ECJ: Use of well-known trademarks as AdWords

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Last Thursday, the European Court of Justice handed down its long-awaited decision in Interflora v Marks & Spencer[1]. This case deals with the use of trademarks in keyword advertising on the internet, specifically the use of well-known trademarks as AdWords.

The facts

Interflora offers a famous worldwide flower delivery service under the Interflora trademarks. Marks & Spencer is one of the largest retailers in the UK and also has a flower delivery service. Just before Valentine's day Marks & Spencer bought the word "Interflora" – and some variations, such as Interflora Flowers, Interflora Delivery and interflora.com – as a keyword for Google's AdWord service. As a result, an advertisement of Marks & Spencer would appear on the top of the paid-for search results in Google whenever one entered the query "Interflora". Interflora started proceedings against Marks & Spencer claiming that the use of its well-known (Community) trademarks as an AdWord constitutes trademark infringement.

The High Court of Justice (England & Wales) referred the case to the Court of the European Union ("ECJ") for a preliminary ruling about the unpermitted use of the trademark of a competitor as a keyword in an internet referencing service.

The decision

In its decision, the ECJ first of all recalls that the use by a third party of a sign identical to the trademark for identical goods or services for which the trademark is registered ("double identity"), can only be prevented if that use will have an adverse effect on one of the "functions" of the trademark. This rule also applies if a competitor selects and uses a keyword that is identical to the trademark for advertising identical goods or services.

The essential function of a trademark is to guarantee to consumers the origin of the goods or services covered by the trademark. Other functions include the "advertising" and "investment" functions. The ECJ stresses the fact that the trademark's function of indicating origin is not the only function that is eligible for protection, but all functions of the trademark are protected (for trademarks with and without a reputation).

The ECJ in its decision refers to the Google France matter[2] and repeats that the trademark's origin function is not by definition adversely affected if one's trademark is used as an AdWord. This is only the case when a reasonably well-informed consumer is not able to verify (with certainty) whether the advertisement shown as a result of the keyword used originates from the trademark owner or from a third party.

For the first time the ECJ examines the investment function in detail and concludes that it is harmed when a competitor uses an identical sign for identical goods or services and that use
substantially interferes with the trademark owners use of its trademark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty. For a trademark with a reputation, this is the case when the use of an identical sign by a competitor affects the established reputation and jeopardises the maintenance of such reputation.

However, a trademark owner cannot object to the use by a competitor of a sign identical to its trademark as a keyword if the only consequence of that use is that the proprietor of the trademark has to increase its efforts to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty. A trademark proprietor can also not rely on the fact that such use may prompt some consumers to switch from goods or services bearing that trademark.

Use of well-known trademarks as keywords

If a competitor uses someone else’s trademark with a reputation as a keyword in an internet referencing service, the trademark proprietor can prevent this use if the competitor takes unfair advantage of the distinctive character or repute of the trademark or where the advertisement is detrimental to that distinctive character or to that repute. The latter is, for instance, the case when the use by a competitor of a well-known trademark as a keyword contributes to turning that trademark into a generic term; the use of a well-known trademark as an AdWord will, however, not per definition have this effect. Free riding on a trademark with a reputation will most likely be found when one selects a keyword identical to the well-known trademark without due cause and specifically if the competitor uses this specific keyword to advertise for goods that are imitations of the goods sold under the trademark with a reputation. We would assume the same goes for advertisers promoting non competing products, just trying to generate traffic by using a well-known trademark.

However, when a keyword identical to a well-known trademark is used by a competitor to display advertisements on the internet for goods and services that offer an alternative to the goods and services of the famous trademark proprietor and that use is not damaging to the trademark in one of the ways described above, such use is – according to the ECJ – considered to fall within the limits of fair competition.

In this case, it is for the national court to determine whether the use, by Marks & Spencer, of the sign identical to the INTERFLORA trademark jeopardises the maintenance by Interflora of a reputation capable of attracting consumers and retaining their loyalty.

Practical consequences

This is an unexpectedly broad interpretation by the ECJ regarding the use of well-known trademarks as AdWords in internet referencing services. Based on this decision, competitors will be allowed to use trademarks with a reputation of a competitor as a keyword – and therefore benefit from the reputation – even if the competitor only offers an alternative product and no comparison whatsoever is made with the products or services sold under the well-known trademark.

On the other hand there is some good news for trademark proprietors. Every other use (use for other goods and services) of a well-known trademark as an AdWord will in principle be seen as taking unfair advantage of that trademark. The ECJ furthermore recognises that the use of a well-known trademark as an AdWord might lead to the dilution of that well-known trademark, although the use of a well-known trademark as an AdWord by only one competitor will, however, not be enough to establish dilution.

The ECJ also stresses that all functions of a trademark are protected, also for trademarks that do not have a reputation. Finally, the ECJ provides a framework for the investment function of the trademark. A trademark proprietor should be able to safely invest in its trademark/image and reap the benefits – attract and realise commitment of customers – of that investment. A competitor can not interfere in the bond between trademark proprietor and customer created as a result of that investment.

[2] Joined Cases C-236/08 to C-238/08 Google France and Google Inc. and Others v Louis Vuitton Malletier and Others, see PR No 32/10.)