

Europe

Sponsored keywords – greater clarity needed in Europe

In an internet economy that is struggling to settle on a viable business model, keyword advertising has proved to be a contender. Google, Yahoo! and Microsoft all offer services that allow companies to sponsor keywords to ensure that their advertisements appear in sponsored links close to the ‘natural’ search results generated by a search engine. Keyword advertising has become such an important part of an effective advertising strategy that popular keywords have become valuable commodities. Brand owners quickly cottoned on to the fact that competitors’ trademarks make particularly good sponsored keywords and the bidding for these words has consequently increased post haste. As with many novel schemes on the Internet, where old law must be applied in new ways, keyword advertising has sparked a rash of litigation in Europe (as in other parts of the world) over whether the sale of third-party trademarks as sponsored keywords amounts to trademark use and infringement. A flurry of referrals are pending before the European Court of Justice (ECJ) and it is likely to take another year at least before an ECJ decision. In the meantime, the advocate general – whose opinion is not binding on the ECJ, but is often followed – recently concluded that the sale of keywords does not amount to trademark infringement.

The trigger of the debate

In May 2008, Google lifted its ban in the United Kingdom and Ireland on one company buying another’s trademark to trigger its own advert. The move brought the policy for trademarks held in the United Kingdom and Ireland into line with that for trademark rights held in the United States and Canada. The policy change has left Google with one policy for the United Kingdom and Ireland and another for the rest of Europe – a position that the courts have recognised as incongruous, given that the relevant law should essentially be the same throughout Europe.

United Kingdom

In a case that is widely thought to have precipitated

Google’s May 2008 policy change, the High Court ruled in April 2008 in *Wilson v Yahoo! UK Ltd* in favour of the use by search engines and their advertisers of trademarks of third parties as keywords to trigger the display of sponsored search results. Yahoo! was sued by Victor Wilson, the owner of a London-based catering business called MR SPICY, a name which he registered as a Community trademark. Wilson discovered that by typing MR SPICY into the Yahoo! search engine, sponsored links appeared for the Sainsbury’s supermarket site and priceGrabber.co.uk. Wilson argued that this infringed his trademark rights under the Trademarks Act 1994. The text of the advertisements made no reference to MR SPICY and evidence demonstrated that both companies had sponsored the word ‘spicy’. Yahoo! argued that by entering the term MR SPICY, advertisements for companies that sponsored the word ‘spicy’ could be triggered as a result of the word-matching technology and that this could not amount to trademark infringement. Yahoo! moved for summary judgment on the basis that it had not used the trademark MR SPICY and that any use by Yahoo! did not amount to trademark use. The court accepted Yahoo!’s defence and awarded summary judgment. The court concluded that there was no trademark use since trademark use requires that a mark be used as an indication of origin, failing which it cannot be considered the use of a trademark.

In May 2009, in *Interflora Inc v Marks and Spencer plc*, the High Court ruled on an application brought by Interflora, Inc against Marks and Spencer plc (M&S) for an interim injunction to prevent the use of the trademark INTERFLORA as a Google AdWord search term on the basis that such use amounted to trademark infringement under the act. M&S had bought the right for its advertisements to be displayed when the term ‘Interflora’ was searched on Google. The advertisements triggered by the keyword were for M&S’s own flower delivery service. Interflora claimed that its trademarks were infringed by both acts committed by M&S and acts committed by

Google, for which M&S was jointly liable. M&S denied that any of its acts or those of Google amounted to trademark infringement and sought a stay of proceedings pending the result of a number of references to the ECJ which would impact on the case. In view of the necessity to obtain guidance from the ECJ on key questions, the court refused to grant the interim injunction sought by Interflora.

The same month, in *L'Oréal SA v eBay International AG*, the High Court considered several topical trademark issues, including whether eBay's use of sponsored keywords amounted to trademark infringement. Although the court refrained from handing down a judgment on this issue pending a response to questions referred to the ECJ, the court made clear its opinions on the matter. L'Oréal complained that the use of its trademarks in advertising links sponsored by eBay alongside natural search results on search websites (ie, Google or Yahoo!) amounted to trademark infringement. eBay contended that the display of the sponsored link did not involve 'use' of the trademark by eBay. In support of this argument, eBay relied upon *Wilson* (see above). However, the court thought that this case was distinguishable from *Wilson* since the trademarks in question this time were identical, whereas this was not the case in *Wilson*. Also, the court pointed out that this time the defendants which were alleged to have made the infringing use of the marks were the advertisers rather than the search engine provider, whereas in *Wilson* it was the other way around. In the court's opinion, the display of sponsored links to users did not constitute 'use' of the trademarks in question by eBay. Although the ECJ has not yet issued its opinion in this case, in light of the advocate general's recent opinion in the *Google Cases* in France (see below), it may be that the views expressed by the High Court in this case will prevail.

Netherlands

In *Case C-588/08*, which was heard by the Dutch Supreme Court in December 2008, the court referred five questions to the ECJ in relation to a dispute between Portkabin (the owner of the PORTKABIN trademark for portable toilets) and Primakabin, an authorised reseller of secondhand PORTKABIN products. Primakabin had bought the term 'Portkain' as a Google AdWord. The following questions were raised:

- whether the purchase of 'Portkain' as an AdWord by Primakabin amounted to trademark use;
- whether it made a difference that the link to the defendant's website appeared as a main search result or in the sponsored links on the side of the page, and whether it made a difference if the offer for sale of

the defendant's goods which were identical to those covered by the trademark appeared on the search results page or only appeared on a web page linked to that results page;

- if AdWords does constitute use of a trademark, whether such use could constitute an indication of the description of the goods or whether the trademark owner's rights were exhausted;
- whether the answer to any of the preceding questions would change if the AdWord were misspelling a registered trademark; and
- if AdWords does not constitute trademark use, whether a member state can apply a national provision of its trademark law to prohibit the display of a mark as an AdWord when the AdWord takes unfair advantage of or is detrimental to the distinctive character of the trademark.

In his recent opinion (see below), the advocate general has not opined on most of these questions *per se*, and therefore a ruling from the ECJ will be needed.

Germany

In 2008, the German courts considered three AdWord cases together; they made a reference to the ECJ in one case but concluded that there was no trademark infringement in the others. In *Bananabay*, the parties were competitors in the adult entertainment products market. The defendant purchased the claimant's registered trademark BANANABAY as an AdWord so that when the term was searched on Google, a sponsored link to the defendant's website appeared. The sponsored link did not contain the term itself or any reference to the claimant's trademark. The claimant sued for trademark infringement. The court referred to the ECJ the question of whether, in the context of the AdWords programme, the display of another's trademark as an AdWord amounts to trademark use.

In *PCB*, the defendant, a competitor of the claimant, had purchased 'PCB' as an AdWord. The claimant owned the registered trademark PCB-POOL and when the claimant's mark was searched on Google, a sponsored link to the defendant's website appeared. The term 'PCB' was also an abbreviation for 'printed circuit board', the product to which the claimant applied its mark. On that basis, the court held that as a general rule, a trademark owner cannot prohibit the display of a descriptive term as an AdWord, even where such display amounts to trademark use and may cause a likelihood of confusion with the registered mark of another.

Beta Layout involved the same claimant as in the *PCB Case*, but in this case the defendant had purchased the

“ The preliminary indications suggest that the battle by trademark owners may be about to become a losing one, at least in the European Union ”

claimant company's name, 'Beta Layout', as an AdWord. The court upheld the lower court's finding that there was no trademark infringement and no likelihood of confusion. The court held that the internet user would not assume that the advertisement appearing in the separate advertising block next to the search results list originated from the claimant's company.

France

In September 2009, the *Tribunal de Grande Instance de Paris* issued its ruling in *Kenzo v eBay*. In this case the court considered whether eBay was liable for trademark infringement in respect of sponsored links on internet search websites which linked to goods on eBay. In a decision that has caused much controversy, the court determined that eBay had committed trademark infringement by purchasing third-party trademarks (including L'HEURE BLEUE owned by Givenchy and KENZO owned by Kenzo) as keywords which linked to the eBay site.

Advocate general's opinion

Then, in September 2009, the advocate general handed down his opinion in *Joined Cases C-236/08, C-237/08 and C-238/08* involving Google and various claimants. The three references to the advocate general all posed the same basic question: does Google's use, in its AdWords advertising system, of keywords corresponding to trademarks constitute an infringement of those trademarks? Google argued that there was no use of the trademarks involved, since keywords do not constitute a sign representing them. The advocate general concluded that Google was not liable for trademark infringement for allowing advertisers to purchase third-party trademarks as sponsored keywords in the AdWords

programme on the basis that when selecting keywords, no product or service was being sold to the public. The advocate general considered that advertisements displayed by Google in response to keywords which were third-party trademarks established a link between the keywords and the advertised site. However, this link did not constitute trademark infringement since the display of websites which resulted from the input of keywords was not enough to lead to confusion on the part of the public. The advocate general thought that trademark owners were asking the court to expand the scope of trademark protection significantly and exercise absolute control over the use of their trademarks online. Further, he thought that if Google were to be held liable for trademark infringement, it would restrict other legitimate uses of trademarks by third parties and restrict overall competition. Although it remains to be seen whether the ECJ will adopt the same view as the advocate general, the preliminary indications suggest that the battle by trademark owners may be about to become a losing one, at least in the European Union.

Keywords and financial services

The Office of Fair Trading and the Financial Services Authority (the UK regulators for competition and financial services, respectively) recently issued guidance on the use of sponsored links when used for financial products and services. The guidance sets out assistance on how advertisers can ensure that links returned from a search do not mislead and provides helpful examples of sponsored links which would give rise to regulatory concerns. The guidance states: "Where the sponsored link is not in line with the search term used and the website returned by the sponsored link does not accurately reflect the expectations created by the search

term used, the sponsored link would not be fair, clear and not misleading.”

One example of such an advertisement would be where the phrase ‘independent financial advisers’ produced the sponsored links of firms which were not in fact independent. Firms are warned to be mindful of this principle when purchasing search terms from search engines. Firms should have adequate systems and controls in place to ensure that they do not buy keywords or terms which result in misleading returns. Finally, firms are reminded not to bid on the names of other firms or competitors if this could result in misleading the consumer or creating an expectation that their firm is the same as that for which the consumer has searched.

Conclusion

Despite all the decisions in this area and the recent opinion from the advocate general, the law with respect to keywords remains uncertain pending further decisions from the ECJ on the multiple questions

referred to it. To a large extent, those questions go to the fundamentals of trademark law in that they will require the ECJ to opine on what is or is not trademark use. However, since the interpretation by the ECJ of issues of European law is binding on the courts of member states, it is likely that over the next year or so a much-needed degree of certainty will emerge with respect to these issues from the further guidance of the ECJ.

Brand owners should keep a close eye on the ongoing debate – if the ECJ holds that keyword use is trademark use, some brand owners will have to change their marketing tactics quickly if those include buying competitors’ trademarks as sponsored keywords. Finally, in view of the recent guidance from the Office of Fair Trading and the Financial Services Authority, providers of financial products and services in the United Kingdom should be cautious when purchasing keywords, including the names of their competitors, so as not to end up falling foul of financial services legislation.



Pierre-André Dubois

Partner, London
Tel +44 20 7469 2020
Email pierre.dubois@kirkland.com
Kirkland & Ellis International LLP
United Kingdom

Pierre-André Dubois heads the firm’s UK and EU IP and competition group. He obtained a LLB (first class honours) in civil and common law from the University of Montreal in 1984. His practice covers all aspects of IP and IT law, as well as UK and EU competition law. *PLC Which Lawyer? Global 50* has named him as a leading lawyer every year since 2005, and he was named a leading lawyer by the *Legal 500* (UK edition 2003) and *Global Corporate Counsel* (2002).



Shannon Yavorsky

Associate, London
Tel +44 20 7469 2141
Email shannon.yavorsky@kirkland.com
Kirkland & Ellis International LLP
United Kingdom

Shannon Yavorsky is an associate in the IP and IT group. Ms Yavorsky obtained a BA in comparative literature from the American University in Paris in 1997, an MPhil (honours) from Trinity College, Dublin in 1999, her legal practice qualification from BPP Law School in London in 2003 and a postgraduate diploma in intellectual property from Nottingham Law School in 2008. Her practice covers all aspects of non-contentious and contentious IP and IT law.