is highlighted by an examination of the relationship between Articles 5 and 6 TMD. According to the ECJ, under Article 5, “...the proprietor of the mark is entitled to prohibit that use *if it is liable to have an adverse effect on one of the functions of the mark...*”<sup>318</sup> The Court proceeded to clarify, however, that “...the proprietor of the trademark is not entitled to prohibit such use in the situations listed as exceptions in Arts.6 and 7 of [the TMD]...”<sup>319</sup> The exceptions contained in Article 6 TMD include the use of a person’s own name as a trademark, notwithstanding that the name is identical or similar to a registered trademark.<sup>320</sup> Use of that name is permitted “even if there is some actual confusion with a registered trade mark.”<sup>321</sup>

It is clear, therefore, that the ‘own name’ provision in Article 6 affords exemption from liability, even when that name is used as a trademark.<sup>322</sup> Moreover, it goes without saying that the use of a trademark as

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<sup>317</sup> *KK Sony Computer Entertainment v. Pacific Game Technology (Holding) Ltd* [2006] EWHC 2509 (Pat) (*Sony v. Pacific Games*).

<sup>318</sup> *Google v. Louis Vuitton*, [79] (emphasis added).

<sup>319</sup> *Google v. Louis Vuitton*, [80].

<sup>320</sup> Article 6(1)(a) TMD.

<sup>321</sup> *Reed Executive v. Reed Business Information* [2004] RPC 40, [129] (Jacob LJ) cited in Cornish and others, above n43, 779.

<sup>322</sup> J Davis, *Intellectual Property Law*, 3rd ed, Oxford University Press, 2008, p. 224.

a trademark must be as a commercial communication by the party using it. Thus, the availability of the ‘own name’ defence, even where confusion is conceivable, means that a defendant can escape liability, despite its unauthorised use of what is otherwise a registered trademark, in its commercial communication. This equally shows that where a trademark is not used in a person’s commercial communication, it cannot be said to affect the functions of that mark as to ground an infringement claim. This further illustrates the nature of the hurdle that must be crossed under the ‘commercial communication’ requirement to establish a basis for trademark infringement.

Noteworthy, is that, in addressing the scope of Articles 5 and 6 TMD, the ECJ, as well as national courts of EU Member States making reference to the Court, have tended to shy away from the ‘use as a trademark’ or ‘trademark use’ terminology, which is more a feature of UK trademark law.<sup>323</sup> In particular, the ECJ<sup>324</sup> and its Advocates-General<sup>325</sup> have clearly refrained from the notion of ‘trademark use’. The question is normally framed as whether ‘use’ of a sign by a defendant is covered by the type of use contemplated by Article 5 TMD, and hence, capable of affecting a mark’s functions.

For example , In *Hölterhoff v. Freiesleben*, the ECJ was of the view

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<sup>323</sup> B Trimmer, ‘An increasingly uneasy relationship - the English courts and the European Court of Justice in trade mark disputes’ , 30 *European Intellectual Property Review*, 2009,p. 87.

<sup>324</sup> C-100/02, *Gerolsteiner Brunnen GmbH & Co v. Putsch GmbH* [2004] RPC 39, [15].

<sup>325</sup> Case C-206/01, *Arsenal Football Club Plc v. Matthew Reed* [2002] ETMR 82, [A41] (Advocate-General Colomer).

that, where third parties make strictly descriptive uses of trademarks, such uses cannot be said to undermine the rights protected under Article 5 TMD.<sup>326</sup> By implication, the use of a trademark strictly for the purposes permitted under Article 6(1)(b) and (c) TMD would not constitute use that undermines the functions of that mark. Put differently, such use would not amount to ‘use as trademark’, and would, consequently, fall outside the ambit of Article 5 TMD. However, while the ECJ has distanced itself from the ‘trademark use’ concept, the concept is still seen to have lived on.<sup>327</sup>

With regard to the ‘own name’ defence under Article 6(1)(a) TMD, it is permissible to use a trademark both as a trademark, and in a party’s own commercial communications. But in respect of Article 6(1)(b) and (c), a third party’s use of a trademark to describe the characteristics of a product, or to describe the purposes for which a product is intended, will not amount to use ‘as a trademark’ in the sense of indicating product origin, even though the third party, in this case, is clearly using that trademark in its own commercial communication.

The point made above is exemplified by *Adam Opel v. Autec*<sup>328</sup>. The defendant used the plaintiff’s trademark in its toy car products marketed with the mark, ‘AUTECH’. In its reference to the ECJ, the German court hearing the dispute posed the following question:

*Does the use of a trade mark registered also for “toys” constitute use*

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<sup>326</sup> Case C-2/00, *Michael Hölderhoff v. Ulrich Freiesleben* [2002] ETMR

<sup>327</sup> NM Dawson, ‘Non-trade mark use’, *Intellectual Property Quarterly* 204, 2012, p. 226.

<sup>328</sup> Case C-48/05, *Adam Opel AG v. Autec AG* [2007] ETMR 33 (*Adam Opel v. Autec*).

*as a trade mark for the purposes of Art. 5(1)(a) of the Trade Mark Directive if the manufacturer of a toy model car copies a real car in a reduced scale, including the trade mark of the proprietor of the trade mark as applied to the real car, and markets it?.*<sup>329</sup>

Guided by its ruling in *Arsenal v. Reed*, the ECJ noted that the exclusive right granted under Article 5 TMD applies only to instances where a third party's use of a sign affects or is likely to affect the trademark's functions, especially its essential function of affirming the origin of products to consumers.<sup>330</sup>

Importantly, the Court pointed out that none of the Article 6 defences was applicable to the facts of that case.<sup>331</sup> Consequently, the 'use as a trademark' requirement was confined to the determination of infringement, separate from the defences in Article 6 TMD.

Impliedly, notwithstanding that 'commercial communication' and 'trademark use' are both determinative conditions, they are not coextensive. This is because, whereas a trademark may sometimes be used by a third party, both as a trademark and in its own commercial communication, in other cases, such use may be only as a commercial communication, but not as a trademark. As a result, it seems inconceivable that the 'commercial communication' requirement is the same thing as the 'use as a trademark'

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<sup>329</sup> *Adam Opel v. Autec*, Para 13.

<sup>330</sup> *Adam Opel v. Autec*, Para 21.

<sup>331</sup> *Adam Opel v. Autec*, [38] and [39].

requirement stated in a different way.

That takes the discussion back to the question as to what the ECJ actually meant in *Interflora*, where it concluded that Google did not use the plaintiff's marks in its own 'commercial communication'? Was the Court saying that there was no clear use of a trademark, since Google's use was strictly 'internal, functional and invisible' to the Internet end user? In respect of the 'use as a trademark' requirement, it has similarly been suggested that, "... an internal use of the sign, which is not discernible by consumers, cannot be a use as a trademark."<sup>332</sup>

That interpretation has, nonetheless, not met the ECJ's approval, as evident from its ruling in *Google v. Louis Vuitton*. There, the Court grappled with two distinct sets of facts. One related to where a third party, in making the advertisement presented as a sponsored result on Google's search engine, clearly used the plaintiff's trademark in the text of its advertisement.<sup>333</sup> The other concerned where the third party's advertisement did not contain a sign identical to a trademark<sup>334</sup> that is, both Google and its advertisers did not make any visible use of any trademarks.

The invisibility of the trademarks resulted from their internal use. Logically then, if the ECJ found acceptable the earlier proposition that internal uses of trademarks do not constitute 'commercial communication', it should similarly have found, in the latter of the two scenarios above, that

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<sup>332</sup> G. Psaroudakis, 'In Search of the Trade Mark Functions: Keyword Advertising in European Law', *European Intellectual Property Review*, 34(1), 2012, p.33.

<sup>333</sup> *Google v. Louis Vuitton*, [63].

<sup>334</sup> *Google v. Louis Vuitton*, [63].

there was no infringing use of any trademarks. Yet, the Court took the view that the mere fact that the sign a third party used for its advertisement was not shown in the advertisement itself did not necessarily mean that the use was not covered by the notion of “[use] ... in relation to goods or services” under Article 5 TMD.<sup>335</sup>

### **5.9. The Flexibility of the Infringement Eligibility Criteria: the Fundamental Basis of the Problem**

It could be said that the ECJ has narrowed down the tests for infringement. Although it seems that under Article 5 TMD, infringement would be proven, if the use of a trademark was in the “course of trade”, the Court would only hold that there is consumer confusion, or the likelihood of same, if the third party’s use of the mark is shown to have been in pursuance of a commercial activity, and that use undermines the ability of the mark to discharge a protected function.<sup>336</sup>

The condition of ‘use in the course of trade’ in the TMD strictly has no purpose, except to circumscribe the degree of the exclusive rights enjoyed by trademark owners with the objective of striking a balance between them and the interests of consumers and competing third parties. All the same, since the emergence of the Internet, simply the ‘use’ of a trademark has proven to be potentially sufficient to incur liability for ISPs and keyword advertisers, who benefit from the sale and use of trademarks as keywords. Nevertheless, the Court has been parsimonious in its

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<sup>335</sup> *Google v. Louis Vuitton*, [65].

<sup>336</sup> *Arsenal Fc V Matthew Reed*, at para 51. also *L'oréal Sa Et Al. V Bellure Nv Et Al.*; *Google France Sarl V Louis Vuitton Malletier Sa and Others*; *Interflora Inc V Marks & Spencer Plc.*

interpretation of that requirement. It has clarified that not just “any use” of a trademark is forbidden, but only those uses, which harm the ‘specific interests’ of its owner and prevent the mark from discharging its protected “functions”.<sup>337</sup> In effect, mere ‘use’ is not enough to establish infringement.

As said, in contrast with other categories of intellectual property rights, trademarks have a potential to vest their owners with the exclusive right to use them in perpetuity. To illustrate the point, under Article 63(1) of the European Patent Convention, even patents, widely seen as the most valuable form of intellectual property rights, confer exclusive rights on their owners for a limited period of only twenty years from the date a patent application was filed.

The Advocate General insightfully observed in *Phillips Electronics* that trademark owners seek protection even for shapes that hinge on functionality, and in doing so, not only acquire the ostensibly perpetual exclusive rights that trademarks confer, but also indirectly prolong the tenure of other rights like patent and design rights far beyond the maximum limited allowed by law.<sup>338</sup>

Chronopolous describes that as the construction of a “language monopoly” on a foundation constituted by only the few words known to humanity.<sup>339</sup> Given the demonstrated potential for unfair monopoly, it

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<sup>337</sup> *Arsenal Fc V Matthew Reed*.

<sup>338</sup> *Philips Electronics Nv V Remington Consumer Products Limited*. para 30.

<sup>339</sup> Chronopoulos, 'Determining the Scope of Trademark Rights by Recourse to Value Judgements Related to the Effectiveness of Competition, International Review of Intellectual Property and Competition Law, Vol. 42, 2011, p. 539..

becomes vital to adopt a restrictive view of the exclusive rights that trademarks confer on their owners. Attempts to interpret trademark rights are usually enmeshed in a complex interplay of conflicting interests, which requires a delicate balancing of the necessity to, on the one hand, protect the rights of trademark owners to encourage them to continually strive for the development of commercial goodwill and the use of appropriate symbols to bring this about<sup>340</sup>, and on the other, preserve the broader interest of the public in free competition.

The way out of that dilemma is the creation of a “safety zone” that insulates free competition from the apparently perpetual monopoly rights trademarks tend to confer on their owners; infringement claims should be entertained only in circumstances where the action of a third party prevents a mark from serving consumers as a reliable source of information.<sup>341</sup>

While it is arguable that the ECJ has narrowed down the ‘use in the course of trade’ requirement, it does not follow that the rights of mark owners are necessarily “defensive” or “gross” in terms of degree since the objective of preventing consumer confusion is met, and further, the main concern of trademark law is not, after all, to help owners exploit the value of their marks.<sup>342</sup>

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<sup>340</sup> Chronopoulos, 'Determining the Scope of Trademark Rights by Recourse to Value Judgements Related to the Effectiveness of Competition, *International Review of Intellectual Property and Competition Law*, Vol. 42, 2011, p. 540.

<sup>341</sup> M. Barrett, 'Internet Trademark Suits and the Demise of Trademark Use', *U.C. Davis Law Review*, 39, 2006, p. 388.

<sup>342</sup> Dogan and Lemley, 'Trademarks and Consumer Search Costs on the Internet', *Houston Law Review*, Vol. 41, 2004, p. 836;

For example, according to Recital 11 of the Preamble to the TMD, the fundamental objective of trademark protection is to ensure that marks function as indications of origin. This intertwines with the economic rationale of trademark protection, which is to minimise search cost for consumers.<sup>343</sup>

The European attitude to trademark protection had been circumspect, with unwillingness to extend protection outside the objective of preventing consumer confusion, quite unlike the more permissive position that demonstrated readiness to protect other economic functions marks have a potential to perform.

The true purport of “in the course of trade” as used in the TMD has remained an evolving issue in trademark law, with the emphasis being placed on ever-changing considerations that tend to impact two of the factors upon which the ECJ usually determines infringement on the basis of that requirement namely:

- (i) what “in the course of trade” actually means, and
- (ii) whether the purported “use” must be “use as a trademark” capable of undermining a mark’s ability to perform a protected function.

In its literal sense, “in the course of trade” suggests circumstances of a commercial nature, and which inevitably produce an economic effect or advantage. The Court has also adopted this meaning, which implies that a private use not directed at a commercial gain is not covered by that

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<sup>343</sup> L. Dogan , Mark A. Lemley A search-cost theory of limiting doctrines in trademarks law , Trademark Reporter 97(6) , 2007 , p. 238.

requirement.<sup>344</sup>

The Court's construction of the 'use' requirement is narrower than the position taken in *Arsenal*. This deviation is contentious in that it has allowed ISPs space to circumvent liability, even when they sell trademarks owned by other parties as keywords, since they typically do not use the reserved marks commercially, that is, to market their advertising services; although they profit from it.<sup>345</sup>

The fact that ISPs profit from selling marks as keywords raises the question whether they should be deemed to 'use' the marks "in the course of trade". Examination of this issue may make it possible to tell whether it would augur well for E-commerce, and properly integrate the competing interests of trademark owners, ISPs, and free competition. Attention will turn later to this issue.

Equally debatable is the interpretation of "use as a trade mark" by a third party, which is capable of adversely affecting one of the protected functions of the mark. Originally, the protection of trademarks from unauthorised use by third parties was only in respect of the mark's ability to perform the primary function of affirming origin; however, a "multifunctional interpretation"<sup>346</sup> has meant that the ECJ now also acknowledges that marks are valuable not only for the purposes of indicating

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<sup>344</sup> *Arsenal Fc V Matthew Reed*, at para 40.

<sup>345</sup> M. Janis and G. Dinwoodie, 'Confusion over Use: Contextualism in Trademark Law', *Iowa Law Review*, 92 . 2007, p. 1597 & M. Lemley and S. Dogan, 'Grounding Trademark Law through Trademark Use', *Iowa Law Review*, 92 , 2007, p. 1670.

<sup>346</sup> This expression was borrowed from Chronopoulos, 'Determining the Scope of Trademark Rights by Recourse to Value Judgements Related to the Effectiveness of Competition', p. 541.

origin, but also for the performance of other economic functions like advertisement and investment. To be sure, under Article 5(1)(a), all the functions performed by trademarks are entitled to protection, irrespective of the presence or absence of consumer confusion or adverse effect on the essential function. As the ECJ clarified in *L'Oreal*, marks perform other functions including those relating to quality and communication, although it concentrated only on the advertising and investment functions as those potentially impacted in that case.<sup>347</sup>

The case law tends to lean favorably towards the protection of the interests of trademark owners in preserving the essential function. Nevertheless, overreaching protection as demonstrated by national courts in the EU, endangers the e-commerce sector of the economy.<sup>348</sup>

The ECJ has, however, exhibited a different attitude, which is approved in some quarters, especially those who espouse free competition. At the same time, others may frown at the Court's position. Variability in the tests for infringement, the liability of keyword advertisers and the likely impact of their actions on the functions performed by trademarks, deserve greater examination.

## **5.10. Overview of Current Situation Regarding Keywords Advertising**

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<sup>347</sup> *Interflora*, *L'oreal*, *Google France*

<sup>348</sup> Van der laan 'The Use of Trade Marks in Keyword Advertising - Developments in ECJ and National Jurisprudence',

Imagine that you have entered a big shopping mall with the intention of purchasing an Adidas sports product. As the mall is a huge area, you become confused and unsure where to find an Adidas sports shop. You then walk to the mall's Information Center to ask for directions. The information officer understands right away that you are looking for sports products. So, as a paid Nike agent, he shows you a Nike sports shop instead. If we consider the Information Center as a search engine, the information officer may be considered to have clearly misled you, and infringed the Adidas trademark.

The truth, however, is that keyword advertising is a different story altogether. When you ask for an Adidas sports shop, the information officer (search engine) actually directs you accordingly. But being convinced from your enquiry that you are in need of a sports product, he also offers you a Nike shop flyer, for which he receives a commission. In keyword advertising, a search engine is able to guess what you are looking for through your search term. Therefore, it does not only present you with the natural result of your search, but also shows you links, which are exactly like the Nike shop flyer mentioned above. The key issue that arises is whether there could still be a trademark infringement if the customer can easily differentiate between the natural results of his search, and the sponsored links.

In the minds of most members of the public, an advertisement is a commercial service. Businesses pay fees in order to have their products promoted by professional advertising companies. Search engine owners earn huge sums in revenue from selling keywords. Therefore, users are unlikely to trust advertisements in the same way as they trust the natural results of their search. Logically, search engine owners are always seeking for ways to

downplay the trademark issues implicated in keyword advertising, and to shirk liability for infringement, as was explained earlier in this chapter with respect to Google's policy. Google adopted its existing policy following the CJEU's rulings, not for the purposes of preventing trademark infringement, but for transferring liability for such infringement to advertisers. Thus, the prospects for trademark infringement still exist, but liability has been transferred to other parties. Search engine owners will, assuredly, continue to exploit legal loopholes that enable them to profit massively from keyword advertising. They will always consult with law firms for advice on the opportunities available for the sale of keywords in particular countries.

So far, the CJEU has attempted, through a harmonious interpretation of EU trademark law, to protect trademark proprietors against the infringement of their marks, and customers from confusion. Yet, a possible option that may be considered for resolving the problem raised by keyword advertising is compelling search owners to clearly differentiate natural results from sponsored links. For the example, a red line on the left side of the natural search results could be used to indicate sponsored advertisement links. This is exactly like the Nike shop flyer given to the Adidas customer by the information officer at the shopping mall who is able to guess what that customer is looking for through his enquiry.

Such an approach would help Internet users to discern the actual results of their search from sponsored advertisements. In this way, customer confusion will be prevented. In addition, customers will enjoy a greater variety of products offered by the sponsored advertisements. They will be able to find competing products, compare their qualities and prices, and arrive at informed purchasing decisions. After all, the general aim of

keyword advertising is to offer Internet users alternatives to whatever they had initially searched for; and this practice has impliedly been well received by the CJEU.

Unfortunately, the situation at the present moment is that Google sponsored links appear quite similar to natural search results. They appear in a pale highlighted area, often exactly above the natural search results, which does not make it easy for Internet users to distinguish one from the other. There is, therefore, a likelihood of confusion.

The main purpose of trademark law is to protect against customer confusion, and it will be in tune with trademark law, while also preventing trademark proprietors from enjoying excessive protection over their marks. In the above connection, it is argued that where there is a clear differentiation between natural search results and sponsored links, the relevant use cannot be said to have adverse effect on the functions of the trademark concerned. Where a sponsored link makes it clear that there is no connection between the advertiser, and the proprietor of the mark, there is arguably no dilution, and, therefore, no trademark infringement. Strictly viewed, the search engine owner does not, in such a case, sell the trademarked keyword. Rather, that keyword is only being used as a “Keyword” or “code” that would enable the search engine to guess what the Internet user actually intends to purchase. Once this is made possible, the search engine can then display advertisements that are related to that product in a specified area known to Internet users to be reserved especially for sponsored advertisements.

The CJEU in a series of cases ruled that even where a mark was used

in keyword advertising, which mark was identical with a trademark, and covered identical goods, or services (and therefore, caught by Articles 5(1)(a), and 9(1)(a) TMD, such a use will only be considered to amount to an infringement if it was likely to produce an adverse effect on any of the functions of that mark. As would be recalled, while the essential function of a mark is widely believed to be the guarantee of origin. In *Interflora*, for example, apart from the essential function, the Court also considered two other functions, the investment function, as well as the advertising function, and only one of these functions needs to be adversely affected in order to constitute an infringement.

Regarding essential function and keyword advertising as the CJEU ruled in *Google France*, keyword advertising would run afoul of Articles 5(1)(a) and 9(1)(a) TMD, where the generated advertisement would make it difficult for costumers to know whether that advertisement actually came from the trademark proprietor, a person economically associated with him, or from an entirely unrelated party. Where this happens, the essential function of that mark as a guarantee of origin would be considered to have been adversely affected.

In respect to advertising function it costs each individual advertiser more to bid on a keyword as the number of advertisers bidding on that keyword increases. As was seen in *Interflora*, it became more expensive for *Interflora* to bid on the *Interflora* keyword when M&S bid for the same keyword. The increased cost of bidding meant that *Interflora* was compelled to either spend more on advertising, or scale down its advertising program. That it was compelled to adapt in this way was a potentially good ground for *Interflora* to contend that the advertising function of its mark had been

adversely affected. Yet, the CJEU, in the earlier case of Google France, did not accept such a contention. It maintained the same position again in Interflora, even though its additional remark that keyword advertising may not adversely affect the advertising function of a mark in every case<sup>11</sup> tended to suggest that, in certain cases, keyword advertising may have such an effect.

Furthermore, it is arguable that a trademark proprietor's investment in advertising would be undermined if third parties used his mark as a keyword. As trademark proprietors maintain, search engine owners and advertisers profit from their marks at no cost since no compensation is paid to them. By contrast, trademark proprietors often have to pay significant fees in order to have their own advertisements appear on a priority position. A possible suggestion in this regard is for search engine owners to accord trademark proprietors some form of preferential treatment so that in the competition between them and third party bidders for keywords, they would be entitled to pay less per click.

In respect to investment function according to the CJEU, trademarks could help their proprietors to attain, or maintain a reputation that wins over customers and retains their patronage. This seems to mean that a mark may attract goodwill. The Court expressed the view that proprietors could invest in a mark through advertising, as well as other commercial means not identified by the Court. And any use that results in a substantial interference with the ability of a mark to help its proprietor attain, or maintain a reputation, will constitute an adverse effect on the investment function of that mark. Therefore, the trademark proprietor will be entitled to prevent that use. Moreover, according to the CJEU, in the case of marks that are already

reputable, the investment function will be harmed where a use affects that reputation and threatens its preservation. Also, for reputable marks, proprietors are not required to prove substantial adverse effect. Nevertheless, the extension of protection to the advertising and the investment functions of a mark, has received sharp criticism. Additionally, as was pointed out earlier, where there is a clear differentiation between natural search results, and sponsored links, which makes it easy for Internet users to know that the sponsored links are advertisements, which are not economically related to the trademark used as a triggering keyword, then the use cannot reasonably be said to adversely affect the functions of that mark.

## **6. APPLICATION OF KEYWORD ADVERTISING IN NATIONAL COURTS OF EUROPEAN MEMBER STATES**

### **6.1. Introduction**

Apart from evaluation of keyword advertising disputes under European level and specially addressing ECJ case law, it is equally important to address this hot issue by reviewing case law of national member courts as, lacking of appropriate legal premise for trademark owners to pursue pecuniary reliefs against Internet intermediaries and wrongdoers is nor present. There is an urgent need to fill this gap in the law. Therefore, A thorough and coherent analysis of current case law of national member states is desirable towards the creation of a sound legal framework that would allow Internet intermediaries to be held liable for infringing online material, and permit trademark owners to bring pecuniary claims against them in deserving cases. Only through an orderly, doctrinal assessment of currents laws related to

Internet intermediaries would it be possible to bring about suitable legal reforms.<sup>349</sup>

Despite the emphasis on UK law due to evaluation of Interflora Case in last part, this part also draws useful insights from other European jurisdictions to enrich prospective transformation of the UK legal framework, and the equivalent EU regime. A comparative approach to case law has its merits.<sup>350</sup>

In contrast with the UK jurisdiction, which is rooted in the common law tradition, some other national jurisdictions in the EU that are founded on civil law, as well as the US, which has considerably turned from its common law roots,<sup>351</sup> have proven to be more favorable to trademark owners in their quest to hold Internet intermediaries liable for the infringement of their rights. Consideration of cases from those other jurisdictions and the legal principles upon which they were decided is, therefore, bound to be helpful to guide the reformation of EU law.<sup>352</sup>

## **6.2. United Kingdom**

In *Reed*<sup>353</sup> case at the suit of the plaintiff, Reed Executive Plc., registered owner of the trademark, “Reed,” the defendant, Reed Business Information

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<sup>349</sup> M Dixon, ‘A doctrinal approach to property law scholarship: Who cares and why?’, 3 Property Law Review, 2014,p.152.

<sup>350</sup> *Methods and Perspectives in Intellectual Property Law*, Edward Elgar, 2013, p. 9.

<sup>351</sup> GE White, *Law in American History, Volume 1: From the Colonial Years Through the Civil War*, Oxford University Press, 2012, p.48.

<sup>352</sup> JN Frank, ‘Civil Law Influences on the Common Law - Some Reflections on “Comparative” and “Contrastive” Law’, 104 University of Pennsylvania Law Review, 1956,p. 887.

<sup>353</sup> *Reed Executive Plc. v. Reed Business Information Ltd.* ([2004] EWCA Civ. 159).

Ltd. (RBI), was found liable for trademark infringement because of its use of the terms, “Reed Elsevier” and “Reed Business Information”. In this appeal brought by RBI against that decision, the Court of Appeal had to decide whether the use of a search keyword that triggered RBI’s website whenever an Internet user entered “Reed” on a search engine, as well as RBI’s use of a metatag for “Reed” on its website, amounted to trademark infringement.

The Court held, having regard to the circumstances of the case, that such uses of the plaintiff’s trademark were not infringing, neither did they amount to passing-off. The Court clarified that both parties did not carry on identical businesses; whereas Reed Executive provided employment agency services, RBI was engaged in the advertisement of job vacancies, apparently suggesting that there was no likelihood of consumer confusion. Moreover, RBI did not use “Reed” as a stand-alone on its website, but only as a component of a copyright notice. The Court added, however, that RBI’s conduct would have amounted to trademark infringement, if there had been significant consumer confusion, even though it was only using its own business name.

The next important case is famous to Victoria Plum case<sup>354</sup> which centered on the defense of honest concurrent use in keyword advertising disputes. Both the plaintiff, Victoria Plum Ltd. and the 1<sup>st</sup> defendant, Victorian Plumbing Ltd., were competitors in the sale of bathrooms, mainly online. They had carried on their businesses using similar names for about one and a half decades. Having initially traded under “Victoria Plumb”, which it registered as a trademark, the plaintiff changed its name to

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<sup>354</sup> *Victoria Plum Ltd. v. Victorian Plumbing Ltd & Others* [2016] EWHC 2911 (Ch.).

“Victoria Plum” in 2015. Three years earlier in 2012, the 1<sup>st</sup> defendant had increased its bid for “Victoria Plumb” and its variants as keywords, creating serious tension between both parties.

The plaintiff finally brought this trademark infringement action because of the 1<sup>st</sup> defendant’s advertisements that (i) were generated whenever users entered the purchased keyword on Google’s search engine, as well as (ii) advertisements that contained the signs, “Victoria Plumbing” and/or “Victorian Plumb” and/or “Victorian Plumbing”. Nonetheless, the plaintiff did not oppose the 1<sup>st</sup> defendant’s use of “Victorian Plumbing”. The 1<sup>st</sup> defendant admitted that the first set of advertisements constituted trademark infringement, and the second confusingly similar to the plaintiff’s trademark. In respect of the latter, however, it pleaded the defence of honest concurrent use. The court, per Carr J., held that the signs, which the 1<sup>st</sup> defendant bid for as keywords were identical to, or at least, not significantly different from the plaintiff’s Victoria Plum marks.

Following *Louis Vuitton*, the court concluded that the 1<sup>st</sup> defendant’s bid for those signs amounted to the use of the plaintiff’s trademark in the course of trade. The court then proceeded to examine whether that use was one capable of adversely affecting the mark’s origin function. Applying the test set by the ECJ in *Louis Vuitton*, it considered whether the latter set of advertisements made it possible for normally informed and reasonably attentive Internet users, or allowed them only with difficulty to determine whether the advertised goods or services actually originated from Victoria Plum(b) or its economic affiliate, or altogether from a third party. The court found in the negative, holding that the 1<sup>st</sup> defendant’s bid, which resulted in the generation of the latter set of advertisements, amounted to trademark

infringement.

Having held so, the court next turned to the defence of honest concurrent use. In this connection, it referred to Budweiser case.<sup>355</sup> In *Budweiser*, the ECJ held that where two trademarks had been used honestly and concurrently for a long period of time, and that use had neither adversely affected, nor was likely to adversely affect the essential origin function of the earlier trademark, the owner of the earlier mark cannot forbid the continued use of the other identical mark, despite being later in time. Referring to the Court of Appeal's decision in the case, Carr J. stressed that potential consumer confusion from the honest, concurrent and prolonged use of identical or similar trademarks by two businesses, is a cost that society must forbear.

Notwithstanding, the court came to the conclusion that the defence of honest concurrent use was not applicable to the 1<sup>st</sup> defendant's bid for the plaintiff's trademarks or variants of same as keywords. It noted that this defence could only allow the 1<sup>st</sup> defendant to use that which was its own name or trademark, and not the trademark of another party. The court stressed that the 1<sup>st</sup> defendant had, at no time, used Victoria Plum(b), except in its bidding activity, which sought to use the marks as keywords. It could not claim that this was an honest concurrent use of the marks, and which had, in no way, become an exclusive guarantee of origin for both parties.

The court further considered whether the 1<sup>st</sup> defendant's conduct was "honest", and found that it was not since it was incompatible with the "duty to act fairly in relation to the legitimate interests of the trade mark proprietor". This was so because by escalating its bidding price for the

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<sup>355</sup> *Budějovický Budvar Narodni Podnik v. Anheuser-Busch Inc.* C-482/09; [2012] RPC 11

Victoria Plum(b) keywords, the 1<sup>st</sup> defendant increased consumer confusion, and undermined the plaintiff's goodwill. Thus, overall, the 1<sup>st</sup> defendant was liable for the infringement of the "Victoria Plum(b)" trademarks.

Finally, the court had to address the 1<sup>st</sup> defendant's counterclaim of passing-off based on the plaintiff's bid for "Victorian Plumbing" as a keyword, which resulted in the display of advertisements containing "Victoria Plum(b)". It agreed that the 1<sup>st</sup> defendant had sufficient goodwill in "Victorian Plumbing" as to justify an action of passing-off against the plaintiff's use of that name. The court observed that, compared to the 1<sup>st</sup> defendant's bidding activity, that of the plaintiff was of a lesser scale, and equally, that the likelihood of confusion among Internet users searching for "Victorian Plumbing" was lower than that among those looking for "Victoria Plum(b)".

Still, according to the court, there remained the possibility of confusion when Internet users searching for "Victorian Plumbing" were shown advertisements from the plaintiff, an undertaking that had no economic relation to the 1<sup>st</sup> defendant. The court considered this to be a misrepresentation by the plaintiff because a large majority of concerned consumers were likely to nurse the misleading impression that the plaintiff is the same as the 1<sup>st</sup> defendant, or at, least, related to it, creating the likelihood of harm.

The *Victoria Plum* decision is a landmark, being the first UK case to uphold a claim of passing-off in disputes arising from keyword advertising. It illuminates the applicability of the honest concurrent use defence to keyword advertising disputes, and provides guidance to businesses that have used identical or similar names for long periods of time on how to conduct their activities so as not to harm each other's goodwill and increase

consumer confusion. In the context of keyword advertising in particular, businesses should strive for clarity in their advertisements so that normal Internet users do not find it difficult to know the origin of the goods or services being advertised.

Another case, worth to address is *Amazon* case<sup>356</sup>. In this case the Google AdWords allowed Amazon's advertisements to be displayed on Google's search engine results list whenever Internet users entered the search term, "Lush". The question was whether Amazon's action constituted a trademark infringement. It was held that it did, because a normal consumer searching for Lush soap on Amazon's website would not be able to determine that the products displayed on Amazon's advertisement did not originate from Lush, or have any relation with it.

One of the early cases on trademark infringement against ISP is *Wilson v. Yahoo!*.<sup>357</sup> The plaintiff was the owner of the trademark, 'Mr Spicy', which covered poultry and meat products, sauces and restaurant, as well as bar services. The crux of the plaintiff's case was that Yahoo!, without the plaintiff's permission, used a 'sign' in the course of trade, accidentally, negligently and/or intentionally, which was identical to the plaintiff's trademark, and for goods or services that were identical or similar to those of the plaintiff.<sup>358</sup>

The genesis of that dispute was that, an Internet user, who, in the course of a search, had entered the term, "Mr Spicy", on the Yahoo! search engine, was directed to results that included the websites of Sainsbury's and

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<sup>356</sup> *Cosmetic Warriors v. Amazon.co.uk Ltd* [2014] FSR 31

<sup>357</sup> *Wilson v. Yahoo! UK Ltd* [2008] ETMR 33 (*Wilson v. Yahoo!*)

<sup>358</sup> *Wilson v. Yahoo!*, [7].

Pricegrabber, whose products clearly completed with those of the plaintiff.

On its part, Yahoo! countered that the use of ‘Mr Spicy’ as a keyword to generate the sponsored advertisements was not by Sainsbury’s, Pricegrabber, or indeed, any other advertiser. Yahoo!’s contention, in other words, was that it did not, at any time, and neither did its advertisers, use the plaintiff’s trademark to present the advertisements in question. It maintained that its advertisers.

### **6.3. Italy**

The first decision regarding keyword advertising in Italy is Win Rent S.p.a.<sup>359</sup> and Avis Autonoleggio S.p.a which date back to 2009<sup>360</sup> where trademark infringement action instituted by two Italian car rental companies, Win Rent SpA and AVIS Autonoleggio SpA, licensees of the trademarks, “Sixt” and “Avis”. They alleged that the defendants, Zanox de AG and Zanox Srl, also licensees of the “Sixt” mark, Google Italy Srl, Google Inc. and Google UK Ltd. violated their trademark rights. Zanox had concluded an AdWords contract with Google Ireland, allowing it to purchase the trademark “Avis”, among other keywords. Whenever Internet users entered “Avis” on Google’s search engine, a link was displayed to Zanox’s website under the heading of “sponsored links.” This, the plaintiffs alleged, enabled Zanox to steal customers, who would otherwise have visited the Avis website, by directing

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<sup>359</sup> Win Rent S.p.a. and Avis Autonoleggio S.p.a. Zanox AG, Zanox S.r.l., Rodea Multimedia sarl and Mr. Beaussant Roland.

<sup>360</sup> Decision No.3280/09, District Court of Milan (11 March, 2009).

them to the Sixt website to which Zanox was affiliated. The plaintiffs maintained that, by misleading consumers on car rental services, the defendants caused them to lose customers and profits. Eventually, the plaintiffs reached a settlement with Zanox de AG and Zanox Srl, but the case continued against Google.

Two main issues arose for determination. The first was whether the defendants had violated Article 2598 of the Italian Civil Code on unfair competition, Article 21(2) of the Italian Code of Industrial Property prohibiting trademark infringement, and Legislative Decree 74/1992, as replaced by Legislative Decree 206/2005, dealing with false advertising. The second was whether Google could be held jointly liable for not exercising adequate control over its activities by failing to ensure that its services did not result in trademark infringement.

The Milan court held that the unauthorised use of the keywords, which reproduced the trademark of a third party, amounted to unfair competition under Article 2598, Paragraph 3, of the Italian Civil Code because it was an act targeted at “linking the website with the trade mark of a third party and exploiting the undoubted notoriety of the latter sign. This is clearly a confusing activity, which misappropriates the merits of a third-party and, overall, is professionally unfair and able to confuse and poach customers and to damage the competitor,” especially as the keyword was being unlawfully used to distinguish Sixt’s services, which were similar to those of the plaintiffs.<sup>361</sup>

Further, the court held that the use amounted to trade mark infringement under Article 21 of the Italian Industrial Property Code

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<sup>361</sup> In joined cases C-236/08 to C-238/08 - Google France SARL and others/Luis Vuitton Malletier SA and others

“...since it is used with a distinctive function... as a matter of fact, it is undisputed that if one clicks on the Avis sign of the sponsored link he is readdressed to the website [of Avis’ competitors] thereby making the risk of confusion between the signs real, at least due to the risk of association”. The court emphasised that the use of the “Avis” trademark as a keyword to trigger the Sixt sponsored link led to Sixt’s website being linked to an existing protected trademark, which fame was thereby exploited. This conduct did not only confuse customers about the two undertakings whenever they searched for the word “Avis”, but also violated the plaintiffs’ trademark rights.

Having found that the claims of unfair competition and trademark infringement had been established, the court thought it unnecessary to consider the issue of false advertising. With regard to Google’s liability, the court did not rule on the matter because they lacked *locus standi*, although it observed that Google’s AdWords program was, *per se*, not unlawful.

The decision of the Milan court was subsequently affirmed in March 23, 2010 decision, where it was stated that:

*The proprietor of a trade mark is entitled to prohibit an advertiser from advertising, on the basis of a keyword identical with that trade mark which that advertiser has, without the consent of the proprietor, selected in connection with an internet referencing service, goods or services identical with those for which that mark is registered, in the case where that advertisement does not enable an average internet user, or enables that user only with difficulty, to ascertain whether the goods or services referred to therein 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 Milan court decision is noteworthy. That court had, in a similar case decided on 15 October, 2007, turned down a trademark infringement claim on the basis that using a sign as a keyword did not amount to “the distinctive use provided by the Italian Legislator in the IP Code: as a matter of fact, the defendant clearly does not distinguish – neither for economical nor promotional purposes - its services with the mark at issue and the keyword does not appear in its company name and in its domain name”.<sup>362</sup>

Another importance of the Milan decision lies in the fact that it enunciated a formula for the determination of damages in similar cases that may arise in the future. The court stated that:

*The damages suffered by the legitimate owner as a result of infringement and unfair competition acts, caused by using a keyword identical to its trade mark has to be calculated by considering the number of visitors during the period at issue, the ratio between the number of visitors and the number of actual customers, the average profit, the damages caused by the unlawful link to the competitor’s activity and the duration of poaching of customers.*

Another case related to Italian case law was issued by Palermo court.<sup>363</sup> The plaintiffs, Maggiore Rent S.p.A., a car rental company, and Maggiore Finanziaria di Partecipazioni S.r.l., were the owner and licensee respectively of the trademark “Maggiore”. They brought this infringement action against another car rental company, Sicily by Car (SBC), for using

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<sup>362</sup> In the case Multiutility S.p.A./Key 21 Italia Trading Company S.p.A. – Judge Rosa (unpublished decision)

<sup>363</sup> Joined Cases Nos. 11626/08 and 11627/08, Court of Palermo Italy [7 June, 2013].

“Maggiore” as a keyword in its Google Adwords advertisements. They further claimed contributory liability against Google for facilitating the choice of keywords that infringed their trademark rights. On its part, SBC sued Google Inc., Google Ireland Ltd. and Google Italy S.r.l. (Google), arguing that Google, and not SBC, should be held liable should the court find that there had been a trademark infringement. In effect, the case raised the issues of trademark infringement through keyword advertising and the potential liability of ISPs offering such services.

In its determination, the Palermo court examined ECJ’s jurisprudence on trademark infringement in similar cases, such as *Bergspechte*, and *Interflora*. It would be recalled that, on the basis of the ECJ’s ruling in *Interflora*, a UK court had held Marks & Spencer liable for trademark infringement because of its use of the “Interflora” trademark in its AdWords advertisements. Against this background, the Palermo court sought to determine whether SBC’s use of “Maggiore” was infringing in that it adversely affected one or more of the trademark’s origin, advertising and investment functions.

The court found that the use of "Maggiore" per se, that is, the mere use of the trademark as a keyword, did not have an adverse effect on the mark’s advertising function. It held, however, that there was an adverse effect on the mark’s function as an indication of origin, whenever SBC used it with the “dynamic keyword insertion” function provided by the AdWords program. This was because such use enabled the “Maggiore” trademark to be displayed in SBC’s advertisements whenever users searched for that term, leading to the likelihood of confusion among consumers, who might wrongly think that there was a connection between the services of both companies. Thus, the use of the “dynamic keyword insertion” function

resulted in unfair competition and misleading advertisement.

On the same reckoning, the court found that the trademark's investment function; the function "to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty", was also adversely affected. On the contrary, whenever the dynamic keyword insertion function was not used, there was no unfair competition, dilution of trademark, or damage to its investment function. This was because users were clearly able to detect that SBC was different from Maggiore, the trademark owner, since "Sicily Car" was mentioned in the advertisement. Overall, the court awarded damages against SBC only for the harm caused by its advertisements that utilised the "dynamic keyword insertion" function. The company was accordingly ordered to refund a sum equivalent to the rental fees unlawfully received during the period when the "dynamic keyword insertion" function was used.

Turning to the issue of ISPs' liability, the court held that Google could not be held liable because, consistent with Section 16 of Legislative Decree No. 70/03, the Italian legislation implementing EC E-Commerce Directive No. 2000/31/EC, it only provided hosting services to users, who were themselves responsible for choosing the keywords used. The court stressed that under Section 17 of that Decree, Google had no obligation to monitor the AdWords keywords chosen by users, and, in fact, was exempted from liability as a hosting service provider. Moreover, in the present case, Google acted quickly to block any connection between SBC's advertisements and the "Maggiore" trademark, even without a court order, which was otherwise required by Italian law in such situations.

## 6.4. Netherlands

### *I. Portakabin Ltd. and Portakabin B.V. v. Primakabin*

This case, which was the first of its kind to be litigated at the Dutch Supreme Court, also concerned the use of trademarks in keyword advertising. Portakabin Ltd., an online seller of new portable buildings (cabins), owned the trademark “Portakabin”, of which Portakabin B.V. was a licensee. Primakabin was also engaged in online sales of cabins. In addition to the sale of both new and old cabins under its own brand name, “Primakabin”, it also sold new and used Portakabin products. It contracted with Google for the AdWord, “portakabin”, and other variants such as “portacabin”, “portocabin” and “portokabin”.

When any of those terms was entered on Google’s search engine, a sponsored link would be triggered to Primakabin’s website, which read, “new and second hand units”; words that were subsequently changed to “used portakabins”. Portakabin instituted this action against Primakabin, claiming trademark infringement. The question arose as to whether the use of AdWords on Internet search engines constituted use of a trademark under Article 2(20) Paragraph 1(a)(b)(c) of the Benelux Convention on Intellectual Property , or “other use” under Article 2(20) Paragraph 1(d) of that Convention (i.e. Article 5 Paragraph 5 HD).

The lower court, as well as the Court of Appeal held that such use amounted to “other use”, although they did not think that Primakabin had taken an unfair advantage of the “Portakabin” trademark. The Court of Appeal clarified that Primakabin could utilise the terms, “used portakabins” but only for the purposes of establishing a link directly to its webpage that advertised used Portakabin products. On further appeal, the Dutch Supreme

Court made a reference to the ECJ seeking the following clarifications, all of which bothered on the construction of Articles 5(1), 5(5), 6 and 7 HD.

I. Whether the use of a third party's trademark as an AdWord amounts to "use for goods and services" under the HD. In particular, whether it is of any material consequence that the link to an advertiser's website, which is generated through the use of the trademark as an AdWord, is shown together with the normal results of the search engine, or as a sponsored link next to the natural results list. Also, whether it matters anything that the offer for sale by an advertiser dealing in products identical to marked ones, was displayed on the webpage of the ISP, that is, along with the link, or on the advertiser's own website shown when the link is clicked.

II. Even if the above question were answered in the affirmative, whether the trademark owner would still be unable to forbid the use of its mark as an AdWord, having regard to the restrictions on trademark rights contained in Article 6 HD, especially paragraphs (b) and (c) thereof namely, the use of the trademark merely to describe the attributes of the products at issue.

III. Further, in the event of an affirmative answer to the question in (I) above, whether the trademark owner would still not be entitled to prevent the use of its mark as an AdWord, in light of the principle of exhaustion contained in Article 7 HD, which permits the use of a mark where an advertiser is offering genuine and even used products made by the trademark owner.

IV. Whether the ECJ's answers to questions (I), (II) and (III) above would be applicable to variants of the "Portakabin" trademark used by Primakabin as AdWords, which enabled it to provide consumers more search options, assuming that the mark is mentioned in its correct spelling on Primakabin's website.

V. Finally, should the answer to question (I) above be in the negative, that is to say, use of a third party's trademark as an AdWord does not amount to "use for goods and services" under HD, whether EU Member States could, nevertheless, under Article 5(5) thereof adopt provisions in their national trademark laws forbidding such use, where it lacks good cause and unfairly takes advantage of, or harms the distinctiveness or fame of the mark at issue.

For the avoidance of doubt, *Portakabin* is similar to other cases earlier referred to the ECJ by the national courts of other EU Member States, such as France and Austria, in that they all concerned trademark infringement disputes arising from the use of protected trademarks as keywords. Nevertheless, *Portakabin* is different in an important aspect. Regarding this case, reaction of ECJ was addressed in this chapter earlier.

II. *Endless Webdesign v. Google Netherlands B.V. (Amsterdam District Court, August 24, 2006)*.

The plaintiff, owner of the trademark, "Farm Date", discovered that whenever users entered the search words, "farm date" or "farm-date" on Google's search engine, sponsored links were generated. As a result, it requested Google to stop the display of those links whenever the AdWords were used on its search engine. Google ignored that request, insisting that most of the advertisements complained about were generated by the use of the search term, "date" through its broad-matching program. In this suit filed by the plaintiff against Google, the Amsterdam District Court held that Google's broad-matching service, which generated the advertisements,

raised no trademark issues. It agreed with Google that the advertisements in question were actually generated by the non-trademarked term, “date”, even though the search term contained the trademark, “farm date”.

III. *Fleurop /Topblamen*, Case No. C / 09/483170, HA ZA 15-217 (District Court of the Hague, July 20, 2016) [NL: RBDHA: 2016:8293].

This case decided fairly recently by the Hague District Court was yet another demonstration of the application of the ECJ’s ruling in *Interflora*<sup>364</sup> to the effect that the essential origin function of a trademark is adversely affected when an advertisement triggered through a trademarked keyword search prevents normally informed and reasonably attentive Internet users from determining or allows them only with difficulty to determine whether the advertised goods or services originate from the owner of that trademark or its economic affiliate, or from a completely different rival third party.

The plaintiff in the present case, Fleurop, is a member of the Inteflora group (Fleurop-Interflora), and maintains a global flower delivery network under several “Fleurop” trademarks. It brought this trademark infringement action against the defendant, Topbloemen, similarly engaged in flower delivery in the Netherlands and the other parts of Europe, for using the AdWord, “fleurop” in keyword advertising through Google’s search engine. The court considered whether the use of a trademark in keyword advertising by a party exploiting a flower delivery network amounted to trademark

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<sup>364</sup> 217. *Interflora Inc. and Interflora British Unit v Marks & Spencer plc and Flowers Direct Online Ltd.*, Case C-323/09, [2011] ECR I-08625, (CJEU, Sept. 22, 2011) (EU:C:2011:604) (INTERFLORA).

infringement particularly where, *inter alia*, that party is unknown to most of the relevant consuming public.

In its determination, the court agreed that the defendant's action did amount to trademark infringement. In reaching this conclusion, the court noted that the defendant was not known to most of the consumers concerned. Therefore, whenever they entered the term, "Fleurop", they would not know that the defendant's flower delivery service was different from that of the trademark owner. In fact, the court found that the defendant's advertisements did not expressly indicate that it was a rival with no connection to the Fleurop network. As a result, according to the court, it would be difficult for consumers to know whether the flowers displayed in the defendant's advertisements originated from Fleurop, or altogether from a rival party. This adversely affected the origin function of the "Fleurop" trademark, and the defendant was accordingly liable for trademark infringement.

*V. Eis.de GmbH v. BBY Vertriebsgesellschaft mbH* (case C- 91/09, Order dated March 26, 2010)

This case was similarly decided on the basis of the *Inteflora* line of cases. The court held that Article 5(1)(a) of the First Council Directive 89/104/EEC of 21 December 1988 relating to the harmonisation of EU Member States trademark laws must be construed to mean that the owner of a trademark is entitled to forbid a third party from using in its advertisement a keyword identical to that mark, which the third party advertiser has, without permission from the trademark owner, chosen through an ISP in respect of goods or services identical to the marked ones, where that

advertisement does not allow average Internet users, or allows them only with difficulty to determine whether the advertised goods or services actually originate from the trademark owner or its economic affiliate, or, on the contrary, from a third party.<sup>365</sup>

## **6.5. France**

I. *Voyageur Du Monde, Terres D'Aventures v. Google France, Google Inc., Google Ireland* (Paris District Court, January 7, 2009).

In this case, Google was found not liable for trademark infringement. However, it was held liable for misleading advertising and failure to exercise control over infringing acts on its website.

II. *Viaticum v. Google France* (Versailles Court of Appeals, 2005).

In affirming the decision of the lower court, the Versailles Court of Appeals held that Google was liable for trademark infringement by selling the plaintiff's trademark. According to the court, Google failed to ensure that selected keywords did not infringe third party trademark rights, and to promptly desist from further selling the plaintiff's trademarks as keywords upon being informed of their illegitimate use.

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<sup>365</sup> The same ruling was given in *Die BergSpechte Outdoor Reisen und Alpinschule Edi Koblmuller GmbH v. Gunter Guni, trekking.at Reisen GmbH* (Court of Justice of the European Union (First Chamber), reference from a preliminary ruling on the interpretation of Article 5(1) of First Council Directive 89/104/EEC, decision of March 25, 2010, Case C-278/08).

III. *Hotels Meridien v. Google France* (Nanterre Court (TGI), December 16, 2004).

In this case, the Nanterre Court pointed out that the use of trademarks as keywords is capable of causing consumer confusion as to the origin of goods and services. Therefore, the ISP was liable for trademark infringement since it contributed principally to the choices made by advertisers through its suggestion of keywords to them.

IV. *Syndicat Français de la Literie v. Google France* (Paris Civil Court, 12 December, 2007) (Paris Civil Court of Second Instance, November 19, 2011).

In this case, it was held that an ISP has no control over advertisers' choice of keywords, and therefore, the use of trademarks as keywords did not constitute a direct case of trademark infringement, although advertisers may be liable for misleading advertising. An ISP may become liable where it is proven that it directly influenced advertisers' choice of keywords, or where it is shown that it failed to act upon being informed by a trademark owner of an infringement.

V. *Amen v. Google, et al., Court of Paris* (June 24, 2005).

Here, it was held that an ISP, which suggests keywords to advertisers, plays an active role in their choice of those keywords, and would, therefore, be considered liable for trademark infringement. Further, where an advertiser is a rival to the owner of a trademark, its choice of that trademark as a keyword would be considered to have been made with intent to divert customers from

the trademark owner. Consequently, the advertiser would be held liable for trademark infringement and unfair competition.

VI. *Kertel v. Google*, Court of Paris (December 8, 2005).

In this case, it was held that there was no trademark infringement because the ISP did not use the relevant trademark for identical or similar goods or services and in a commercial manner. An ISP may be liable under the civil law principle of fault pursuant to Section 1382 of the French Civil Code, where it fails to verify, as a matter of diligence, that a chosen keyword was not trademark infringing.

VII. *Atrya v. Google, et al.*, Court of Strasbourg (July 20, 2007).

Here, it was held that where a trademark is used as a keyword, but the actual name of that mark is not reproduced, such a use will not be considered to cause consumer confusion as to the origin of the relevant products. Further, an ISP would be exempted from liability where it has taken technical steps to ensure that third party trademark rights are not affected by the use of a keyword. It has also been held that where trademarks are used in such a manner that they are invisible to Internet users, such use would not be considered to cause or likely to cause consumer confusion as to the origin of the relevant products or services

## **6.6. Germany**

I. *Metaspinner Media GmbH v. Google Deutschland GmbH*, District Court of Hamburg, Court No. 312 O 324/04 (2004).

The District Court of Hamburg held that the choice of a protected trademark as an AdWord did not amount to a trademark use. Moreover, a third party's advertisements based on that AdWord were not trademark infringing because the term was not shown in those advertisements, and no consumer confusion was caused.

II. *Nemetschek AG v. Google, Inc.*, District Court of Munich, Case No.: 33 O 21461/03 (2003).

The Munich District Court found that Google was not liable, whether directly or indirectly, for the infringement of a third party's trademark. The court observed that an ISP could not be expected to expend its own resources in resolving trademark claims between rival third parties, and to prevent infringing entries from being made on its engine.

III. *BaNaNaBay*

This case was the subject of a reference to the ECJ by the German Federal Court of Justice, widely noted for its pro-technology decisions, particularly in the context of keyword advertising, starting in 2009 with *pcb* (I ZR 139/07), *Beta-Layout* (I ZR 30/07) and subsequently the *Bananabay/eis.de*. *BaNaNaBay* is seen as the most seminal of the German cases on keyword advertising. The Court typically nurses the view that consumers are not so naive in matters of technology. In fact, in *Beta-Layout*, the Court noted, as incorrect, the idea that Internet users would readily believe that there is a relation between a term entered on a search engine and the sponsored link thereby generated, particularly where the sponsored link is clearly separated from and placed next to the natural search results in a specific advertising corner. It also maintained that Internet users would not necessarily consider

such advertisement as affirming the origin of the advertised products or services.

The Court would later expatiate on the above position in *Bananabay II* (I ZR 125/07). Consistent with the ECJ's rulings in *Google France* and *Eis.de*, the Court held that the purchase of a sign that is identical to a trademark for the purposes of using it as a keyword to generate advertisements for products or services similar to those covered by that mark does not constitute trademark infringement insofar as the advertisement is separated from the natural search results in a way that can be clearly seen, and does not contain the relevant trademark, as well as a "display URL" linking to the website of the trademark owner.

Again in *MOST-Pralinen* (I ZR 217/10), the Court decided that the purchase of a rival party's trademark as a keyword does not constitute trademark infringement, where the triggered advertisement is separated from the natural search results in a visual manner, does not mention the owner of that mark or its products, and the "display URL" points to a website that is different from that of the trademark owner, regardless of whether or not the advertisement explicitly clarifies that there is no economic association between the advertiser and the trademark owner.

However, in *Fleurop* (I ZR 53/12), the same Court, like the UK court in *Interflora*, clarified that in rare circumstances, to avoid trademark infringement, it may be necessary for an advertisement made by a third party to contain information clearly informing consumers that there is no economic connection between the advertiser and the owner of the trademark used as keyword. The plaintiff in this case is the owner of the German

trademark “Fleurop”, which it uses in its country-wide flower distribution network. Customers could order flowers from the shop of any member florist and have them delivered elsewhere by another member florist. The defendant, which ran a rival flower delivery service under the trademark, “Blumenbutler”, purchased the “Fleurop” trademark through Google’s AdWord service, leading to the display of advertisements about the defendant’s flower delivery service each time that term is entered on Google’s search engine.

As a result, the plaintiff sued for trademark infringement. Reiterating its previous rulings, especially in *MOST-Pralinen and Bananabay II*, the Court, held that the use of a third party’s trademark in keyword advertising would not amount to an infringement of the origin function of that mark, if the relevant advertisement is separated from the natural search results in a visual manner, and does not mention the trademark owner or its products traded under that mark.

On this occasion, however, the Court did not stop there. Rather, it proceeded to apply the two-legged test set forth by the ECJ in *Interflora* firstly, whether a normally informed and reasonably attentive Internet user would, based on general awareness about the market, be able to ascertain that the defendant’s flower delivery service was not a member of the Fleurop network, but a rival one, and secondly, whether the defendant’s advertisement allowed Internet users to know that the advertised service was not owned by the Fleurop network. The Court found that no such knowledge existed, and which necessarily resolved the latter question in the negative.

Thus, in conclusion, the Court, while maintaining its previous jurisprudence that the use of a trademark in keyword advertising does not

generally constitute a trademark infringement, it held that in the instant case, given the nature of the plaintiff's flower delivery system, relevant members of the consuming public might be misled into thinking that the defendant was a member of the Fleurop network. Since the defendant's advertisement did not contain any caveat that it had no economic connection with the plaintiff, it was liable for trademark infringement.

The *Fleurop* decision is the latest of the cases in which the German Federal Supreme Court had to determine the liability of parties, who purchase and use trademarked keywords in advertising their businesses. Upon first consideration, *Fleurop* would seem to be a shift in the Court's previous approach to the issue, which is that the use of a trademark in keyword advertising does not constitute an infringement of the mark's origin function, if the relevant advertisement is separated from the natural search results in a visual manner and does not mention the trademark owner or its products traded under that mark.

The *Fleurop* case is factually identical to *Interflora*, and the German Court's latest decision dovetails with the earlier decision of the UK High Court in *Interflora v. Marks and Spencer*, where the test set by the ECJ in its *Interflora* preliminary ruling was similarly followed. Seen in this way, *Fleurop* does not mark a real change, after all. As observed above, the Court still reiterated its general position that generally, keyword advertising does not amount to trademark infringement. However, by considering the special circumstances of the present case and then applying relevant precedent, it arrived at the conclusion that there had, indeed, been trademark infringement.

It can be said that, despite initial discrepancies in national courts application of the ECJ's rulings, there seems now to be some convergence,

as clearly demonstrated by *Fleurop* and *Interflora*, which both reached the same conclusion. Disparities in judicial interpretations may still be observed in future cases since keyword advertising disputes may centre on aspects of national laws that are yet to be harmonised, such as those concerning unfair competition.

Nevertheless, national courts have proven capable of adapting and applying ECJ's rulings to cases having facts that are demonstrably different from those of relevant ECJ precedents. As already seen, in *Cosmetic Warriors v. Amazon.Co.UK Ltd.*, the UK High Court successfully applied the ECJ's ruling in *Google France*, holding that the defendant's use of the "Lush" trademark, as a keyword, amounted to use in the course of commerce, and therefore, adversely affected the trademark's origin, advertising and investment functions.

## **6.7. Spain**

Spanish position on the intersection of keyword advertising and trademark infringement is not dissimilar to that of other EU jurisdictions. Generally, ISPs such as Google and Bing are not liable for trademark infringement as a result of keyword advertising. In respect of advertisers, the choice and use of a rival party's trademark as a keyword *per se* does not constitute trademark infringement. In other words, advertisers cannot generally be forbidden from using their rivals' trademarks as keywords. They should, nonetheless, take care to ensure that their advertisements do not create the misleading belief among consumers that there is a commercial connection between them and the owners of relevant trademarks.

Specifically, Spanish courts have held that advertisers would be liable for trademark infringement due to the use of a protected trademark as a keyword, if the resulting advertisement fails to allow average Internet users or allow them only. With difficulty to determine whether the advertised products or services actually originate from the owner of that mark or its economic affiliate, or, on the contrary, from a rival. In *Fotoprix v. Vistaprint*, Decision 114/2014, which concerned the use of the “FotoLibro” trademark, the Barcelona Commercial Court, following the ECJ’s ruling in *Louis Vuitton v. Google*, held that a trademark’s origin function would be harmed where an advertisement creates the false impression of a commercial relation between the advertiser and the owner of the trademark used in the keyword advertising.

In 2016, the Spanish Supreme Court delivered its judgment in *Masaltos II*, Judgment 105/2016 (February 26, 2016), which also bordered on keyword advertising. The plaintiff, Maherlo Iberica S.L., is the owner of the trademark, “Masaltos”. The defendant, Charlet S.A.M., was alleged to have used several terms similar to the “Masaltos” trademark as keywords in an AdWords program for the purposes of advertising products that were identical to those covered by the trademark. Although not materially different from the ECJ’s rulings in *Interflora* and *Google France*, the Court reached some notable conclusions. First, the Court reaffirmed the now much familiar principle that the use of a third party’s trademark as a keyword in AdWords programs such as Google’s is generally not unlawful, unless that use adversely affects any of the mark’s functions relating, for example, to origin or investment, or with regard to famous marks, if that use takes advantage of the fame or distinctiveness of the mark, or undermines any of

these characteristics. As noted, this is not a novel determination. Still, it is notable because, in an earlier Spanish case, the Commercial Court No. 2 of Alicante had, in Judgment Number 165/2012 of 3 July (AC 2013\2176), held that the mere use of the trademark, “Bornay” as a keyword amounted to trademark infringement. The Alicante court did not concern itself with whether the sponsored advertisement adversely affected the functions of that trademark.

In that case, the plaintiff, Bornay Aerogeneradores, S.L. claimed that the defendant, Sonkyio, S.L., infringed its trademark rights by using “Bornay” or variants of same as keywords through an AdWords program. Dissatisfied with the lower court’s judgment, the defendant lodged an appeal. The Community Trademark Court in its judgment recalled the ECJ’s preliminary ruling of 2010 to the effect that the use of signs that are identical to protected trademarks as keywords amount to use “in relation to goods or services” pursuant to Article 5(1)(a) of Directive 89/104, and further, that a trademark owner may forbid its trademark from being used as a keyword to advertise products or services that are identical to those covered by that mark, if the advertisement does not allow the average Internet user to determine whether the advertised products or services actually originate from the owner of the mark or its economic affiliate, or, on the contrary, from a third party.

In light of the ECJ’s jurisprudence, as recounted, the Court concluded that none of the essential functions of the trademark had been harmed. This was because, in consonance with ECJ’s jurisprudence, the use of a trademark as a keyword does not adversely affect a mark’s advertising

function. Also, the mark's origin function was not harmed because in the present case, the average Internet user would be able to tell that the relevant advertisement belonged to the defendant, and was not part of the natural search results. Further, the advertisement was shown in a way that did not suggest that there was any economic link between both parties. As a result, the Court concluded that the plaintiff's trademark had not been infringed, and the appeal was allowed. As a whole, this decision followed the ECJ's jurisprudence on keyword advertising and trademark infringement, and reaffirmed the rule that the mere use of a trademark as a keyword in AdWords programs does not constitute trademark infringement. For there to be infringement, it must be shown that the purported use created confusion among average consumers as to the origin of the advertised products or services.

Returning to the *Masaltos II* decision, the Spanish Supreme Court held that, secondly, in assessing whether a mark's origin function has been adversely affected, it is relevant to consider whether reference was made to the mark in text of the sponsored advertisement. In the present case, the advertisement did not refer to the plaintiff's mark, a fact that led the Court to conclude that there was no infringement. The Court further observed that the defendant's domain name and website did not refer to the plaintiff's mark. These last two considerations are, however, not necessary under ECJ's jurisprudence, which requires the likelihood of consumer confusion to be determined only on the basis of the text of the advertisement, and not whether the mark was used in any other place.<sup>366</sup> This highlights the importance of the text of a sponsored advertisement to the determination of the presence or absence of trademark infringement.

Thirdly, according to the Court, in determining a trademark owner's right to forbid the use of its mark, the visual composition of that mark must be taken into account. In a suit instituted by Maherlo Iberica S.L at the Grenada Commercial Court No. 1 for trademark infringement, the relevant "Masaltos" marks were of a mixed combination, comprising both text and graphics. The defendant in that case, which was engaged in the sale of shoe lifts, maintained a website, [www.crecefacil.com](http://www.crecefacil.com), on which it used keywords such as "MAS", "ALTOS", "MASALTOS", "MASALTOS.COM" and "BERTULLI". Both "MASALTOS" and "BERTULLI" were protected trademarks owned by the plaintiff. In its decision, the court prohibited the defendant from further using, as keywords, the marks, B BERTULLI, MARIO BERTULLI, MASALTOS, MASALTOS.COM, and the domain name, MASALTOS. The plaintiff's right to forbid third parties from using its marks thus rested on the fact that they combined both textual and graphic components.

A related case under Spanish jurisprudence is *Orona*. The plaintiff, Orona S Coop, instituted this action against CityLift AS for trademark infringement before the Alicante Community Trademark Court. The court held that the defendant's use of the "Orona" trademark as a keyword in advertising through Google's AdWords program, did not constitute infringement of that mark. This, according to the court, was because the advertisement did not suggest any commercial connection between both parties as it made it expressly clear that CityLift was different from Orona. Therefore, the use of the "Orona" trademark as a keyword could not be trademark infringement.

The court also had to determine whether the said use infringed the mark's advertising function, and came to the conclusion that it did not, since

it was not an advertising use; the use was only in the stream of commerce, and the mark was not even shown in the advertisement. Lastly, the court considered whether there was use without reasonable cause and the attainment of unfair advantage from the mark's fame, but held that there was none. Instead, the court found that the defendant provided consumers with alternative products and services, thereby enhancing fair competition.

## **6.8. Austria**

In Decisions 4 Ob 194/05s and 4 Ob 195/05p ("Google"), (December 19, 2005), the Austrian Supreme Court addressed the issue of ISP liability for trademark infringement arising from keyword advertising. Applying already established principles in this regard, the Court held that an ISP is generally under no obligation to monitor whether search terms used by its customers are trademark infringing or inimical to fair competition. It pointed out that an ISP would be liable for trademark infringement perpetrated by advertisers patronising its services, only in situations where such infringement would have been clear to both lay and legally trained persons, or where the ISP was already notified in writing about the infringement. In such circumstances, an ISP may come under a duty to stop the infringement, failing which, it would be deemed to have intentionally abetted it. In the case at hand, the Court determined that the alleged infringement was not obvious to Google, which consequently, was not liable.

The Court did not, however, specifically address the issue whether the

act of keyword advertising *per se* is lawful. It finally confronted that question in "*Wein & Co*" in Decision 17 Ob 1/07g (March 20, 2007). The plaintiff, a food vendor, used the words, "Wein & Co" as both a trademark and an acronym. The defendant, a rival food vendor, purchased hundreds of keywords, including "Wein & Co", "Wein" and "Rotwein", the last two being of a generic nature. Whenever the words, "Wein & Co" were entered on a search engine, an advertisement bearing the caption, "Wein & Co", was shown right on top of the search results.

The advertisement also contained the web address, "weinwelt.at", written in small letters, as well as the term, "Anzeige", meaning advertisement, which was positioned at the far right of the website. An Internet user, who clicked on the caption, "Wein & Co", was directed to the defendant's website. The advertisement was later modified such that it contained only the term, "Anzeige", with "Wein & Co" removed. A vertical dark line separated the advertisement from the search results. The Court held that the words, "Wein & Co" were not merely a descriptive sign, but a protected mark. The defendant's initial advertisement infringed this mark since that advertisement was captioned with the mark, leading to the likelihood of consumer confusion.

The Court noted that the finding of infringement was further strengthened by the fact that the "Wein & Co" caption appeared above the plaintiff's own website on the search results list. The Court also observed that the subsequent modification of the advertisement did not abate potential continuation of the infringement. Once again, the Court did not address the issue as to whether there would be trademark infringement, if a mark were simply used as a keyword, and were not shown in an advertisement, as

exemplified by the defendant's modified advertisement. Austrian courts have yet to clarify whether the mere use of a protected trademark in keyword advertising is unlawful, or situations in which such use may be unlawful.

In "*Kieser Training*", Decision 30 R 4/06p (June 7, 2006), the Upper District Court of Vienna indicated that the use of trademarks as metatags constitutes use as understood in trademark law. The plaintiff was the owner of the trademark, "Kieser Training", which the defendant, operator of a physiotherapy centre, used as a metatag in the source code of its website. The website, itself, did not mention that mark or make any reference to the plaintiff's business.

The court decided that the defendant's use of the mark as a metatag in the source code of its website amounted to trademark infringement. This was because the defendant did not use the mark for any reasonable cause, neither was the use consistent with honest practices in commercial affairs. A reasonable cause may exist, where a defendant uses a trademark to describe its product as an accessory to the marked one. A use would not be compatible with honest practices in commercial affairs, where the mark is only used as a Metatag, and not where it could be visible on the website, since Metatags are meant to serve as a description of what a website contains.

It remains unsettled whether similar principles would apply to the use of trademarks in keyword advertising explicitly presented as such. In that case, the vexed issue would be whether the mark was used to distinguish the particular products or services in a way that led relevant members of the public to consider it as an affirmation of their economic origin. The current literature demonstrates a polarity of views on this matter.

## **CHAPTER FIVE: PRINCIPLES OF LIABILITY AND THEIR APPLICATION TO KEYWORD ADVERTISING**

### **1. BACKGROUND**

During the 1990s when the Internet and its transformative effects were just unfolding, the U.S. Supreme Court defined the Internet as “an international network of interconnected computers.”<sup>367</sup> Subsequently, its Australian equivalent, the High Court of Australia, observed that the Internet is

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<sup>367</sup> *Reno v. American Civil Liberties Union* 21 U.S. 844 (1997) (Stevens J) (*Reno v. ACLU*).

“ubiquitous, borderless, global and ambient in its nature.”<sup>368</sup>

While not obvious to most users, the Internet is built on a complicated physical and organisational structure comprising a multiplicity of actors that facilitate connectivity among computers, and between computers and other appliances, ultimately allowing users to access online material. Those actors are called ‘Internet intermediaries’. They generally serve as a repository of online data, which they also link and make accessible to users. It is true that humans and machines also generate online material, but in view of the roles they play, Internet intermediaries are the main providers of online material to users. It is hardly controvertible that parties, who generate infringing online material, should be liable for their unlawful actions.

## 2. DEFINING INTERNET INTERMEDIARIES

One special class of Internet intermediaries that has been identified, and which makes online material available to users, relates to ISPs.<sup>369</sup> They function “as the gateway through which material is uploaded or downloaded by the end-users.”<sup>370</sup> They are chiefly responsible for establishing connectivity between computers and other contrivances, and therefore, serve as vital intermediaries that make it possible for Internet users to get

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<sup>368</sup> *Dow Jones v. Gutnick* [2002] HCA 56, [80] (Gleeson CJ, McHugh, Gummow and Hayne JJ)

<sup>369</sup> C Reed and J Angel (eds), *Computer Law: The Law and Regulation of Information Technology*, 6th ed, Oxford University Press, 2007, p. 233 & D Rowland et al, *Information Technology Law*, 4th ed, Routledge publications, 2011, p. 72.

<sup>370</sup> B Fitzgerald et al, *Internet and E-Commerce Law: Technology, Law and Policy*, Lawbook Co, 2011, p. 9. & GS Takach, *Computer Law*, 2nd ed, Irwin Law Inc, 2003, p. 32.

connected to providers of online material.

They function as digital receptacles for online data that are accessible through the Internet.<sup>371</sup> Assessment of the potential liability of Internet intermediaries requires an appreciation of this complicated, multilayered architecture of the Internet.<sup>372</sup> As Smith explains, search engines and directories index material available all over the Internet such that a “user can either perform a keyword search for relevant sites, or consult a structured directory for sites of interest.”<sup>373</sup>

### **3. WHY HOLD INTERNET INTERMEDIARIES ACCOUNTABLE?**

Law and economics exponents argue that responsibility for an unlawful act should be borne by the party, who is best positioned to prevent that unlawful act at the least possible cost.<sup>374</sup>

Along that line, it has been suggested that, “it is economically more efficient to require intermediaries to take action to prevent infringement occurring via their services than it is to require right holders to take action directly against infringers.”<sup>375</sup> Several justifications can be advanced for this argument. One of them is that the secrecy provided by the Internet makes it a

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<sup>371</sup> GHJ Smith, *Internet Law and Regulation*, 4th ed., Sweet & Maxwell, 2007, p. 9.

<sup>372</sup> J Riordan, *The Liability of Internet Intermediaries*, Oxford University Press, 2016, p. 36.

<sup>373</sup> GHJ Smith, *Internet Law and Regulation*, 4th ed, Sweet & Maxwell, 2007, p.14.

<sup>374</sup> RH Kraakman, ‘Gatekeepers: The Anatomy of a Third party Enforcement Strategy’, 2 *Journal of Law, Economics, and Organization*, 1986, p. 61. ; SG Gilles, ‘Negligence, Strict Liability, and the Cheapest Cost-Avoider’, 78 *Virginia Law Review*, 1992, p. 1306.

<sup>375</sup> *Cartier International AG v. British Sky Broadcasting Ltd* [2015] ETMR 1, [251] (Arnold J) (*Cartier v. Sky*).

challenging task for rights holders to track every possible infringing online material, and to determine those responsible for them.<sup>376</sup> On the other hand, it is much easier to identify the Internet intermediaries that are usually responsible for hosting, connecting and making online material available to users.<sup>377</sup>

Another reason why rights holders are not in the best position to take action against infringers is that, given the structure of the Internet, as explained already, Internet intermediaries are better able to spot infringing material and prevent them at comparatively lower costs.<sup>378</sup>

Relatedly, considering the nature of the roles they play, Internet intermediaries can be said to have some level of control over online material hosted, linked or circulated on their platforms. “Service providers control the gateway through which Internet pests enter and reenter the system. As such, service providers can help to stop these pests before they spread and to identify the individuals who originate them in the first place”<sup>379</sup> Viewed, at least, from the angle of rights holders, controlling the actions of those Internet intermediaries would be a lot more effective than seeking to go after the potentially innumerable number of individual infringers.<sup>380</sup>

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<sup>376</sup> Douglas Gary Lichtman & Eric Posner, "Holding Internet Service Providers Accountable" ( John M. Olin Program in Law and Economics Working Paper No. 217, 2004 , p 13.

<sup>377</sup> PR Goold, ‘Corrective Justice and Copyright Infringement’, *Vanderbilt Journal of Entertainment and Technology Law*, 2014, p. 251.

<sup>378</sup> A Hamdani, ‘Who’s Liable for Cyberwrongs’ , *87 Cornell Law Review*, 2002, p. 901

<sup>379</sup> Douglas Gary Lichtman & Eric Posner, "Holding Internet Service Providers Accountable" ( John M. Olin Program in Law and Economics Working Paper No. 217, 2004, p. 4.

<sup>380</sup> Douglas Gary Lichtman & Eric Posner, "Holding Internet Service Providers Accountable" ( John M. Olin Program in Law and Economics Working Paper No. 217, 2004 p. 6.

There are further explanations why, at least, on a practical level, responsibility should attach to Internet intermediaries, despite the fact that “[a]dvances in technology are making it increasingly possible to locate and identify bad actors online, such that online anonymity is difficult to maintain.”<sup>381</sup>

In some jurisdictions, there are no regulations governing behaviour on the Internet, and even where they exist, they may not be comprehensive.<sup>382</sup> Therefore, to sue perceived infringers may not be a satisfactory remedy.

Even if infringers were successfully sued, enforcement of judgment against them would present problems, if they are located in foreign jurisdictions, given the absence of an international legal framework to govern disputes arising from the Internet.<sup>383</sup>

Those arguments have, however, been contested by those who believe that one should be liable only for acts he has perpetrated.<sup>384</sup> The presence of a nexus between a person’s unlawful act, and damage suffered by an aggrieved party, demands that liability should attach to the former for his

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<sup>381</sup> HB Holland, ‘Section 230 of the CDA: Internet Exceptionalism as a Statutory Construct’ in B Szoka and A Marcus (eds), *The next digital decade: Essays on the future of the Internet Tech Freedom*, 2011, p. 201.

<sup>382</sup> D Rowland, et al, *Information Technology Law*, 4th ed, Routledge, 2011, p. 73.

<sup>383</sup> A Segura-Serrano, ‘Internet Regulation and the Role of International Law’ in A von Bogdandy and R Wolfrum, *Max Plank Yearbook of United Nations Law, Volume 10*, 2012, p. 191.

<sup>384</sup> PS Davies, *Accessory Liability*, Hart Publishing, 2015, p. 13.

unlawful behaviour.<sup>385</sup> This is the basis for the assignment of liability.

Others, like Burrell and Weatherall, have also opposed the law and economics basis for the attachment of liability because of the likely impact that may have on otherwise legitimate activities. They maintain that “even under the conventional economic model it may not be desirable to impose liability on a cheapest cost avoider where to do so would cause substantial interference with legitimate activity.”<sup>386</sup>

That observation resonates quite well with Internet intermediaries, who operate in the private sphere with hardly any legal checks and public scrutiny.<sup>387</sup>

#### **4. “USE” AS OBSTACLE FOR ISP LIABILITY**

The ‘use’ of trademarks as a condition for infringement does not include their sale as keywords by ISPs, without authority from their owners, irrespective of the fact that the results generated by the search may lead to consumer confusion. Janis and Dinwoodie believe that this may cause trademark law to lose control over activities occurring in the e-commerce world.<sup>388</sup>

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<sup>385</sup> L Hamilton, ‘Regulation of the Internet: An impossible task?’, 4 Galway Student Law Review, 2010, p. 33.

<sup>386</sup> R Burrell and K Weatherall, ‘Before the High Court – Providing Services to Copyright Infringers: *Roadshow Films Pty Ltd v iiNet Ltd*’, 33 Sydney Law Review, 2012, p. 830.

<sup>387</sup> NK Katyal, ‘Criminal Law in Cyberspace’, 149 University of Pennsylvania Law Review, 2001, p. 1007.

<sup>388</sup> M. Janis and G. Dinwoodie, ‘Confusion over Use: Contextualism in Trademark Law’, *Iowa Law Review*, 92 . 2007, p. 1603.

There remain divergences of academic opinions on the true meaning of the term, “use” in the course of trade. According to one strand of opinion, the sale of a mark as a keyword does not amount to “use” in the course of trade, meaning that it is not intended to function as an indication of origin, and hence should not incur liability for ISPs.<sup>389</sup>

By contrast, others believe that whenever marks are used in relation to the “sale, offering for sale, distribution, or advertising” of products, such an act should be viewed as “use” in the course of trade, rendering ISPs liable for infringement.<sup>390</sup>

Both factions to the argument interestingly anchor their position on an economic view of trademark law namely, the “economics of information”.

When consumers conduct “targeted” or “navigational” searches by typing the name of a trademark as a keyword on a search engine, their aim is usually to locate the website of the owner of that mark or to retrieve information about specific products. Consumers suffer comparatively higher costs when they are presented with advertisements from rivals, or products or services that are strictly of no use to them. Nonetheless, it is also true that consumers often use trademarks simply to commence their search for information that would eventually also include information about competing products, quality reviews and price comparisons, all of which make for more efficient online shopping, such that they are willing to tolerate the extra

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<sup>389</sup> S. Dogan, 'Trademark Remedies and Online Intermediaries', *Lewis & Clark Law Review*, 14 2010, p. 467.

<sup>390</sup> Darrow and Ferrera, 'The Search Engine Advertising Market: Lucrative Space or Trademark Liability?' *Texas Intellectual Property Law Journal*, Vol. 17, 2008,p. 238.

search costs they may incur in the process.<sup>391</sup>

Reconciling the interests of diverse Internet searchers may require more than a mere focus on the “search cost theory” in that, the justification of keyword advertising services that do not cause consumer confusion based on that theory, is only possible, if the real aim of the consumer conducting the search is to access the website of the trademark owner, or if otherwise, the use adversely affects the mark’s ability to function as a guarantee of quality.<sup>392</sup> Yet, as the notion of “objective opaqueness” suggests, determining the true intent of the consumer, who enters a keyword on a search engine is a difficult task.<sup>393</sup>

When a search is conducted by entering a trademark as a keyword, the search engine is not able to determine the actual destination intended by the consumer, and this makes it impossible to tell whether the use of that trademark as a keyword was meant to direct the consumer to the website of the trademark owner, or as an entry point to competing products.<sup>394</sup> Goldman has, therefore, argued that “objective opaqueness” renders it impossible to arrive at any “legally-supportable inferences about searcher objectives based

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<sup>391</sup> Bonewitz, 'Beyond Confusion: Reexamining Trademark Law's Goals in the World of Online Advertising', St. John's Law Review: Vol. 81 : No. 4, 2012, p. 519.

<sup>392</sup> Ibid

<sup>393</sup> Eric Goldman, Deregulating Relevancy in Internet Trademark Law , 54 Emory L. J. , 2005 , p. 519

<sup>394</sup> Bonewitz, 'Beyond Confusion: Reexamining Trademark Law's Goals in the World of Online Advertising', St. John's Law Review: Vol. 81 : No. 4, 2012, p. 921.

on the keywords used”<sup>395</sup>.

Nevertheless, others, like Dinwoodie and Janis, maintain that the sale of trademarks as keywords raises search costs for consumers as they are confronted with a deluge of information, which defeats the economic justification for trademark protection.<sup>396</sup> The real purpose of the law is not to facilitate unrestrained flow of information to consumers, but rather, to assure correct and relevant information and avoid the adverse effect on consumer welfare that may accompany excessive information.<sup>397</sup>

On the other hand, consumers may also find information generated through keyword advertising useful and timely, meeting the common interest of consumers, advertisers and ISPs.<sup>398</sup> In the final analysis, keyword advertising offers the prospect of correct and useful messages, considerably reducing search costs for consumers.

An important factor that has contributed to the rapid growth of the Internet is the fact that it is not subject to any central authority, and the information it contains is the product of free contributions from its many users.<sup>399</sup> Unfortunately, this freedom also means an unusually high traffic of information, which increases the potential for messages generated from natural searches to be less accurate and useful, while also exposing

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<sup>395</sup> Eric Goldman, Deregulating Relevancy in Internet Trademark Law , 54 Emory L. J. , 2005 , p. 521.

<sup>396</sup> Janis and Dinwoodie, 'Confusion over Use: Contextualism in Trademark Law' Iowa Law Review 92 , 2007 , p.1630.

<sup>397</sup> Janis and Dinwoodie , Ibid, p. 1622.

<sup>398</sup> Darrow and Ferrera, 'The Search Engine Advertising Market: Lucrative Space or Trademark Liability?' Texas Intellectual Property Law Journal, Vol. 17, 2008,p. 239.

<sup>399</sup> opinion of AG in Google France

consumers to higher costs in choosing the relevant from the irrelevant.

The results generated by ISPs for natural searches are made even more inaccurate by the unscrupulous use of metatags, a process through which owners of websites cleverly program trademarks belonging to their rivals onto their own websites so as to gain priority ranking whenever consumers enter that trademark in their keyword search.<sup>400</sup>

Nonetheless, keyword services remain a method of information management, even though it is clear that service providers like Google may also have their interest to serve by tampering with their own search results through trademark sales, rather than allowing website owners to freely do so by incorporating trademarks in metatags .<sup>401</sup>

It is almost impossible to navigate the Internet, without encountering online advertisements, whether visual images on websites or text messages on search engine sites.<sup>402</sup> Revenues earned through advertisements using keywords normally sold to the highest bidders, are critical to the sustenance of ISPs and the free services they provide, such that there would be no incentive for them to strive for a more efficient search experience, if they are not assured of some profit.<sup>403</sup>

For example, in 2016, Google earned more than US\$55 million in

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<sup>400</sup> R.Nelson Eng, 'A Likelihood of Infringement the Purchase and Sale of Trademarks as Adwords', *Albanian Law Journal Science & Technology*, 18(2) , 2009, p. 497.

<sup>401</sup> *ibid*

<sup>402</sup> . Ratliff, and D. Rubinfeld, Online Advertising: Defining Relevant Markets: *Journal of Competition Law and Economics*, 6(3), 2010, p. 653.

<sup>403</sup> Edward Wildman, Keyword advertising trademark infringement litigation: an uphill battle, *World Trademark Review*, 2013, p. 94.

advertising, largely through its AdWords program, which has turned out to be one of the most flourishing business initiatives in the world of e-commerce; indeed a “goldmine” for entities engaged in search engine advertising.<sup>404</sup> It should be remembered that the primary objective of the TFEU is the promotion of free competition, particularly the free movement of goods and services within the European common market, including e-commerce, and ISPs perform functions that are vital to the realisation of this goal by enhancing trading opportunities and directing consumers to needed products and services with greater efficiency. They hold a prospect for free competition far more than was possible several decades ago within EU Member States, and both consumers and businesses would be deprived of these benefits, if undue restriction were to be imposed on their activities.<sup>405</sup>

It seems, therefore, at least, on policy grounds, that the exemption of ISPs from liability under trademark law is justified. It would be recalled that before the decision in *Google France*, the ECJ had taken the view that it was enough to establish trademark infringement on account of unauthorised use simply by showing that the alleged infringer was engaged in activity of some commercial nature. Were that still the case today, ISPs would be exposed to liability whenever trademark was used as a keyword, and the onus would fall on them to demonstrate that the ‘use’ did not harm any of the functions performed by the trademark. With the interpretation given in *Google*

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<sup>404</sup> J. Cornthwaite, 'Say it with flowers: the judgment of the Court of Justice of the European Union in *Interflora v Marks & Spencer*', *European Intellectual Property Review*, 34(2), 2012, p. 127.

<sup>405</sup> The value of the e-commerce in Europe has estimated to be the largest in the world with a total value of €246 billion for year 2012. See [Http://Www.Retailgazette.Co.Uk/Articles/44043-European-Ecommerce-Market- Valued-at-198-Billion](http://www.Retailgazette.Co.Uk/Articles/44043-European-Ecommerce-Market-Valued-at-198-Billion), (Last visited 7 July 2015).

*France*, the Court apparently sets ISPs free from direct liability for third parties' use of trademarked keywords, bringing "certainty" into the law, at least, as far as search engine operators are concerned, and for whom it is now largely unnecessary to carry out a 'confusion assessment'.<sup>406</sup>

For all those reasons marshaled, it is proper to immune ISPs from liability for trademark infringement because all they are doing is to afford businesses a resource to attain their advertising objectives, and not 'using' trademarks 'in the course of trade.'<sup>407</sup>

The ECJ's stance is policy-oriented; it recognises that, while significant profits accrue to ISPs from the sale of trademarks as keywords, they, at the same time, offer consumers a means to freely access useful information, and also enable businesses to reach far bigger markets, all of which are conducive to free competition. Although there may result a deluge of information that could cause consumer confusion, it is untenable to lay the blame on ISPs.

Consumers usually may begin their searches for products by entering a keyword on the search engine, and in return, the advertisers would generate the information. To restrain this service would rob consumers the possibility of a wider range of alternatives, undermining free trade. Thus, the principal concern of the law should be to prevent confusion about the source of products that could arise in regard to the search procedure employed by

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<sup>406</sup> Janis and Dinwoodie, 'Confusion over Use: Contextualism in Trademark Law' *Iowa Law Review*, 92 . 2007, p.1622,

<sup>407</sup> This was the justification used by the ECJ in *Google France*.

the consumer or the aim of that search.

That contention assumes greater salience with regard to keywords that directly use trademarks, the development of which their owners have made significant investments in terms of reputation and expenses. Some Scholars refers to Google's use of trademarks to advance its own commercial interests by offering other parties' trademarks for sale to those who are willing to pay the highest prices, and, in return, have their advertisements displayed whenever consumers enter those trademarks on the search engine.<sup>408</sup>

Consumers should not necessarily be confused as a result of that practice, and ISPs are insulated from responsibility, with the onus falling on advertisers to justify their use of the trademark,<sup>409</sup> although it is equally true that by selling keywords to the highest bidders, ISPs gain profoundly more by encouraging advertisers to make higher bids.

Surely, ISP services that allow rivals to use protected trademarks in keyword advertising pose concerns for trademark owners, who are eager not only to protect their interests in marked products or services, but also in the marks themselves as independent products. As a result, trademark owners exhibit a disposition towards litigation whenever they perceive infringement of their rights.

## **5. OVERVIEW OF LIABILITY UNDER TRADEMARK LAW**

Trademark law has grown considerably over time, affording trademark owners the desired protection of their marks on the Internet. Yet, rather

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<sup>408</sup> I. Fhima, *Trademark Law and Advertising Keywords at Chapter 6 Research Handbook on EU Internet Law* by Andrej Savin, Elgar Publications, 2014, p. 143.

<sup>409</sup> L'Oreal V Bellure

astonishingly, trademark owners have been largely unable to successfully sue Internet intermediaries for making infringing online material accessible to Internet users.

A key explanatory factor for that lack of success stems from the strict “use” test that must be met to render unauthorised uses of trademarks by third parties as trademark infringement. As shown later in this chapter, strictly speaking, Internet intermediaries do not use trademarks, at least, not as conceived under trademark law, so as to be entangled in legal disputes over trademark infringement.

### **5.1. Use Requirements**

Article 16(1) of TRIPS, which delineates the extent of the rights conferred on trademark owners, and also guides the level of trademark protection under national and regional trademark laws, including the EU, provides that:

*The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion.*<sup>410</sup>

The phrase ‘using in the course of trade’ is vital to the delineation of trademark rights, and consequently, the determination of infringement. Despite this, TRIPS offers no guidance on how that phrase is to be understood. Neither has this issue received sufficient attention even in some

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<sup>410</sup> Article 16(1) of TRIPS

of the most authoritative interpretations of TRIPS.<sup>411</sup>

Correa makes the self-evident remark that “The exclusive rights conferred are subject to several conditions and limitations. First, such rights only apply in relation to the use of a trademark ‘in the course of trade’, that is, in commercial activities.”<sup>412</sup>

But the meaning of ‘use’, itself, is unclear. Some of the best attempts to address this issue have failed to delineate the type of use that would run afoul of TRIPS, suggesting only that it is for WTO Member States to decide this matter for themselves in their domestic intellectual property regimes.<sup>413</sup>

Equally important, is that use of a trademark ‘in the course of trade’ alone is not enough to constitute a breach of TRIPS. That use must be ‘for goods or services which are identical or similar to those in respect of which the trademark is registered’.

In relation to the EU, for there to be a trademark infringement under the TMD, the sign purported to be identical or similar to a registered mark, must be used “in the course of trade” and “in relation to goods or services which are identical with [or similar to] those for which it is registered.”<sup>414</sup>

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<sup>411</sup> D Gervais, *The TRIPS Agreement – Drafting History and Analysis* (3rd ed, Sweet & Maxwell 2008), 274-79 no discussion on the meaning of ‘use in the course of trade’.

<sup>412</sup> CM Correa, *Trade Related Aspects of Intellectual Property Rights: A Commentary on the TRIPS Agreement*, Oxford University Press 2007, p. 186.

<sup>413</sup> P. Stoll, J. Busche and K. Arend (eds), *WTO—Trade-Related Aspects of Intellectual Property Rights*, Martinus Nijhoff Publications, 2009, p. 318.

<sup>414</sup> Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to

## 6. LACK OF SECONDARY LIABILITY UNDER TRADEMARK LAW

As already seen, the stringent ‘use’ requirement of trademark law necessary to establish trademark infringement against Internet intermediaries is difficult to meet. To be able to hold those intermediaries liable for providing Internet users access to trademark infringing material, one may need to look beyond the confines of traditional trademark law.<sup>415</sup> There are equally suggestions that resort may be had to common law since trademarks are, themselves, emanations of the common law.<sup>416</sup> Trademarks are, after all, not new, having existed along with trade right from ancient times.<sup>417</sup>

According to one commentary, “the repression of trademark infringement came into the common law through an action of deceit and, although it is the public rather than the owner of the trademark who is actually deceived, the common law trademark action is still deceit.”<sup>418</sup> Clearly then, even though “the right to a trademark, after being more and

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approximate the laws of the Member States relating to trade marks (codified version), Art.5 (TMD).

<sup>415</sup> G Ruston, ‘On the origin of Trademarks’, 45 Trademark Reporter, 1955, p. 127.

<sup>416</sup> GB Dinwoodie, ‘The Common Law and Trade Marks in an Age of Statutes’ in L Bently, C Ng and P D’Agostino, *The Common Law of Intellectual Property Essays in Honour of Professor David Vaver*, Hart Publishing, 2010, p. 331.

<sup>417</sup> S.A. Diamond, ‘The historical development of trademarks’, 73 Trademark Reporter, 1983, p. 222.

<sup>418</sup> FI. Schechter, ‘Rational basis of trademark protection’, 40 Harvard Law Review, 1927, p. 819.

more assimilated to proprietary rights, has become a statutory franchise...<sup>419</sup> trademarks actually have their roots in the common law tort of deceit.

As a matter of fact, while the premise on which the courts of equity had intervened in trademark disputes was the claimant's 'title' to a trademark, a rationale that bestowed a proprietary status on trademarks, the justification for trademark protection would later change to the original ground of deceit.<sup>420</sup>

The potential liability of parties other than the direct users of trademarks is not addressed, specifically, or otherwise, both by TRIPS and the Paris Convention.<sup>421</sup>

Indeed, the issue of secondary liability hardly features in most international intellectual property agreements.<sup>422</sup> A further point worth noting, is that this form of liability is described in different ways. While some refer to it as 'secondary' liability,<sup>423</sup> others call it 'contributory' liability.<sup>424</sup> In some jurisdictions though, particularly the U.S., each of these terms has a different meaning. For the avoidance of doubt, therefore, this thesis has chosen the more neutral term of secondary liability to indicate the

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<sup>419</sup> PA Landon, *Pollock's Law of Torts*, 15th ed, Stevens and Sons, 1951, p.231.

<sup>420</sup> MP McKenna, 'The normative foundations of trademark law', 82 *Notre Dame Law Review*, 2007, p. 1856.

<sup>421</sup> Paris Convention for the Protection of Industrial Property 1883 (as amended) (Paris Convention).

<sup>422</sup> K Weatherall, Submission to the Joint Standing Committee on Treaties Inquiry into the Anti-Counterfeiting Trade Agreement, Submission No 3 TT, 2011, p. 9.

<sup>423</sup> *Ibid*

<sup>424</sup> Barbara Harvey, *Law of Torts*, Oxford University Press, 2015, p. 87.

liability of a party, who aids trademark infringement by others, even where the former does not use the relevant trademark in a manner that can be considered infringing.

In terms of international intellectual property regimes relating to this type of liability, Article 23(4) of the ACTA, which concerns ‘criminal offences’, provides that, “with respect to the offences specified in this Article for which a Party provides criminal procedures and penalties, that Party shall ensure that criminal liability for aiding and abetting is available under its law”.

The ACTA, if it ever becomes effective, would be the singular international instrument specifically catering for Secondary liability, but it is limited to criminal enforcement and to parties who ‘aid’ and ‘abet’ infringements.

In effect, international intellectual property law does not provide a civil basis for secondary liability for trademark infringement. That probably explains why civil enforcement of secondary liability has been consigned to domestic legal regimes, with significant differences among jurisdictions.<sup>425</sup>

Within the EU, national trademark laws have been considerably harmonised through the TMD, but the Directive does not address the issue of Secondary liability.<sup>426</sup> As a very important point, however, the TMD does not forbid Member States from applying to trademark issues, provisions of their

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<sup>425</sup> K Weatherall, Submission to the Joint Standing Committee on Treaties Inquiry into the Anti-Counterfeiting Trade Agreement , Submission No 3 TT , 2011, p. 9.

<sup>426</sup> S Davies, ‘Accessory liability: protecting intellectual property rights’ Intellectual Property Quarterly, 2011,p. 390.

domestic laws other than trademark law, for example, legal provisions concerning civil liability, unfair competition, or consumer protection.<sup>427</sup> Hence, it is permissible for them to apply the rules of secondary liability in matters relating to trademark protection.

Even the courts have acknowledged that proposition. As the High Court of England has observed:

*...it is settled law that arts 5 to 7 of the Trade Marks Directive embody a complete harmonisation of the rules relating to infringement of the rights conferred by registration of a trade mark within the Community. Those rules do not, however, harmonise the law of accessory liability applicable to such infringements. Accordingly, the question of accessory liability is primarily a matter for national law.*<sup>428</sup>

Further, under TRIPS, WTO Member States are free to provide in their domestic intellectual property regimes, standards of protection that are higher than the TRIPS minimum standards.<sup>429</sup> On this basis, some WTO Member States have gone ahead to make provisions in their domestic trademark laws, which are stricter than the requirements of Article 16 TRIPS.

A useful illustration is Section 10(5) of the UK TMA 1994 which provides

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<sup>427</sup> TMD, Recital (7)

<sup>428</sup> *L'Oréal v. eBay* (EWHC), [344]. This position was confirmed by the Advocate-General consequent to the High Court's reference to the CJEU seeking guidance on the interpretation, and application, of the TMD to the facts of this case (see, *L'Oréal v. eBay*, [AG55] (Advocate-General Jääskinen)).

<sup>429</sup> TRIPS, Art.1:1.

that:

*A person who applies a registered trade mark to material intended to be used for labelling or packaging goods, as a business paper, or for advertising goods or services, shall be treated as a party to any use of the material which infringes the registered trade mark if when he applied the mark he knew or had reason to believe that the application of the mark was not duly authorised by the proprietor or a licensee.*

Some well-acknowledged commentators, including Cornish, have observed that the above provision allows for what they describe as ‘contributory infringement’,<sup>430</sup> or as Bently and Sherman put it, ‘secondary infringement’.<sup>431</sup> This discrepancy in usage creates some uncertainty as to the exact form of liability created by the above provision. It seems though, from the descriptions given by the above commentators, that the provision entertains a type of indirect liability, which exceeds the scope of Article 16 TRIPS.

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<sup>430</sup> W Cornish et al, *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights*, 8th ed, Sweet & Maxwell , 2013, p. 757.

<sup>431</sup> L Bently and B Sherman, *Intellectual Property Law* (4th ed, Oxford University Press , 2009, p. 1058.

## 7. EVALUATION OF APPLICATION OF LIABILITY FOR ASSISTING A TORT TO KEYWORD ADVERTISING

There is a push among some academics for civil law recognition, especially under tort law, of the liability of a party, who assists another in perpetrating a wrong.<sup>432</sup> This proposition has received clear disapproval from the courts.<sup>433</sup> Despite that, others like Dietrich<sup>434</sup> and Davies<sup>435</sup> have pressed on with the idea of a civil law basis to hold a party liable for facilitating another's wrongful act.

In his critical response to the 'common design' requirement that has undergirded judicial reluctance on this issue, Davies observes that "...it seems as if joint tortfeasance may well not cover a person who throws a knife to another, knowing that it will be used to stab somebody else, since it could be insuperably difficult to prove either inducement or a "common design".<sup>436</sup>

In the illustration given above, whereas criminal liability will attach to the one, who made the knife available because he assisted the principal offender<sup>437</sup> to perpetrate the crime, he would not face any civil liability.

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<sup>432</sup> P Sales, 'The Tort of Conspiracy and Civil Secondary Liability', 49 Cambridge Law Journal, 1990, p. 491.

<sup>433</sup> *Credit Lyonnais v. ECGD* (CA), 46 (Hobhouse LJ).

<sup>434</sup> J Dietrich, 'Accessorial liability in the law of torts, 31 Legal Studies, 2011, p. 231.

<sup>435</sup> PS. Davies, '*Accessory Liability*', Hart Publishing, 2015, p. 13.

<sup>436</sup> PS Davies, 'Accessory liability: protecting intellectual property rights', *Intellectual Property Quarterly*, 2011, p. 397.

<sup>437</sup> *National Coal Board v. Gamble* [1959] 1 QB 11, 23 (Devlin J)

This, according to Davies, highlights “a gap in the law”.<sup>438</sup> An appropriate way to fill this gap, he argues, is to endorse the idea that every type of act that significantly aids the infringement of another person’s right should incur secondary liability.<sup>439</sup>

Inevitably, such liability will apply to those who aid others to commit a tort. This thesis expresses the view that judicial endorsement of Davies’ proposition and the consequent enhancement of the common law would create room for attaching liability to those who aid civil wrongs committed by others. In this way, it may become possible, in appropriate cases, to hold Internet intermediaries like Google liable, when their activities enable Internet users to violate the trademark rights of other parties.

Still, the argument for the civil law recognition of secondary liability has been challenged<sup>440</sup> partly because of fears that it would breed uncertainty. McBride and Bagshaw have, for example, countered Davies’ argument. According to them:

*It seems that if the law were to open the door to defendants simply on the basis that they assisted someone to commit a tort, the law would soon become unacceptably uncertain and inhibit many perfectly legitimate activities. Not holding A liable in cases where he throws a knife to B, which is then used to stab C, is a price we have to pay in*

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<sup>438</sup> PS Davies, ‘Accessory liability for assisting torts’, 70 Cambridge Law Journal, 2011, p. 380.

<sup>439</sup> PS Davies, ‘Accessory liability: protecting intellectual property rights’, Intellectual Property Quarterly, 2011, p. 279.

<sup>440</sup> NJ. McBride et al, ‘Tort Law’, 5th ed, Pearson Publication, 2015, p. 886.

*the interests of legal certainty and public welfare.*<sup>441</sup>

McBride and Bagshaw have a point. If unchecked, indiscriminate enforcement of secondary liability may precipitate legal uncertainty. Even in the criminal sphere, secondary liability has caused anxiety due to its perceivably overreaching application. One reflection on the issue maintains that:

*“The law of accessorial liability is an area where the need for consistency needs to be considered and, if there is to be inconsistency in the development of legal doctrine, it should operate, as with the interpretation of self-defence, so that criminal liability is more restrictive than tortious liability. The criminal law of secondary liability in particular has much to learn from tort law, specifically as regards the need to recognise a common design as a way of restricting secondary liability. The introduction of such a requirement into the criminal law of secondary liability would serve to ensure that the defendant was sufficiently involved in the commission of the crime by the principal so that he can be considered to have combined with the principal to commit the crime”.*<sup>442</sup>

Understandable as it may seem, the target of that criticism is not civil secondary liability, but criminal Secondary liability. Criminal law terms like ‘aid’ and ‘abet’ already feature in tort cases, but it is unnecessary to bring criminal law secondary liability into civil law. “[i]t is not obvious that accessory liability should be the same in the criminal law and the civil law.”

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<sup>441</sup> Ibid , p. 885

<sup>442</sup> G Virgo, ‘*The criminal law is not an island*, No. 6 Archbold Review, 2015 ,p. 8.

<sup>443</sup> All that said, the courts would finally have to decide whether secondary liability should be admitted into civil law, and, importantly, whether it should constitute a basis under civil law, and specifically torts law, for attaching liability to those who knowingly assist others to commit wrongful acts. What is clear for now, is that the UK courts have remained averse to the application of the criminal law concept of Secondary liability to tort cases, ostensibly with some justification. It seems, improbable, at least, for the foreseeable future, that they would embrace the idea of liability based on the intentional assistance of a civil wrong, especially, a tort.

Yet, that should not obviate the desirability, under civil law, of a properly formulated type of liability for those who knowingly assist the commission of a tort.

## **8. KEYWORD ADVERTISING , E-COMMERCE DIRECTIVE AND ADVERTISER LIABILITY**

The potential liability of ISPs can equally be examined under E-Commerce Directive 2000 (ECD).<sup>444</sup> Article 14 of the ECD covers situations where an ISP only provides a technical means for the storage of content, without control or knowledge of that content. In such cases, they cannot assume liability for the content stored by advertisers, unless it is shown that they knew about the unlawfulness of that content or the activities of the advertiser, but failed to timeously withdraw the content or deny access to it.

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<sup>443</sup> D Cooper, *Secondary Liability for Civil Wrongs* , PhD thesis, Cambridge University, 1995, p. 46.

<sup>444</sup> 'The Eu Electronic Commerce Directive 2000/31/Ec of the European Parliament and of the Council of 8 June 2000 on Certain Legal Aspects of Information Society Services, in Particular Electronic Commerce, in the Internal Market'

For this reason, in responding to requests for information, ISPs normally rely on the past search behavior or the search words provided there is no illegality. This way of handling consumer ‘intelligence’ enables ISPs to escape liability under Article 14 ECD, but conceivably has no bearing on the broad nature of the searches that consumers may conduct in their quest for products. It may be said though that the online services that ISPs offer are comparable to those of real-world shops, where, in response to enquiries about trademarked products, consumers are also directed to other competing alternatives.

### **8.1. The Liability of the Advertiser**

Under existing case law, the use by advertisers of trademarked keywords purchased from ISPs to direct traffic to their websites where their own products are displayed for sale amounts to ‘use in the course of trade’. It amounts to use in a commercial, rather than a private activity, and an advertiser’s liability for the infringement of the relevant mark fits within the frame of Articles 5(1)(a) and 5(2) TMD; the harm likely to be done to one of the mark’s protected functions *to with*, origin, advertising, and investment, must be ascertained. Although the practical damage that may arise from breaching a trademark function has already been examined, attention has yet to focus on the possible justification of the use in the event that such damage is found.

In the aftermath of the decisions on AdWords, the ECJ has held that, with regard to the origin function of trademarks, causing confusion as to origin is the basic premise for finding infringement, but still, in considering how the emergent online advertising works, the Court apparently also

protects the “legitimate interests” of trademark owners. The origin function would be considered to be adversely affected, if the relevant advertisement prevents reasonably well-informed and attentive users from determining, or renders it difficult for them to determine whether the products offered for sale in that advertisement actually emanated from the trademark owner or its affiliates, and not the third party advertiser.<sup>445</sup> Under the test used by the Court, the implicated advertisement must be of such transparency as to make identifiable not just the identity of the advertiser, but the actual source of the products displayed, even without the consumer visiting its website.<sup>446</sup> This “novel duty of transparency” as Cornwell describes it, has, however been condemned for shifting the burden onto advertisers to ensure that consumers are not confused as to the origin of products displayed in their advertisements, and hence guarantee transparency in the marketplace.<sup>447</sup> On the other hand, it is clear that the act of using protected trademarks, while making payments to ISPs, instead of the owners of those marks, is reprehensible. In those cases where a mark enjoys absolute protection under Article 5(1)(a), use would lead to automatic liability, unless the user is related to the trademark owner.

In reality, it would be challenging a task for advertisers to ensure the so-called market transparency, given that their advertisements are mostly

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<sup>445</sup> *Google France Sarl V Louis Vuitton Malletier Sa and Others* ', at paras 84&87.

<sup>446</sup> *Portakabin V Primakabin* ', the ECJ repeated verbatim this test for determining likelihood of confusion under Article 5(1)(b)

<sup>447</sup> J, Cornwell, 'Keywords, Case Law and the Court of Justice: The Need for Legislative Intervention in Modernizing European Trade Mark Law' *Trademark law*, 27INT'LR. L. COMP. &TECH.85 , 2013, p. 93.

constituted by just a few words and last for a few moments.<sup>448</sup> Considering the unrestrained flow of information on the Internet, consumers are bound to be bombarded with information whenever they do a search, even when the search terms used are not trademarked; there is, thus, no reason to expect that all the results of their search would relate to the same business or its affiliates.<sup>449</sup> The ECJ considers this in its interpretation of what is necessary for the protection of strictly the origin function, instead of the other economic functions.

Ostensibly, this adds weight to the belief that, perhaps, those other functions are ancillary to the essential origin, and do not exist independently. When consumers conduct searches on the Internet using a trademark, it would not be reasonable for them to think that all or even any of the sponsored results generated have a commercial connection to the trademark owner, a point equally valid in respect of the natural search results. In most cases, they are bound to receive more information, including from sources not intended, for example, those providing information on close substitutes, and price comparisons. This would be more evident where the additional messages are identified as ‘sponsored results’ and demarcated from the section showing the natural results.<sup>450</sup> The ECJ has, nevertheless, expressed the view that, generally, consumers may get confused in respect of the origin function, where an advertisement is prompted soon after a trademark is

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<sup>448</sup> A. Ohly , 'Keyword Advertising or Why the ECJ's Functional Approach to Trade Mark Infringement Does Not Function' , IIC, 2010, p. 879.

<sup>449</sup> G. Psaroudakis, 'In Search of the Trade Mark Functions: Keyword Advertising in European Law', *European Intellectual Property Review*, 34(1) , 2012), p. 34.

<sup>450</sup> Ibid

searched, and which advertisement stays on as the consumer contemplates buying.<sup>451</sup>

That ‘sponsored results’ are distanced from the natural results may, thus, not be enough to avert harm to the origin function; the third party advertisement is capable of influencing the consumer’s choice.<sup>452</sup> But while consumer protection against confusion has the merit of facilitating competition and “economic efficiency” of the market, the protection of trademarks on that account must be done diligently so as to strike the right balance with the equally important values of free competition and flow of information, more so under Article 5(1)(a) that presumes confusion and grants ‘absolute’ protection. In this case, using the trademark as a keyword usefully facilitates free trade and the flow of information to consumers, without misleading them.

Perhaps, defining the class of Internet users capable of being misled, whether ‘targeted’ or ‘contextual’, could help to establish a viable threshold for determining the liability of keyword advertisers. According to the ECJ’s guidance to the national courts of EU Member States, harm to the origin function should be found only if “reasonably well-informed and attentive users” are misled by the advertisement into thinking that the third party advertiser is affiliated to the owner of the trademark.<sup>453</sup> That language seems

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<sup>451</sup> *Google France Sarl V Louis Vuitton Malletier Sa and Others* ', at para 85

<sup>452</sup> In '*Portakabin V Primakabin*', at para 37-39 ECJ refused to comment on the fact whether the separation between the ‘sponsored links’ and the natural results can have different effect on the protection that granted to the trade mark owne

<sup>453</sup> In *Interflora V. Marks & Spencers* Court referred to a similar test by stating “the average consumer of the products of the toy industry, normally informed and reasonably attentive and circumspect”. Nevertheless, the test here is limited to a group of relevant consumers (toy industry) while

to suggest that confusion caused to inattentive or careless users, is not covered. Landes and Posner have defined the former category of users as “consumers with low costs of acquiring and processing product information, (who) are not fooled”.<sup>454</sup>

In *Beta Layout*, the German Federal Supreme Court held attentive users to be those, who appreciate the difference between results from the natural search and those from sponsored advertisements, and also take note of the advertiser’s website address.<sup>455</sup>

Inattentive users are more prone to confusion as to the origin of a product, irrespective of whether or not results from the natural search are set apart from those from the sponsored advertisements.

Still, this ‘standard’ of the Internet user is amoeboid so much so that national courts exhibit disparities in their interpretations, based on the subjective thinking of individual judges; consequently, there is an absence of a harmonised interpretive approach to the subject in the EU.<sup>456</sup>

Considering their technical, computer orientation, it is difficult to expect programmers, who design keyword-derived advertisements to put themselves in the shoes of a particular category of prospective users; it is virtually impossible for them to evaluate the user standard for the purposes

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the test in keywords advertising is based upon internet users in general.

<sup>454</sup> Landes and Posner, *The Economic Structure of Intellectual Property Law*, Harvard University Press, 2003, p. 204.

<sup>455</sup> Beta Layout Bundesgerichtshof I ZR 30/07

<sup>456</sup> L. Jyrkkiö, 'But I Still Haven't Found What I'm Looking For: The ECJ and the Use of Competitor's Trademark in Search Engine Keyword Advertising', *Helsinki Law Review*, 2011), p. 129.

of escaping liability, since their own standard is likely to vary from that of the court, and further, technical constraints render it challenging or even impossible to insert disclaimers.<sup>457</sup>

Ultimately, application of the standard may require the naive strategy of determining what number or percentage of Internet users should get confused for a given advertisement to be deemed truly misleading and unacceptable. Without doubt, there would always be inattentive users, who would get confused as to the origin of a product, regardless of how an advertisement is shown, leaving the ECJ's standard vague, non-instructive and without legal certainty.

It is that weakness that has caused discrepancies in interpretations rendered by national courts. In *BergSpechte*,<sup>458</sup> for example, the Austrian Court apparently applying a low standard of attentiveness to find confusion, held that the defendant was liable for trademark infringement because of the absence of "appropriate clarifying indications" in the advertisement, even though the trademarks allegedly infringed were not shown in the advertisement, and further, the advertiser's identity was provided in the URL.<sup>459</sup>

Altogether, it appears that the ECJ tilts towards contextual searching as the basis for exemption from infringement liability, and regarding that classification of Internet users, the legitimate interests of consumers and

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<sup>457</sup> Ibid, p. 143.

<sup>458</sup> *Die Bergspechte V Günter Guntl*, at para 12.

<sup>459</sup> Jyrkkiö, 'But I Still Haven't Found What I'm Looking For: The Ecj and the Use of Competitor's Trademark in Search Engine Keyword Advertising', *Helsinki Law Review*, 2011, p. 146

trademark owners may prove pertinent in determinations relating to the essential function. Therefore, Attentive users are considered to be alert, cautious and capable of assessing for themselves information furnished to them on the market. At any rate, as has been contended, excessive protection for consumer interests would, itself, be incongruous with other contending interests. But the origin function is also affected by being given undue importance in terms of the protection considered necessary with regard to keyword advertising.

Generally, the advertising function is a redeeming source of hope for trademark owners eager to protect their marks from being used as keywords by advertisers.<sup>460</sup> The ECJ first recognised this function in *L'Oréal*, inevitably conferring it with protection. The reality has, nevertheless, been different because decisions in AdWords disputes have tended to ignore the significance of the origin function, with demonstrated unwillingness to grant it any special protection.

When several advertisers bid fiercely over a keyword, this is bound to push up the price of the underlying trademark. To strengthen its own marketing campaign, the actual owner of that trademark may end up paying more to buy what is, after all, its own property. This provides a cogent basis for finding an 'adverse effect' on the advertising function of that mark, thus justifying an agitation for protection.<sup>461</sup>

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<sup>460</sup> Cornthwaite, 'Say It with Flowers: The Judgment of the Court of Justice of the European Union in *Interflora V Marks & Spencer*, *European Intellectual Property Review*, V. 34, No. 2, 2012, p. 129.

<sup>461</sup> D. Meale, ' *Interflora: The Last Word on Keyword Advertising?* ', *Journal of Intellectual Property Law & Practice*, 2012, p. 12.

Such an argument appealed to the ECJ in *Google France*, where it found that the use of a trademark as a keyword would likely have some “repercussions” on the advertising function of that mark, more so, where, as a result thereof, the trademark owner is compelled to reinforce its own advertising drives.<sup>462</sup> But those “repercussions” of the mark’s use, according to the Court, do not, *per se*, amount to an adverse effect on its advertising function. Thus, a trademark owner cannot forbid third parties from using signs identical to its mark in referencing services based on the grounds that such a use is likely to produce an adverse effect on the mark’s advertising function.<sup>463</sup>

That is a judicially narrow view of what is considered to harm the advertising function, and the ECJ grounds this denial of protection on the function it performs. According to the Court, a third party’s ownership of a trademark should not prevent the keyword purchaser from exploiting that mark as a means of informing consumers or persuading them about its own products, provided the trademark owner’s Internet address is indicated in the search results. The actual owner of that mark can only allege damage to its advertising function, if it is prevented from promoting its own website. The contention would be made, though, that the Court ought not to have considered adverse effect on the advertising function independently, without regard to the issue of dilution. Protection of the economic functions is easily

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<sup>462</sup> *Google France Sarl V Louis Vuitton Malletier Sa and Others* ', at paras 57, 91, 93.

<sup>463</sup> In contrast to *L'Oréal*, the trade mark did not appear in defendant’s advertisement or promotional material. It is arguable that the ECJ therefore appears to have taken a narrow view of what can affect the advertising function.

covered by the protection guaranteed to the origin function.<sup>464</sup>

Further, the ECJ's position that there cannot be protection, if the trademark owner's web address is indicated in the advertisement is unpersuasive because it cannot be doubted that the use of a trademarked keyword by competitors would harm the advertising function of that mark.<sup>465</sup> Advertising is a tool for business promotion in the fiercely contested marketplace, and when rival third parties use trademarked keywords bought from ISPs, they obviously benefit from the advertising value of that mark. The essence of the trademark owner's advertisement is to create an enduring impression in the perception of consumers that suppresses information coming from rivals, and this objective is weakened when the trademark owner's advertisement is beclouded by advertisements sponsored by rivals, even where the trademark owner's website is shown; this is capable of adversely affecting the mark's advertising function and accordingly, justifies protection.

Even putting aside the likely "repercussions" on the mark's advertising function, one would still arrive at the same result. The same effect would be produced on the mark's uniqueness or its owner's goodwill, bearing in mind the huge investments necessary for the mark to acquire that distinct recognition. It is legally misconceived to maintain that harm to the advertising function, outside unjust advantage and damage to a mark's

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<sup>464</sup> G Psaroudakis, 'In search of the trade mark functions: keyword advertising in European law, *European Intellectual Property Review*, 2012, p 38;

<sup>465</sup> *Ibid*, p.39.

distinctiveness, warrants protection. Extra protection is possible in this respect only under Article 5(2) TMD for the purposes of preserving the mark's prestige and the overall objective of the Directive.<sup>466</sup>

The Court has apparently noticed the problem associated with overreaching interpretations of European trademark law and the necessity of taking into account other competing interests, as demonstrated by its view that trademark law is not meant "to protect [trademark] proprietors against practices inherent in competition".<sup>467</sup>

The Court had previously held in *L'Oréal* that any sort of meddling with the advertising function is capable of adversely affecting it with potentially grave repercussions. Nevertheless, in *L'Oreal*, the Court was uncertain about the impact of the alleged infringer's action on the advertising function. Although the implicated marks were shown in the advertisement, the advertiser would escape liability, if its advertisement was found to be in conformity with the MCAD. In this case, the ECJ concluded there was no compliance.

Where a mark is shown in an advertisement and the latter fails to conform with the MCAD, there would probably be an adverse effect on the mark's advertising function, amounting to an infringement of that mark. That would readily expose keyword advertisers to liability for infringement, potentially denying otherwise useful information derivable from advertisements. The capacity of the Internet as an engine for free trade will be constrained, whereas the interests of market monopolists would be perpetuated. Indeed,

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<sup>466</sup> Ibid.

<sup>467</sup> *Interflora Inc V Marks & Spencer Plc*, at para 57

free trade ideals would be jettisoned.

As already mentioned, the additional functions of trademarks are more apparent than real, and without substance.<sup>468</sup> Nonetheless, in determining the consequence of damage to the investment function, the ECJ in *Interflora* gave serious focus to the possibility of extending protection to the investment function, by noting that its objective is “to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty”.<sup>469</sup>

Although that amounts to recognition of the possibility of causing harm to the investment function, by the ECJ’s reckoning, it is unlikely that trademark owner would be able to establish the necessary harm, even in the clearest of situations where such harm is possible; it is, indeed, difficult to contemplate other situations, where the investment function is undermined, requiring litigation to protect it. The Court indicates that both the advertising and investment functions are intertwined in that it requires the advertising function and the employment of “various commercial techniques” for a mark to attain a certain degree of fame. In *Intel*, the plaintiff was required to show ‘dilution’, that is, demonstrate that there had been a change in consumer perception, attitude and decision making.<sup>470</sup>

All that leaves one with a blurred imagery of the importance of protecting a useful principle, accompanied at the same time, by lack of

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<sup>468</sup> D. Meale, ' Interflora: The Last Word on Keyword Advertising? ', Journal of Intellectual Property Law & Practice, 2012, p. 12.

<sup>469</sup> *Interflora Inc V Marks & Spencer Plc*, at para 62

<sup>470</sup> *Intel Corporation Inc. V Cpm United Kingdom Limited* '

clarity as to how to do so. National courts in EU Member States are, therefore, left with hardly any direction on how to approach the issue in individual cases.

## **8.2. Liability for Trademark infringement and Article 6(1) Defences**

The level of parties' exposure to liability for trademark infringement is determined by the type and scope of defences they can deploy to justify their use of a protected mark. One possible defence can be found in Article 6(1) TMD, which contains several qualifications to the trademark rights conferred pursuant to Article 5(1). As earlier observed, a trademark owner has the burden of establishing infringement under Article 5(1)(a), which would, in turn, necessitate the defence provided in Article 6(1) relating to other types of advertising and product comparison. It should be stressed that the defence in Article 6(1)(a) merely requires the advertiser's identity and address to be revealed, and is not a prominent feature when comparing the descriptions. Article 6(1)(b), nevertheless, permits a third party to use a protected mark in a 'descriptive', or a 'referential' manner for the purposes of referring to the attributes of their products or the names of their geographical locations. It is necessary to allow third parties to make descriptive uses of otherwise protected marks so as to minimise potential negative economic consequences or limitations on free competition. As was pointed out in the analysis of the economic justifications for trademark protection, consumers would incur lower search costs, if third parties are allowed to make use of marks belonging to others, as no economic loss is inflicted on the trademark owners.

As to referential use, this is allowed by Article (6)(1)(c) TMD "where

it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts”. Such use is particularly vital for parties who make or deal in spare parts, for which it may be necessary to use a comparative advertising strategy that “explicitly or by implication identifies a competitor or goods or services offered by a competitor”.<sup>471</sup>

Comparative advertising is permitted by the MCAD, provided a party meets the conditions spelt out in Article 4, and this serves as a qualification to the rights granted under Article 5 TMD.<sup>472</sup>

According to Article 4 MCAD, a comparative advertising must not confuse consumers, impugn the trademark used, or take undue advantage of its fame; it should not offer goods or services that are imitations or replicas of the marked ones, and should not mislead them. The ECJ interprets these requirements harmoniously with the tests for infringement under Article 5 TMD.<sup>473</sup>

Further, to avail of the defences in Article 6 TMD, use of the mark must conform with “honest practices in industrial or commercial matters”, albeit a requirement that is open to wide interpretations.<sup>474</sup> The ECJ has clarified in several decisions that ‘honest practice’ is actually “The expression of a duty to act fairly in relation to the legitimate interests of the

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<sup>471</sup> Misleading Advertising Directive (84/240) as Amended by the Comparative Advertising Directive (97/55)', at Art 2

<sup>472</sup> *O2 V Hutchison 3g*; '*L'oréal Sa Et Al. V Bellure Nv Et Al.*', at paras 53-54.

<sup>473</sup> Sakulin, *Trademark Protection and Freedom of Expression: An Inquiry into the Conflict between Trademark Rights and Freedom of Expression under European Law*, Kluwer Law International, 2011, p. 34.

<sup>474</sup> Article 6 of TMD

trade mark owner”<sup>475</sup>.

The ECJ proceeded to adumbrate the extent of such a duty, and in *Gillette*, detailed out what should be taken into account when deciding whether use of a particular mark is in conformity with the ‘honest practice’ requirement contained in Article 6(1)(c).<sup>476</sup>

It may be contended that the defence in Article 6(1)(b) must also abide by that interpretation of ‘honest practice’, in view of the requirement that the advertiser be allowed opportunity to represent the characteristics of its products in a fair and proper manner. The ‘honest practice’ requirement would be breached, if use of a mark leads consumers to believe that the reseller is affiliated to the trademark owner, or if that use unfairly takes advantage of the mark’s uniqueness or fame. Similarly, there would be no honest practice, if the reseller’s mark impugns the original mark or if the former’s mark displays the products to which they are attached as imitations or replicas of the products bearing the original mark.<sup>477</sup> These conclusions seem though to merely repeat the TMD requirements.

In subsequent disputes, the Court took into account other considerations, apart from those earlier outlined in *Gillette*. This was done to facilitate decisions about the honesty and fairness of competition practices. In *Céline Sarl v Céline SA*, the Court expressed the view that factors such as the degree to which the use of a mark could mislead consumers into

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<sup>475</sup> *Bmw V Deenik*, ((C- 63/97) [1999] ETMR 286) at para 61

<sup>476</sup> *Gillette V La-Laboratories*, at para 42 and in an earlier judgment *Aneuser-Busch Inc. V Budejovicky Budvar Narodni Podnik* Para 83.

<sup>477</sup> *Gillette V La-Laboratories*, at para 45

believing that there exists a connection between the user and the trademark owner, and whether the trademark owner or a party it has permitted to use the mark should be taken into consideration in assessing the genuineness of a defence, may help in determining whether the alleged infringer could actually benefit from such a defence.<sup>478</sup>

The Court also considered the degree to which the third party knew that its use of the mark would likely cause consumers to assume a connection between that third party and the trademark owner, and further, directed national courts hearing any dispute to take into account any profit the third party may have reaped from trading on the basis of the original mark's fame. The ECJ stressed that national courts should use their discretion in deciding the issue by engaging in a general evaluation of all the pertinent circumstances of each case so as to arrive at a conclusion on what amounts to honest practice in view of those factors.<sup>479</sup>

The honest practice test is arguably objective. It could be seen as giving broad interpretations to the defences provided in the TMD apparently in response to the extensive scope of trademark rights.<sup>480</sup> Such broad interpretations actually promote free competition and movement of products and services, the very aspirations of the TFEU. The Article 6(1)(c) defence "Seeks to reconcile the fundamental interests of trade-mark protection with those of free movement of goods and freedom to provide services" and can be seen to cover descriptions, in advertisements, of the attributes and quality

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<sup>478</sup> *Celine V Celine*, at para 34

<sup>479</sup> *Bmw V Deenik*; *Gillette V La-Laboratories*

<sup>480</sup> D. Bainbridge, *Intellectual Property*, 8th edn, Pearson Education Limited, 2010, p. 768.

of the advertiser's products.<sup>481</sup>

In *Belgian Electronic Sorting v Peelaers*, the defendant registered a domain name that was similar to the words used in the plaintiff's advertisement, and with identical signs and products, although the issue of trademark infringement was not followed through.<sup>482</sup> Notwithstanding, viewed from the perspective of comparative advertising, it is clear that the defendant rode on the wings of the plaintiff's fame and skill. The defendant's act was considered to fall outside those the courts had accommodated in earlier decisions, and potentially opened novel ways of causing consumer confusion in violation of the essential function of marks. The use of identical marks must conform with MCAD requirements, and may render it unnecessary to proceed to the defences in Article 6.

In the end, Article 5(2) offers a two-pronged defence to protection against dilution; it narrows the scope for trademark owners to allege infringement, and endeavours to reconcile that protection with other competing interests. Although the TMD fails to proffer a meaning for this defence, "the due cause criterion can be described as a need to use the mark so that it would be unreasonable to require the alleged infringer to stop the use".<sup>483</sup>

In *Interflora*, the ECJ modified and elaborated the view expressed

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<sup>481</sup> *Bmw V Deenik*, at para 62

<sup>482</sup> *Belgian Electronic Sorting v Peelaers* (C-657/11)

<sup>483</sup> A. Sanders, 'Some Frequently Asked Questions About the 1994 UK Trade Marks Act', *European Intellectual Property Review*, 17 (2), 1995, p. 70.

above.<sup>484</sup>Courts may be willing to grant respite from liability based on the balance of competing principles and interests, a task they are, in any case, expected to perform. The ‘due cause’ notion and necessity to abide by the statutory and Directive requirements seem to generally shield unauthorised third party use from liability, but this is still subject to the limitations imposed by trademark owners’ rights, the principles governing comparative advertising , as well as other competing interests, both individual and public.<sup>485</sup>

### **8.3. Possibility of Using Art. 6(1) Defences for Advertisers**

As observed, the ECJ has addressed the extent of trademark protection granted in Article 6(1). In *Portakabin v. Primakabin*, the Court took the view that the use of a mark as a keyword was not meant to serve as a descriptive representation, and therefore, Article 6(1)(b) was inapplicable. Still, it remains for the national courts to use their discretion to determine the applicability of this defence in the particular circumstances of each case they are called upon to resolve.<sup>486</sup>

Surely, the need to ensure free competition and movement of products in the European common market argues in favour of allowing third parties to enjoy the defence provided in Article 6(1), whenever they use or refer to a

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<sup>484</sup> *Leidesplein v Red Bull* 2014 where a ‘confusingly similar’ sign to that of the claimant was used by the defendant in the advertising of similar, competitive products. Reputation in issue, the court decided that ‘due cause’ was reflected in the timing of registration of the mark in dispute, proximity to the competing product and the economic and commercial significance of the sign deemed similar to the mark

<sup>485</sup> A. Sanders, ‘Some Frequently Asked Questions About the 1994 UK Trade Marks Act’, *European Intellectual Property Review*, 17 (2) , 1995, p.71.

<sup>486</sup> ‘*Portakabin V Primakabin*’, at paras 60-61

mark owned by another party, so long as any of the exceptions contained in that article applies.<sup>487</sup>

What is certain though, is that the defence does not avail just any use of trademarked keywords claiming to be ‘descriptive’. Genuinely descriptive uses of trademarked keywords could deserve insulation from liability as in *Gillette v. LA-Laboratories*. There, the ECJ held that the defendant’s use of the mark, ‘Gillette’, was descriptive as it was meant to inform consumers that the blades it offered were fit for Gillette Sensor handles; in that sense, the use of the plaintiff’s mark was necessary to clarify what the third party’s products were designed for, and consequently, came within the ambit of the defence provided by Article 6(1).<sup>488</sup>

Even if the ‘Gillette’ mark had been used as an online keyword, the result would have been the same; the use would still have been descriptive, and, therefore, protected from liability for trademark infringement. In cases of comparative advertising, the third party advertiser could make use of a defence under Article 6(1)(b), if it is able to prove that its intention was to convey the “kind...or other attributes of the goods” and if that use also meets requirement of ‘honest practices’.<sup>489</sup>

The requirement that a use must be compatible with ‘honest practices’ demands that, to be able to rely on the exemption from liability contained in Article 6(1), the use of the keyword be clear in its meaning and purpose;

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<sup>487</sup> *Bmw V Deenik*, at para 62; *Gillette V La-Laboratories*, at para 29

<sup>488</sup> *Gillette V La-Laboratories*.

<sup>489</sup> *L'oreal Sa & Ors V Bellure Nv & Ors Civ 968* ', at para 57.

advertisements, which are vague as defined in Article 5(1)(a) and lead to consumer confusion are not protected by the Article 6(1) defence.<sup>490</sup> It can be seen then that an advertiser's ability to benefit from that defence is intertwined with the factors for establishing infringement, thus beclouding both cases. As Senftleben has rightly pointed out, defences "must have an independent meaning different from relevant infringement criteria. Otherwise, a finding of infringement inevitably precludes the invocation of limitations and renders them meaningless".<sup>491</sup>

Thus far, directions from the ECJ on the defences open to third party advertisers are not enough and leave scope for improvement. A more efficient approach for determining restrictions and possible defences to infringement claims is required. Before delving into possible ways of achieving this solution, some attention should be given to impending reformulation of the TMD by the European Commission.

#### **8.4. Evaluation of Comparative Advertising Defence in Keyword Advertising Case**

The law, like a living system, has tendency to continually metamorphose, although this equally brings with it legal instability and uncertainty. Senftleben maintains that there is no reason to think that the ECJ would ever revert to a low standard for proving dilution or relinquish the trademark functions analysis; the rights enjoyed by trademark owners would likely continue to be almost as strong as those conferred on patent or copyright

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<sup>490</sup> *Portakabin V Primakabin*, at para 76-72.

<sup>491</sup> Senftleben, 'Adapting Eu Trademark Law to New Technologies - Back to Basics?' in C. GEIGER (ed.), *Constructing European Intellectual Property: Achievements and New Perspectives*, Edward Elgar Publishing, Cheltenham, 2013, p. 24.

owners.<sup>492</sup> Thus, as the extent of trademark protection increases, with correspondingly growing uncertainty as to where to draw the line, the law would be required to step in and work out acceptable defences for third parties and shield them from the liability likely from the use of protected trademarks.<sup>493</sup>

The 1989 TMD and its provisions predate the emergence of the Internet, coming at a time when the recent information and communications technologies, as well as their implications were hardly in view. A Max-Planck study has rightly identified this challenge and, in response, proposed a general “fair use” clause allowing some flexibility to cope with circumstances not previously contemplated by lawmakers, especially with regard to the novel methods of doing business made possible by the Internet.<sup>494</sup>

The primary objective on which trademark protection under Article 6(1) was founded, was to prevent confusion among consumers and users. That was the premise for defences that enable third parties to use their own names or addresses to advertise rival products. It permitted messages about the characteristics and quality of competing products or services, as well as the purposes for which they were meant. The law extended protection to free competition and flow of information on the condition that consumers should be able to trust what is described to them as fair and honest: as reiterated in

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<sup>492</sup> Ibid, p. 22.

<sup>493</sup> G. Dinwoodie,, ‘Developing Defenses in Trademark Law’, *Lewis & Clark Law Review* No. 1-13 , 2009, p. 99.

<sup>494</sup>The Max-Planck-Study, ‘Study On The Overall. Functioning Of The European Trade Mark System: Background, Findings, Proposals’ , para 2.266.

several ECJ decisions, this protection is undermined when confusion is created in the minds of consumers.

In *BMW*, the Court exculpated the defendant on the grounds that its use of the plaintiff's mark to describe the services it provided for the marked vehicle did not breach the restrictions on the use of that mark; consumers were not confused, and there was no suggestion that the defendant was a commercial affiliate of the plaintiff.<sup>495</sup> As would be considered later, although the *BMW* decision was, strictly speaking, not concerned with comparative advertising, the principles on which the defence was sustained are just as applicable; the source of the rival products or services must not give any indication of a commercial connection with the owner of the original mark, or cause consumer confusion.

Trademarks used for referencing purposes in keyword advertising call for greater vigilance in their protection and restrictive effects on other freedoms; the 1989 TMD in its current form does not offer effective defences to cope with the variability of the infringement tests.<sup>496</sup>

The potential liability facing third parties who use trademarks for referencing purposes remains open to the functional analysis of the purpose and effect of that use by the ECJ or Member State courts, whenever there is an alleged damage to one of its functions. A “due cause” defence is assured only against dilution under Article 5(2), which is restricted to famous marks. The recent recognition and extension of protection to other functions under

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<sup>495</sup> *Bmw V Deenik*. This was an adjudication under Article 5(1)(a) 1988 Directive

<sup>496</sup> The Max-Planck-Study, ‘Study On The Overall Functioning Of The European Trade Mark System: Background, Findings, Proposals’, para 2.252.

Article 5(1)(a) does not reconcile the contending interests of trademark owners and those of their rivals on the same market. This goes to show the limitations of the TMD.<sup>497</sup>

Clearly, in respect of keyword advertising, the ECJ fails to properly enforce the restrictions on trademark protection under Article 6(1). The Court has conditioned the enjoyment of that defence on proof that the relevant advertisement was clear and did not cause confusion in the minds of Internet users. This means that the advertisement or connected website must be clear, failing which the third party advertiser's use of an identical trademark as a keyword is bound to undermine the mark's essential function. In effect, this requirement amounts to proving infringement, instead of the use of a defence.

That leaves hardly any latitude in the enforcement of the current restrictions on the apparently more malleable and ever increasing rights of trademark owners, and to ensure the right balance with the interest of free competition. The Court has yet to endorse the 'descriptive use' of keywords and the 'honest practices' requirement in the application of the infringement tests. With regard to keywords, although it is possible to achieve an appropriate balancing of rights by way of the defences in Article 6(1) that may be relied upon in comparative advertising cases following *L'Oreal*, the ECJ has yet to follow this path.

There is no reason to consider *L'Oreal* as a final pronouncement on

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<sup>497</sup> Senftleben, 'Adapting Eu Trademark Law to New Technologies - Back to Basics?' in C. GEIGER (ed.), *Constructing European Intellectual Property: Achievements and New Perspectives*, Edward Elgar Publishing, Cheltenham, 2013, p23.

the interpretation of the defences in Article 6, particularly since the courts tend to adopt a flexible stance on the interplay of the diverse laws applicable. The ECJ noted this point, although it was rather as a general observation on the law as it pertained to the facts of the case, than the actual basis of the decision. In respect of comparative advertising, it would be necessary for advertisements of products that are the same as those of the original trademark owner to conform with the terms and restrictions of the MCAD. In *L'Oreal*, the ECJ suggested that the MCAD sets the borderline for use, the transcendence of which would trigger liability under Article 5(1)(a). The national court that made the reference in that case had assumed that conformity with Article 4 of the MACD was capable of grounding a defence under Article 6, but the ECJ did not actually say so.<sup>498</sup>

Therefore, it may well be appropriate to examine keyword advertising in relation to its 'comparative' equivalent, but neither the ECJ nor its Advocates General have really pondered this issue. The Court has not seen any need to consider whether keyword advertising could amount to comparative advertising, but has, instead, only casually and non-instructively reflected that that could be the case. As a promotional device, keyword advertising has a special impact on comparative advertising, and as the ECJ has already decided, its use would only be justified, if it conforms with the principles of the MCAD and not on the basis of the defences in Article 6(1).

Nonetheless, where there is such compliance, third parties would be

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<sup>498</sup> *L'oréal Sa Et Al. V Bellure Nv Et Al.*, at para 28.

able to enjoy further exemptions that apply to referential uses and conflate with Article 6(1) of the TMD, without any adverse effect on the law. Still, the extent to which keyword advertising and comparative advertising are comparable must initially be clearly analysed, before any particular solution is endorsed.

One should also be mindful that keyword advertising is multifaceted, comprising not only the webpages that are prompted for consumers to click on when they enter a search term on the search engine, but also the order in which the products or services are presented in the generated results. Consequently, it is possible for the third party's competing advertisement prompted through the use of a trademark as keyword to be positioned over and above that of the trademark owner, with a greater likelihood of being clicked by consumers.

So, with reference to above the main question is whether the use of trademarks in keyword advertising could be seen as a form of comparative advertising. Article 2(c) DMCA defines this concept as “any advertising which explicitly or by implication identifies a competitor or goods or services offered by a competitor”. Following the decision in *Belgian Electronic Sorting Technology (BEST)*<sup>499</sup> the view has been expressed that the use of trademarks in domain names, as well as the use of metatags in websites' metadata fit within the meaning of “advertising” under Directive 2006/114/EC (Comparative Advertising Directive)<sup>500</sup>, which deals with

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<sup>499</sup> CJEU, *Belgian Electronic Sorting Technology Belgian Electronic Sorting Technology NV v. Bert Peelaers et Visys NV* (2013) Case C-657/11.

<sup>500</sup> CJEU, *Belgian Electronic Sorting Technology Belgian Electronic Sorting Technology NV v. Bert Peelaers et Visys NV* (2013) Case C-657/11, par. 60.

misleading and comparative advertising.<sup>501</sup>

Based on the ECJ's established jurisprudence, to strike a balance between trademark protection and the use of comparative advertising, trademark owners are not allowed to prohibit third parties from using signs that are identical with or similar to their marks in comparative advertisements where such advertisements meet all the requirements necessary for comparative advertising to be allowed<sup>502</sup>. The *BEST* decision fails to resolve the issue as to whether the use of Metatags to market substitute products amounts, in a way, to comparative advertising. An affirmative answer from the ECJ would probably mean that where uses of trademarked keywords conform with the conditions set by the Comparative Advertising Directive, then such uses may be uplifted from the ambit of TMD and transferred into the domain of comparative advertising law.

Typically, the purpose of referring to other parties' trademarks through comparative advertising is primarily to help the advertiser's products to gain greater appeal by alerting consumers to certain facts about them, including differences in price, quality or other attributes. In that way, consumers are better informed about products, enabling them to make only those purchases they believe would be most beneficial to them. Therefore, comparative advertising is intended to guide consumers in the complex web of information available on the Internet and help them make better informed

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<sup>501</sup> Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising, OJ L 376, 27.12.2006, pp. 21–27.

<sup>502</sup> CJEU, *O2 Holdings Limited and O2 (UK) Limited v. Hutchison 3G UK Limited* (2008) Case C-533/06, par. 51.

buying decisions.<sup>503</sup> Even the ECJ has acknowledged that the advertising links that prop up from keyword advertising services, which display products that compete with those of the trademark owner are seen by consumers as the offering of alternatives, and therefore, enrich the information accessible to them about the online market and the different choices it provides.<sup>504</sup>

However, referential uses of keywords attract consumers' attention to competing products, their qualities, prices and other features, and, to that extent, keyword advertising may be seen as a variant of comparative advertising, even though not specifically presented in that way. According to Mills' classification, advertisements generally manifest in three forms: (i) those that make exclusive reference to a single product brand, and not to any other rival ones, whether expressly or implicitly; (ii) those that refer exclusively to the attributes of a single product brand, but in doing so, make tacit references to the attributes of rival products; a form of indirect comparative advertisement; and (iii) those that directly compare the attributes of the products originating from one business with those of rivals, that is, direct comparative advertisements.<sup>505</sup>

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<sup>503</sup> J. Phillips, *Trade Mark Law: A Practical Anatomy*, Oxford University Press, 2003, p. 247

<sup>504</sup> ECJ judgements in '*Google France Sarl V Louis Vuitton Malletier Sa and Others*'; '*Interflora Inc V Marks & Spencer Plc.*'.

<sup>505</sup> T. Dornis and T. Wein, 'Trademark Rights, Comparative Advertising, and "Perfume Comparison Lists" ; an Untold Story of Law and Economics', *University of Lüneburg Working Paper Series in Economics* No. 332, 2014, p. 18.

Keyword advertising may be considered as a ‘semi’ or ‘in- direct’ comparative advertising, although it works in a manner that is identical to direct comparative advertising; in that sense, it qualifies as a veritable and lawful use of keyword, serving as a useful source of information that facilitates better decision making by consumers.

If keyword advertising services are deemed to be a type of ‘comparative advertising’, it would imply that the reservation of keywords owned by other parties is legitimate; it is hardly possible for advertisers to refer to the products of their competitors, without using or indirectly hinting at their trademarks. The MCAD in its Recital 14 recognises that the need for effective comparative advertisements may make it “indispensable” for advertisers to refer to competitors’ marks, either directly or indirectly. In this connection, the actions of consumers or users of the Internet may have an effect on liability for the use of keywords. This is because it is they, who usually use trademarked keywords to conduct Internet searches and then decide which link to click on.

In effect, it is consumers, who trigger disputes between advertisers and trademark owners on the likelihood of confusion and liability. Every click that consumers make has the potential to trigger the MCAD and the provisions of Article 6(1). In the contemporary business environment and in the genuine spirit of competition, the use of keywords would similarly be “indispensable” to traders with respect to online advertising. Even if keyword advertising is considered to be ‘indirect’ or ‘semi-comparative’ marketing, the use of trademarks as keywords would still amount to ‘use’ as defined in Article 5(1)(a) for the purposes of advertisers’ competing

products.<sup>506</sup> Under Article 5(3)(d), it is also possible for trademark owners to prevent third parties from using their marks in advertisements, although the ECJ, in *Google France*, acknowledged that it may be necessary to see things in a more pragmatic light to accommodate recent technological advances that were not foreseen during the adoption of the TMD.<sup>507</sup> Hence, the provision of Article 5(3)(d) should be another good candidate to be included in the proposed reforms of European trademark law.

Still, the vexed question is how the acceptance of keyword advertising as a type of comparative advertising would make it possible for advertisers to enjoy flexible defences that cope with increasing trademark rights, as well as overlaps in the MCAD requirements and the defences in Article 6(1). It seems that MCAD's Recital 15 and Article 4, as well as TMD's Article 6(1)(b) offer an answer, even if only partial, but as not noted, the relationship between the MCAD requirements and the defences in Article 6(1) has to be clarified before attention can shift to the issue of a solution.<sup>508</sup>

It should be recalled that with regard to advertising, Article 4 MCAD demands *inter alia*, that the comparison should be objective (c), there should be no aspersion (d) and advantage should not be taken of the original trademark, which essential function should also be protected to prevent consumer confusion. These conditions certainly impose some restraint on

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<sup>506</sup> The same conclusion was applied on comparative advertising. See its decisions in '*O2 V Hutchison 3g*', at paras 36-37; '*L'oréal Sa Et Al. V Bellure Nv Et Al.*', at para 53.

<sup>507</sup> *Google France Sarl V Louis Vuitton Malletier Sa and Others* ', at para 66.

<sup>508</sup> Max-Planck Study on the Overall Functioning of the European Trade Mark suggested that the limitation in the TM Directive should be expanded to include even a reference to comparative advertisement and general issues of free speech.

the use of keyword advertising.

## **CHAPTER SIX: OVERVIEW OF MAIN FINDINGS, CONCLUSION AND RECOMMENDATIONS**

## 1. MAIN FINDINGS AND CONCLUSION

The Internet poses new challenges to the legal world. In the recent years, the issue of using trademarks as keywords in referencing services has become a much-litigated issue, both in the EU and other countries and continent.

It has provoked a discussion concerning the core concepts of trademark law. In the early stages of the debate, the issue most vehemently discussed centered around the question whether the use of a trade mark as a keyword in search advertising constituted a “use”, “trademark use” or “use as a trade mark” thereby falling within the scope of harmonized trade mark law. Many Member States’ national courts have struggled with the question of whether or not an unauthorized use of someone else’s trademark as a keyword in an advertisement on the Internet constitutes trademark infringement. This entirely new way of using trademarks was not anticipated in the European Trade Mark Directive , nor in the Community Trade Mark Regulation .

To establish trademark infringement in keyword advertising cases within the EU, Article 5(1) of the Trademark Directive and Article 9(1) of the CTM Regulation requires a “use in the course of trade” combined with either the condition “in relation to goods or services which are identical with those for which the trade mark is registered” or the condition of a “likelihood of confusion” for trademark infringement to be established.

Given that the Member States’ courts have reached different conclusions on the issue, national courts have referred questions to the Court of Justice of the European Union for the Court to interpret the Trademark Directive and

the Community Trademark Regulation. In a series of judgments, the Court of Justice has explained how the old laws apply to an entirely new form of advertising which has arrived to both the delight and the despair of brand owners.

In response to this need CJEU came to a decision in the issue for the first time in March 2010. The Court made a distinction between advertiser's liability on one hand and referencing service provider's liability on the other. According to case law, the referencing service provider does not use the trademark in the way required by the Trademark Directive. However, advertisers that use someone else's trademark, as a keyword in a referencing service, are liable to use that trademark in the course of trade.

Furthermore, after examining the condition of "in relation to goods or services which are identical with those for which the trade mark is registered" the Court came to the conclusion that the trademark owner is entitled to prohibit an advertiser from advertising when the advertiser uses keywords that are *identical* to another's trademark. In the case C-278/08, the Court clarified that the owners also are entitled to prohibit an advertiser from using the trademark owner's trademark when the advertiser uses keywords *similar to* someone else's trademark.

So, basically we can say the ECJ did most of the hard work on keyword advertising in a set of judgments.<sup>509</sup> These cases have broadly given the practice a green light, so long as the advertising does not cause consumer confusion and trademark infringement. Arguably, this body of

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<sup>509</sup> notably in the Google cases (Cases C-236/08 to C-238/08), BergSpechte (C-278/08), eis.de (C- 91/09), and Portakabin (C-558/08) and Interflora.

jurisprudence as it was discussed in fourth chapter rendered a proportion of the reference in *Interflora* redundant by the time the ECJ came to consider it .in *Interflora Inc v Marks & Spencer*<sup>510</sup>, Court of Justice of the European Union, have come to a conclusion. So, with this decision, the ECJ has now covered almost all the bases so far as trade mark law and keyword advertising are concerned. Having already largely approved the practice, the Court of Justice has now, in the interests of fair competition, declined to give famous marks any additional rights to prevent it. But uncertainties remain, particularly as regards the application and effect of some of the newly emerging functions of a trademark.

Also it was observed that, the emerging jurisprudence of the CJEU has continued to enhance the protection of EU trademarks, especially reputable marks. Its expansive interpretation of trademark use often ropes in uses that would ordinarily be seen as fair trademark use. For example, a party who uses a trademark simply for the purposes of referring to the product covered by that mark, or to compare that product with his own, may be implicated in trademark infringement.

This is more so in cases involving reputable marks. Combined with the relatively easy test set by the Court for establishing reputation, such marks inevitably enjoy more stringent protection against dilution. As evident from this discourse, the Court has readily ruled that simply riding on the coattails of a reputable mark amounts to a trademark infringement pursuant to Article 5(2) TMD. In the same vein, use of a mark that adversely affects its advertising, investment, or communication function may lead to liability

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<sup>510</sup> Case-C323/09

for infringement under Article 5(1)(a) TMD.

In reference to above, it is worthy to mention that keyword advertising disputes rarely involve reputable marks, such as Interflora, and L'Ore'al. Moreover, the CJEU has generally endorsed keyword advertising, which does not involve the use of a reputable mark. Therefore, Some challenges remain, however. Even though the Court has outlined several functions served by a trademark, those functions, for example, the investment function, remain clouded in ambiguity.

So, with reference to above case law on this issue, within the EU, is still evolving and lack of clarity is likely to cause future disputes in keyword advertising, or other areas. Equally troubling, is that, if the transformation of the Internet continues with the rapidity seen in the last several years, much of the unfolding jurisprudence, and, indeed, EU trademark law, will be negated, thus taking everyone back to the starting line.

This study also demonstrated that the stringent 'use' requirement of trademark law presents difficulty to infringement actions instituted against Internet intermediaries for making trademark infringing material available to Internet users. In doing so, reference was made, among others, to *Google v. Louis Vuitton*, a reference from a French court to the ECJ involving a challenge to keyword advertising and *Interflora v. Marks & Spencers*. Arguably, in relation to keyword advertising, an Internet intermediary clearly makes use of trademarks by selling to advertisers, keywords that are identical or similar to trademarks, thereby reaping some profit through the use of trademarks owned by others. Still, the ECJ ruled that Google did use any trademark in its own commercial communication, a notion first

enunciated by the Court in that case. This means that the commercial communication requirement is now a hurdle that must be crossed, along with the other requirements for establishing trademark infringement.

Therefore, as the EU trademark law presently stands, Internet intermediaries can hardly be held liable for trademark infringement for storing, linking or granting Internet users access to third party material, even where they make available, whether intentionally or not, material that infringes the trademark rights of others. The reason is that, in light of existing judicial interpretations, Internet intermediaries generally cannot be said to use trademarks in their own commercial communications.

Also, It was observed that the main justifications for trademark protection have been examined by considering the key functions they perform, as elaborated in theoretical expositions that provide different premises for protection. Among the primary functions identified, are those relating to origin, quality and advertising, each of which contributes to sustain the trademark in the economic sphere. Regrettably absent, however, is unanimity on the ideal function that trademarks should perform to justify legal protection. Therefore, protection of additional trademark functions, especially the economic functions, should be consigned to unfair competition regimes, which equally require harmonisation in the interest of free competition, and, therefore, invite attention from EU lawmakers.

For now, it would not be out of order to suggest that the economic functions that have been accorded independent existence, should actually be viewed as part and parcel of the essential origin function as has evolved in the contemporary marketplace. The quality function can be seen as cognate

to the origin function, which reliability is reinforced by means of the advertising and promotion functions. In this way, the interest of consumers is served in that they are assured as to product origin.

Regarding the origin of product , it is interesting that even the meaning of 'origin', itself, has somewhat been transformed because under the new manufacturing models that have emerged, as exemplified by licensed manufacturing and manufacturing spread across several locations, the exact physical location where a product was produced is no longer what matters as such; instead, it is the dominant control of the trademark owner that actually attracts protection. This is demonstrated through the economic functions which themselves have a bearing on the origin.

With reference to above, currently, two main lines of thinking seem to be at play. The first, which is of a parsimonious nature, advocates the restriction of protection to the origin function for the purposes of shielding consumers from confusion, and simultaneously allowing space for free competition. The second, more flexible position tolerates the extension of protection to other functions that trademarks may also be capable of performing, particularly those relating to quality and reputation.

Therefore, clarification of the meaning of trademark function, and the commercial situations it is meant to cater for, is crucial to the delineation of the rights of owners and the circumstances under which consumers and businesses can use or refer to a trademark. Traditionally, the essential origin function has been, and continues to be the primary function a mark is meant to perform; if a mark fails to serve as a true indication of the source of the marked product, it would not be considered deserving of legal protection.

However, in the contemporary world of manufacturing with different production models in existence like licensed manufacture, the meaning of 'origin' becomes blurred. Origin must, nevertheless, still retain the dominant understanding among consumers as the 'parent' business undertaking or brand generating particular products or services. This complicates the development of marketing strategies for new entrants to markets already dominated by popular brands enjoying worldwide recognition, and the financial might to protect their business interests and trademarks, based on an ever growing list of justifications.

In the environment of global trade, and especially in respect of trademarks, legal protection has economic ramifications. Not surprisingly, observers have propounded a series of economic theories to rationalise trademark protection. Equally, however, economic considerations of 'cost and benefit' provide an empirically convincing premise for the protection of the competing interests of consumers and third parties. The protection of trademarks based on economic rationales and the resulting restriction on free competition compelled the courts to conclude that protection should only be available for the origin function to shield consumers from confusion about the origin of products.

Regarding essential function As the CJEU ruled in Google France, keyword advertising would run afoul of Articles 5(1)(a) and 9(1)(a) TMD, where the generated advertisement would make it difficult for costumers to know whether that advertisement actually came from the trademark proprietor, a person economically associated with him, or from an entirely unrelated party. Where this happens, the essential function of that mark as a guarantee of origin would be considered to have been adversely affected.

Based on the objective of this study and the foregoing analysis, it is proposed here that this justification for the protection of the quality function should be subsumed under the protection of the origin function, instead of enjoying an independent existence. Also in *Interflora* as it was seen, for example, apart from the essential function, the court also considered two other functions, the investment function, as well as the advertising function, and only one of these functions needs to be adversely affected in order to constitute an infringement.

As has been seen, among all the recent justifications advanced for protection, the advertising function has proven to be the most problematic for the courts to justify. This is understandable since the rapid growth in this model of marketing is crucial to free competition. In respect of keyword advertising, selling and E-commerce generally, advertising has turned out to be controversial, particularly in aspects concerning association and comparison. Advertising has, indeed, been seen to be an independent product that satisfies the interests of trademark owners and consumers. Regardless, it would be argued that such an intangible benefit does not, having regard to the tenets of free competition, have any economic rationale that makes it deserving of protection. In itself, advertising may be seen as a psychological product of the trademark, but its impact in the marketplace favors not consumers, but its owner through increased growth in sales and revenue. This returns attention back to the question regarding the purpose of the origin function. As discussed, the overriding premise for protection is the prevention of consumer confusion, and in doing so, secure other competing interests that may be affected under the advertising rationale.

In respect to advertising function, It costs each individual advertiser

more to bid on a keyword as the number of advertisers bidding on that keyword increases. As was seen in *Interflora*, it became more expensive for *Interflora* to bid on the *interflora* keyword when M&S bid for the same keyword. The increased cost of bidding meant that *Interflora* was compelled to either spend more on advertising, or scale down its advertising program. So, it was potentially good ground for *Interflora* to contend that the advertising function of its mark had been adversely affected. Yet, the CJEU, in the earlier case of *Google France*, did not accept such a contention. It maintained the same position again in *Interflora*, even though its additional remark that keyword advertising may not adversely affect the advertising function of a mark, tended to suggest that, in certain cases, keyword advertising may have such an effect.

Furthermore, it is arguable that a trademark proprietor's investment in advertising would be undermined if third parties used his mark as a keyword. As trademark proprietors maintain, search engine owners and advertisers profit from their marks at no cost since no compensation is paid to them. By contrast, trademark proprietors often have to pay significant fees in order to have their own advertisements appear on a priority position. A possible suggestion in this regard is for search engine owners to accord trademark proprietors form preferential treatment so that in the competition between them and third party bidders for keywords, they would be entitled to pay less per click.

Today, however, things have changed dramatically; trademarks now enjoy an enhanced position in the contemporary marketplace, and play a key role in the development of competition policy. The ECJ has incontrovertibly agreed that trademarks perform an "essential function" by helping to

differentiate the products or services of a business from those of its competitors, and has, equally, through its construction of TMD, proceeded to acknowledge the need to extend protection to the useful advertising and investment functions that trademarks are also considered to perform. This marks a radical shift in the treatment of trademarks as a linchpin for commerce.

Regarding investment function, according to the CJEU, trademarks could help their proprietors to attain, or maintain a reputation that wins over customers and retains their patronage. This seems to mean that a mark may attract goodwill. The Court expressed the view that proprietors could invest in a mark through advertising, as well as other commercial means not identified by the Court. And any use that results in a substantial interference, with the ability of a mark to help its proprietor attain, or maintain a reputation, will constitute an adverse effect on the investment function of that mark.

Therefore, the trademark proprietor will be entitled to prevent that use. Moreover, according to the CJEU, in the case of marks that are already reputable, the investment function will be harmed where a use affects that reputation and threatens its preservation. Also, for reputable marks, proprietors are not required to prove substantial adverse effect.

Nevertheless, the extension of protection to the advertising and the investment functions of a mark, has received sharp criticism. Additionally, as was pointed out earlier, where there is a clear differentiation between natural search results, and sponsored links, which makes it easy for Internet users to know that the sponsored links are advertisements, which are not

economically related to the trademark used as a triggering keyword, then the use cannot reasonably be said to adversely affect the functions of that mark.

## **2. RECCOMENDATIONS**

**(A).** Since 2013, the EU has been preoccupied with dialogues and potential transformation of the TMD and the Community Trade Regulations to better harmonise the law and its implementation across Member States.<sup>511</sup>

As the result of those efforts are awaited, it is suggested that, in light of the significance of contending interests and principles, trademark protection ought not, and would presumably not be extended over and above the function it is traditionally intended to perform, which is to shield consumers from fake products and prevent them from being confused about the origin of such products. The consultative nature of the ongoing review efforts creates the expectation, and this is only an expectation, that the law would be updated to cater more specifically for e-commerce and new forms of advertising like keywords. Therefore, to ensure harmony between trademark protection and free competition, the answer lies in the hands of EU lawmakers. They should provide for clear and effective directions to national courts in the Member States so as to harmonise judicial practices across the common market.

Also , notwithstanding, the important point remains that, for there to

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<sup>511</sup> Shareholder Consultation on the Eu Proposals for a Review of the Trade Mark Directive, (4 April 2013). [http://www.djei.ie/science/ipr/trademarks\\_stakeholder\\_consultation\\_document.pdf](http://www.djei.ie/science/ipr/trademarks_stakeholder_consultation_document.pdf) accessed 11 October 2014

be true and effective competition in the European common market, the law must ensure clarity, consistency, and certainty. The conflation of the protections under Articles 5(1)(a) and 5(2) TMD, for example, does not offer that assurance; instead, it only serves as a source of confusion among businesses about what they can and cannot do, thereby weakening the effectiveness of the market. As earlier observed, the TMD was adopted before the emergence of the Internet and e-commerce so that its likely consequences for the new business environment could not have crossed the minds of its makers.

**(B).** Imagine that you have entered a big shopping mall with the intention of purchasing an Adidas sports product. As the mall is a huge area, you become confused and unsure where to find an Adidas sports shop. You then walk to the mall's Information center to ask for directions. The information officer understands right away that you are looking for sports products. So, as a paid Nike agent, he shows you a Nike sports shop instead. If we consider the Information Center as a search engine, the information officer may be considered to have clearly misled you, and infringed the Adidas trademark.

The truth, however, is that keyword advertising is a different story altogether. When you ask for an Adidas sports shop, the information officer (search engine) actually directs you accordingly. But being convinced from your enquiry that you are in need of a sports product, he also offers you a Nike shop flyer, for which he receives a commission. In keyword advertising, a search engine is able to guess what you are looking for through your search term. Therefore, it does not only present you with the natural result of your search, but also shows you links, which are exactly like the Nike shop flyer mentioned above. The key issue that arises is whether

there could still be a trademark infringement if the customer can easily differentiate between the natural results of his search, and the sponsored links.

In the minds of most members of the public, an advertisement is a commercial service. Businesses pay fees in order to have their products promoted by professional advertising companies.

Search engine owners earn huge sums in revenue from selling keywords. Therefore, users are unlikely to trust advertisements in the same way as they trust the natural results of their search. Logically, search engine owners are always seeking for ways to downplay the trademark issues implicated in keyword advertising, and to shirk liability for infringement, as was explained in chapter III with respect to Google's policy. Google adopted its existing policy following the CJEU's rulings, not for the purposes of preventing trademark infringement, but for transferring liability for such infringement to advertisers. Thus, the prospects for trademark infringement still exist, but liability has been transferred to other parties. Search engine owners will, assuredly, continue to exploit legal loopholes that enable them to profit massively from keyword advertising. They will always consult with law firms for advice on the opportunities available for the sale of keywords in particular countries.

So far, the CJEU has attempted, through a harmonious interpretation of EU trademark law, to protect trademark proprietors against the infringement of their marks, and customers from confusion. Yet, a possible option that may be considered for resolving the problem raised by keyword advertising is compelling search owners to clearly differentiate natural

results from sponsored links. For the example, a red line on the left side of the natural search results could be used to indicate sponsored advertisement links. This is exactly like the Nike shop flyer given to the Adidas customer by the information officer at the shopping mall who is able to guess what that customer is looking for through his enquiry.

Such an approach would help Internet users to discern the actual results of their search from sponsored advertisements. In this way, customer confusion will be prevented. In addition, customers will enjoy a greater variety of products offered by the sponsored advertisements. They will be able to find competing products, compare their qualities and prices, and arrive at informed purchasing decisions. After all, the general aim of keyword advertising is to offer Internet users alternatives to whatever they had initially searched for; and this practice has impliedly been well received by the CJEU.

Unfortunately, the situation at the present moment is that Google sponsored links appear quite similar to natural search results. They appear in a pale highlighted area, often exactly above the natural search results, which does not make it easy for Internet users to distinguish one from the other. There is, therefore, a likelihood of confusion. As the main purpose of trademark law is to protect against customer confusion, the suggested approach will be in tune with trademark law, while also preventing trademark proprietors from enjoying excessive protection over their marks.

In the above connection, it is argued that where there is a clear differentiation between natural search results and sponsored links, the relevant use cannot be said to have adverse effect on the functions of the

trademark concerned. Where a sponsored link makes it clear that there is no connection between the advertiser, and the proprietor of the mark, there is arguably no dilution, and, therefore, no trademark infringement. Strictly viewed, the search engine owner does not, in such a case, sell the trademarked keyword. Rather, that keyword is only being used as a CODE that would enable the search engine to guess what the Internet user actually intends to purchase. Once this is made possible, the search engine can then display advertisements that are related to that product in a specified area known to Internet users to be reserved specially for sponsored advertisements.

(C). The Internet has developed rapidly, and become part of societal life, with its associated challenges. A key emerging questions is where the Internet belongs. Could it be considered to be a part of the jurisdiction whose laws are violated by an alleged infringing act? It may be said that the Internet belongs to nowhere. It is not part of the real world, as the name cyberspace implies. But real activities take place on the Internet. Products are sold and bought, and payments made. It is as wide as the world, yet not very distant – a global village – as it is often described.

Within this Cyber area Keyword advertising is a relatively new phenomenon. However, courts, especially the CJEU and those in national member states, have, for several years, already grappled with the challenges it presents. It is difficult to know how the guidelines set up by the CJEU in the recently handed out cases will be interpreted by the Member States' national courts. The CJEU leave room for interpretation of their verdicts by the national courts. However, I do not think the national courts' end result will differ that much from each other. The main question was answered by

the CJEU, namely who can be held liable for trademark infringement in online keyword advertising. Whether an advertiser should be held liable for using someone else's trademark is up to the national courts to determine, which I think is reasonable given that the national courts are aware of the actual terms of the case

One particularly observable fact is that the world over, Internet activities follow the same pattern. This leads to another suggestion, which is that it would, perhaps, be better to design a unique, overarching law, applicable to all countries, to govern the online environment.

It may well be necessary for the World Intellectual Property Organization (WIPO) to convene multilateral discussions on online controversies, particularly keyword advertising. The ultimate goal of such discussions should be the adoption of a treaty addressing problems posed by keyword advertising, and other online activities. Alternatively, an existing convention, such as the Paris Convention could be amended in order to harmonize international trademark law relating to online activities. Developing countries, would benefit from such efforts, and the ratification of any treaties agreed. Apart from having a uniform, internationally recognizable law that corresponds with the ubiquitous nature of the Internet, the suggested approach will help to save the considerable time spent on the strenuous interpretation of existing domestic laws, or the adaptation of such laws to online controversies.

If we should have a specific trademark law that applies to situations on the Internet. I think it would be a good idea, especially since national boundaries on the Internet are more or less nonexistent from the Internet

user's perspective and advertising on referencing services in a different country can be done by merely changing a couple of letters in Google's domain name.

It would make sure that trademark owners enjoy the same protection for their trademark irrespectively of where the infringement occurs on the Internet. It is difficult to know how a uniform law for the Internet could be formed. A treaty is one option. Another is to create a law within your own jurisdiction that makes it more difficult for referencing services to continue to let advertisers violate the trademark owners exclusive right to their trademark.

Google and other referencing service providers nowadays create their own policies for their service, and changes their policies in respect to court verdicts within different jurisdictions. How such a national law would look is difficult to predict as the Internet is challenging to a lot of areas of the law.

**(D).** So, as we can conclude that ECJ exhibits a lack of uniformity in its interpretations of the theory of trademark functions, the existing perspective on the origin function demands reconsideration because it fails to take into account the nature of trademark uses on Internet search engines, especially Google's AdWords program, as well as consumer awareness levels in the context of online searches and the likelihood of confusion. In determining the existence of trademark dilution or whether an unfair advantage is being taken of a trademark, the ability of Internet users to ascertain whether a particular rival is or is not economically connected to the trademark owner is an important factor. In dealing with online uses of trademarks, therefore,

greater attention should be paid to the behavior of Internet users. This requires that rivals to trademark owners be given more latitude in designing their marketing schemes in the online environment. That does not mean, as the ECJ seems to do, that the adverse effects of keyword advertising on the advertising and investment functions of trademarks should be neglected.

**(E).** Another important point to be made is that, the degree of protection presently afforded to famous marks within the EU, is overreaching. If online uses of trademarks are absolutely prohibited, given the difficulty of refuting the presumption that rivals are taking unfair advantage of the distinctiveness of popular marks, coupled with inconsistency in the rules for determining consumer confusion, the end result would be the monopolisation by owners of popular marks of the online use of what is, after all, natural language. It must be recognised that some popular marks used as keywords are simply existing words, or have no ready descriptive terms that can be used as substitutes in Internet searches. Undue restriction on their use as keywords would, therefore, gravely undermine the interest of consumers.

Additionally, the ECJ's tendency to consider any form of taking advantage of the trademarks of rivals as potentially unfair fails to mesh with the nature and essence of Internet search engines, prevents consumers from fully exploiting the benefit of the Internet and stifles free competition. If trademark owners are allowed to monopolise the use of their marks, that would significantly hamper the free dissemination of information, a fundamental role the Internet is supposed to serve. It would equally constrain the ability of Internet search engines to manage commercially vital information. Therefore, rivals can only avail themselves of the due cause

defence, if their advertisements did not make it difficult for consumers to ascertain that they did not originate from a trademark owner's own commercial network. Thus, if trademark law is allowed to remain in its presently largely limitless form, the immense benefits that the Internet holds for society would be eroded.

**(F).** It seems that it may make sense to initiate a system within paid search engine services that would permit purchasers of other parties' trademarks as keywords to use those marks, provided such use would also guarantee the flow of some revenue to their owners. Such a system may involve the possession of a license permitting trademarks belonging to rivals to be used as keywords in paid searches. This proposal is based on the fact that the owners of trademarks used as keywords are in a position comparable to that of the owners of copyright in public performance of digital sound recordings.<sup>512</sup> The adoption of a licensing requirement for the use of trademarks as keywords, needs, however, to take cognizance of the provision of Article 21 TRIPS, which forbids WTO Member States from exploiting trademarks through the use of compulsory licensing. To avoid obstacles, therefore, any licensing system adopted to generate royalty payments for the use of rival parties' trademarks as keywords in paid online searches should necessarily involve the agreement of the owners of those marks. In this respect, it may be useful to set up special bodies charged with the administration of the licensing system between trademark owners and their licensees.<sup>513</sup>

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<sup>512</sup> Ibid , p 563

<sup>513</sup> Pimentel K. 2009. Trademark Use as Keywords: A Comparative Look at Trademark Use as Keywords in Paid Search and Digital Public Performance Rights For Sound Recordings, *J. Marshall Rev. Intell. Prop. L.* p. 553.

In establishing the proposed licensing system, an important issue that should be clarified is whether trademark owners should be allowed to decide the level of royalties licensees are eager to pay for using their trademarks in keyword advertising.<sup>514</sup> Perhaps, the royalty structure could be based on the mode of revenue collection employed by search engine providers in their keyword advertising services. An ideal royalty structure could take the form below:<sup>515</sup>

I. percentage of the click cost of the trademarked keyword;

II. flat fee per click, or;

I. flat fee per thousand impressions;

II. blanket licence.

Where royalty is based on a percentage of the click cost of the trademarked keyword, the owner of the relevant mark would receive payment only when the sponsored link is clicked because of the trademarked keyword. In this case, the sum payable to the trademark owner will reflect the cost of the trademarked keyword.<sup>516</sup>

This means that should the price of the trademarked keyword increase, for example, there would also be an increase in the fee payable to the trademark owner, and *vice versa*.<sup>517</sup> As far as the flat fee per click system is concerned, the keyword advertiser will pay a flat rate whenever an Internet user clicks on its advertisement. In this case, the price paid for the keyword is irrelevant. It also means that the trademark owner is assured of a

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<sup>514</sup> Maciej Zejda , Trademark licensing in keyword advertising

<sup>515</sup> IJCTIJC VOL 02 . Issue 06

<sup>516</sup> Maciej Zejda, ‘Trademark licensing in keyword advertising, Journal of Intellectual Property, Information Technology and E-Commerce Law’, Vol. 7 , No. 1 , 2016, p. 554.

<sup>517</sup> Ibid, p. 554.

steady flow of revenue.

In cases where the flat fee per impressions is adopted, a keyword advertiser will pay a certain amount whenever its advertisement is triggered by entering the trademarked keyword into the web browser .This formula will enable the trademark owner to earn some income in situations where an Internet user searches for a particular keyword, but the trademark owner's sponsored link turns up, even though the user may switch to another webpage. This means that the trademark owner is assured of some income whenever the advertisement is generated as a result of its trademark being entered on the search engine as a keyword<sup>518</sup>. It will compensate the trademark owner for the extra loss suffered due to the advertiser's breach of the advertising function of its mark. Lastly, the blanket licence royalty model will require payment of a modest yearly fee as an annual licence, which would permit the use of the trademark in keyword advertising. This model will be particularly helpful to the owners of less popular trademarks that may not have the resources to monitor their marks in the marketplace or detect that they are being used in keyword advertising.<sup>519</sup>

The proposal made above takes nothing away from the possibility of devising other arrangements that can suitably cater for the interests of all classes of trademark owners. Ultimately, it may even be better to allow trademark owners and keyword advertisers to develop royal payment schemes they consider most suitable.<sup>520</sup>

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<sup>518</sup> Ibid, p. 556.

<sup>519</sup> Maciej Zejda , Trademark licensing in keyword advertising , p.559

<sup>520</sup> Knaak R. 2014. Metatags and keywords as comparative advertising, *Journal of Intellectual*

**(G). But after all, Rome was not built in a day.<sup>521</sup>**

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<sup>521</sup> «Rome ne fu[t] pas faite toute en un jour»from the collection Li Proverbe au Vilain (published around 1190)

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Win Rent S.p.a. and Avis Autonoleggio S.p.a. Zanox AG, Zanox S.r.l., Rodea Multimedia sarl and Mr. Beaussant Roland.