Trade marks on the internet

How far does liability extend?

Susie Middlemiss and Rebecca Even of Slaughter and May examine trade mark infringement on the internet and its impact on brand protection.

It is a good moment to take stock of the state of European trade mark law, the European Court of Justice (ECJ) having come to the end of a raft of trade mark cases culminating in Interflora v Marks & Spencer plc in September 2011 (Case C-323/09) (see “Advertising keywords: ECJ judgment”, Bulletin, Intellectual property and information technology, this issue). Most of the cases focused particularly on internet use, but some more general principles emerge (see box “ECJ decisions: a summary of key points”).

This article examines the scope of trade mark infringement on the internet in the light of these cases so that brand owners can identify infringing behaviour when it occurs and take action to protect their brand (see box “Steps for brand owners”). It also identifies the circumstances in which internet referencing service providers, such as search engines and online marketplace providers, can find themselves liable (see box “Steps for information society service providers”).

TYPES OF INFRINGEMENT

There are three types of trade mark infringement under Article 5 of the Trade Marks Directive (2008/95/EC) (TMD) (see boxes “Types of trade mark infringement” and “Elements of infringement”):

• Double identity infringement. A trade mark owner can prevent the use of an identical sign on goods or services that are identical with those for which the trade mark is registered (Article 5(1)(a), TMD (Article 5(1)(a)).

• Confusion-based infringement. This occurs where an identical or similar sign is used in relation to identical or similar goods or services and there is a likelihood of confusion on the part of the public (Article 5(1)(b), TMD (Article 5(1)(b)).
Feature

- Reputation-based infringement. A third party cannot use any sign that is identical with, or similar to, a registered trade mark in relation to any goods or services, where the mark has a reputation in an EU member state and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark (Article 5(2), TMD) (Article 5(2)).

TRADE MARKS ON THE WEB

The ECJ’s decisions have particularly concerned the use of trade marks as keywords to manipulate search results on the internet, and on the potential liabilities of websites hosting or servicing the searches. Website hosts like Google provide searches which generate a list of “natural search results” based on the content of a website and other factors assessed by the search engine.

In addition, it is possible to pay for a “sponsored link” above the natural search results, which is a link to the advertiser’s site combined with a short advertisement. This will be triggered by a search on a particular keyword (known as an AdWord, in Google’s case). The advertiser pays the search engine provider, such as Google, a price “per click” based on the number of people that use its link. Competition for popular keywords increases this price.

Infringement is often readily proved if a sign that is identical to a registered mark is used on identical goods to those covered by the registration (double identity infringement under Article 5(1)(a)). However, in the context of the internet, the analysis is less straightforward. The challenge for the courts is that the effect of a mark in a keyword is rather different than in a shop window. The ECJ has recognised that the particular circumstances of the internet mean that a mark can appear in different contexts. As a result, the effect of a keyword will depend on the nature of the mark used and of the advertising which is triggered by it. For example, the results of a search on the word “apple” will result in a wide range of different results and products, while a search for “Kodak” is likely to produce a limited variety of products.

The impact of the keywords and a sponsored link will vary with the type of mark (see box “Steps for third parties

ECJ decisions: a summary of key points

A number of recent European Court of Justice decisions have clarified the scope of trade mark infringement on the internet. In summary, the key points are:

- Use of a mark as a keyword to trigger a rival advertisement:
  - is use in the course of trade; and
  - is use in relation to the advertiser’s goods.

It therefore satisfies these elements for infringement (under Article 5 of the Trade Marks Directive (2008/95/EC)) (TMD).

- Use of a keyword must have an adverse effect on the functions of the trade mark in order to infringe (at least under double identity infringement) which may include an effect on:
  - the origin function (a user can only identify the origin of the goods with difficulty, or cannot at all); and
  - the investment function (through substantial interference with the use of the mark to preserve or acquire a reputation).

- Use of a keyword will infringe under Article 5(2) of the TMD (reputation-based infringement) if it:
  - takes unfair advantage of the mark; or
  - causes detriment through dilution (through reducing distinctiveness or turning the mark generic) or tarnishment.

- Resellers may use the original trade marks to advertise their goods, unless the trade mark owner has a legitimate reason to prevent their use (such as, risk of damage to image, suggestion of a connection with the owner, debranding, or packaging or information has been removed).

- A mark can be enforced against goods coming from outside the EEA where the website offering them for sale is targeted at consumers in the EEA.

- Information society service providers (for example, internet referencing services such as search engine providers) may be liable if they have relevant knowledge and control; for example, if they:
  - take an active role in the advertising;
  - fail to take action when aware of relevant activities; or
  - act with a common design with the advertiser (but merely facilitating and profiting from infringement, even with knowledge that infringement does, or may, occur, is insufficient).
using others’ trade marks”). The use of a keyword of itself is unlikely to give rise to infringement, but the context of its use will be critical. Beyond that, it seems that the normal rules apply to the analysis of infringement on the internet, but the ECJ has given guidance on particular internet-specific issues.

**USE IN THE COURSE OF TRADE**

To constitute infringement of any of the three types, there must be use in the course of trade (Article 5(1), TMD).

The ECJ has helpfully clarified a number of elements of infringement, in the context of use of marks on the internet:

- Use must be of a sign in a third party’s own commercial communication (so websites such as Google and eBay do not “use” the sign as they are not making a commercial communication on their own behalf) (Google France SARL and Google Inc. v Louis Vuitton Malletier SA; Google France and Google Inc. v Viaticum SA and another; and Google France and Google Inc. v CNRRH and others, Joined Cases C-236/08 to C-238/08; www.practicallaw.com/3-502-1166).

- Use of a sign as a keyword to trigger the display of an advertisement is use:
  - in the course of trade (Die Berg-Spechte Outdoor Reisen und Alpinschule Edi Kohlmüller GmbH v Günther Gami and another, Case C-278/08; Google France);
  - in relation to the advertiser’s goods (Die BergSpechte; Interflora);
  - even if the sign does not appear in the advertisement (L’Oréal SA v eBay International AG & Ors [2009] EWHC 1094 (Ch) (see News brief “Protecting trade marks: because they’re worth it”, www.practicallaw.com/4-386-3102); and Interflora); and
  - even if the sign is invisible to the internet user (Google France).

**Steps for brand owners**

Brand owners seeking to protect their trade marks on the internet should consider the following points:

- It is likely to be harder to establish double identity infringement in the context of the internet than more generally. The European Court of Justice appears to be suggesting a stricter test, and it seems that the context of the use must demonstrate an adverse effect on the origin function (for example, through some degree of confusion or uncertainty).

- Action against website hosts/search engine providers:
  - is likely to be difficult as it requires proving that they had an active role;
  - depends on the level of their involvement in the advertising campaign: consider joint tortfeasorship;
  - may take the form of an injunction, which, if available, can be more effective than action against the advertiser;
  - can be useful to identify third party users of the mark.

- In relation to action against third parties using marks:
  - consider whether they are doing more than using a keyword;
  - consider whether the advertising is confusing;
  - bear in mind that references to imitations or replicas will strengthen the trade mark owner’s position;
  - bear in mind that special care is needed in relation to sellers of second hand goods or resellers, as the scope for action is more limited.

- In relation to monitoring evidence:
  - keep records of customer comments on confusion, near confusion and pre- and post-sale confusion;
  - look for impact on sales or other changes in customer behaviour;
  - look for benefit obtained by the third party using the mark.
  - look for changes in the natural search results (for example, following high traffic to a competitor’s site).

- The use of others’ marks (see box “Steps for third parties using others’ trade marks”).

- The risk that an unfounded allegation of infringement could give rise to a claim for unjustified threats of proceedings.
Steps for information society service providers

Information society service providers (for example, internet referencing services, such as search engine providers) that allow third parties to use others’ trade marks should bear in mind the following:

- Generally, merely “hosting” use of a mark by a third party will not attract liability as the service provider will not itself be using the mark.
- Once aware of potentially infringing use, failure to take prompt action to remove it from the site will increase the risk of liability.
- Taking steps to identify misuse of marks may reduce liability (but does trigger a need for action).
- A service provider can be required by the courts to identify third parties using the trade marks of others on its service.
- Liability may arise if there is relevant knowledge and control; for example, if service providers:
  - take an active role in the advertising;
  - fail to take action when aware of relevant activities; or
  - act with a common design with the advertiser (but merely facilitating and profiting from infringement, even with knowledge, is insufficient).
- The risk of liability can be reduced by avoiding any active role or involvement with the advertiser, such as assisting in the selection of keywords or in optimising the results or advertising.

- Internal use (for example, internal emails) is not sufficient: there must be use on the market (Management Europe Limited & Ors v Och Capital LLP & Ors [2010] EWHC 2599 (Ch)).
- Private use that is not in the context of a commercial activity (for example, sale by an individual on eBay) may become “use in the course of trade” because of the volume, frequency or other characteristics of the sale (L’Oréal v eBay).

ADVERSE EFFECT ON FUNCTION

The notion of an “effect on function” is an additional element required to establish infringement not found in the TMD. It was introduced by the ECJ some years ago in Arsenal Football Club plc v Matthew Reed in relation to double identity infringement but also applies to other forms of infringement (Case C-206/01; www.practicallaw.com/7-101-8312).

The ECJ identified (in L’Oréal v Bellure, Case C-487/07; www.practicallaw.com/8-386-6981) a number of functions for marks and, in Interflora, clarified that a number of these are potentially relevant to the infringement analysis. In some cases, the boundary between them is somewhat blurred, and the current list is apparently not exhaustive (see box “The functions of a trade mark”).

Recent ECJ decisions suggest that “adverse effect on function” may become a more important factor in the analysis of infringement. This is a pity as it seems to add an unnecessary complication to the existing tests (see also the criticisms of Jacob LJ in L’Oréal v Bellure).

In practice, however, it really only seems to matter for double identity infringement, where it provides a basis for courts to decide that not every use of an identical mark in relation to identical goods will amount to infringement.

In relation to confusion infringement under Article 5(1)(b), confusion must be established, so it seems there will always be an adverse effect on at least the origin function. It is currently not clear whether it is necessary to show an adverse effect for reputation infringement (Article 5(2)), in addition to detriment or unfair advantage (see “Reputation-based infringement” below).

The issue of whether particular acts have an adverse effect on a mark’s function is ultimately a question for the national court, but the ECJ has given some guidance on how that should be assessed (see “Adverse effect on function” below).

DOUBLE IDENTITY INFRINGEMENT

This requires identical marks and identical goods and an adverse effect on the function of the mark.

Adverse effect on function

In Google France, the ECJ considered that the relevant functions of the trade mark for double identity infringement in the AdWords/keywords scenario were the origin function and the advertising function. In Interflora, the ECJ stated that other functions could also be relevant to keywords, including, on the facts of Interflora, the investment function.

The origin function

According to the ECJ (in Google France), a trade mark’s function in indicating origin is impaired if either of the following apply:

- The advertisement does not enable the “normally informed and reasonably attentive” internet user, or enables him only with difficulty, to ascertain whether the goods or services referred to in the advertisement originate from the trade mark owner, or an undertaking economi-
cally connected to it, or, on the other hand, from a third party.

- A third party’s advertisement suggests that there is an economic link between that third party and the trade mark owner, or is so vague that the normally informed and reasonably attentive internet user is unable to determine, on the basis of the advertising link and its commercial message, whether the advertiser is economically linked to the trade mark owner or not.

It is not sufficient that the lack of connection would become evident once the internet user followed the link: the lack of connection must be evident on the basis of the advertising link and the commercial message attached to it.

The ECJ adopted this test in Interflora. M&S had bought the word “Interflora” and variants as keywords that triggered an advert under the heading “sponsored link” and included a link for M&S flowers, its own flower delivery service. The sponsored link did not include the word “Interflora”. The court concluded that, if the national court decided that the use of the trade mark INTERFLORA as an AdWord led internet users to believe, incorrectly, that the flower delivery service offered by Marks & Spencer was part of Interflora’s commercial network, the origin function would be impaired. The High Court will now have to determine as a matter of fact how the advertisement is perceived.

As the Advocate General noted, it is relevant that the public is not likely to know the extent of the network of florists that operate under the Interflora banner. However, M&S has a strong tradition of selling its own branded goods.

Sensibly, the ECJ has suggested that the test should be based on the assessment of the impact of the advertisement on “reasonably well-informed and reasonably observant internet users” (taking into account the nature of the trade mark, which may result in internet users being deemed to have a general level of knowledge of the market (see below)); it is not sufficient (to affect the origin function) that a less informed or less typical person be confused, or nearly confused. The High Court has recently applied Interflora in Ate My Heart Inc v Mind Candy Ltd (judgment of 10 October 2011), where the use of “Lady Goo Goo” by the defendant was thought likely to confuse consumers into thinking that an economic link existed with the claimant, the owner of the “Lady Gaga” mark.

Confusion or near confusion. A difficulty with this analysis, however, is that the test is rather reminiscent of those for confusion infringement or passing off. It seems to set quite a high bar for double identity infringement (at least in the keyword context), despite the fact that the legislation requires no element of confusion. Where the origin of the goods or services is not clear as a result of the use of a keyword, it seems likely that this amounts to confusion and that confusion infringement would, in any case, be established (Article 5(1)(b)), though the context of the use is important, and post-Interflora, the deemed general knowledge of the marks on the part of the user is to be taken into account.

Double identity infringement under Article 5(1)(a), therefore, seems to give no additional protection, unless the ECJ is contemplating a lower standard of proof of confusion than is required for Article 5(1)(b), and double identity infringement will be found if the use is “nearly confusing”. The ECJ seems to be setting a high bar for proof of infringement under double identity infringement in the context of the internet, on the basis that marks can be used or understood in different contexts on the internet, and only some uses are damaging to the trade mark owner.

Double identity infringement can apparently be established if the internet user can only ascertain “with difficulty” from whom the advertised services originate; that is, a test of “nearly confusing”. This is interesting because it has been suggested that confusion is “presumed” for double identity infringement. In contrast, Interflora suggests that even if it is actually shown that there is a lack of confusion, infringement can result.

The recent cases have all concerned use of marks on the internet, where the impact of the mark is quite different to its impact in other channels of commerce. The ECJ appears to be recognising the scope for a mark to beambiguous in this context. It remains to be seen to what extent the ECJ will seek to extend these concepts outside the context of internet use.

<table>
<thead>
<tr>
<th>Infringement type</th>
<th>Article</th>
<th>Mark</th>
<th>Goods/services</th>
<th>Additional ingredient</th>
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<tbody>
<tr>
<td>Double identity.</td>
<td>5(1)(a)</td>
<td>Identical.</td>
<td>Identical.</td>
<td>Adverse effect on function.</td>
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<td>Confusion.</td>
<td>5(1)(b)</td>
<td>Identical or similar.</td>
<td>Identical or similar.</td>
<td>• Likelihood of confusion. • Adverse effect on function?</td>
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<td>Reputation.</td>
<td>5(2)</td>
<td>Identical or similar.</td>
<td>Identical, similar or dissimilar</td>
<td>• Link or “calling to mind”. • Takes unfair advantage of, or is detrimental to, repute or distinctive character. • Adverse effect on function?</td>
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The nature of the mark. Crucially, the impact of the advertisement will depend on the mark concerned. The ECJ in Interflora suggested a two-step process for the national court:

- Assess whether the reasonably well-informed and reasonably observant internet user is deemed to be aware, on the basis of general knowledge of the market, that the third party’s goods/services are not part of the trade mark owner’s network but are, on the contrary, in competition with it.

- If it is not generally known, consider whether the third party’s advertisement enabled that internet user to tell that the goods/services concerned do not belong to the trade mark owner’s network.

Before Interflora, the German Federal Court, applying L’Oréal v eBay in Bananabay II (I ZR 125/07), suggested that users can buy a third party mark as a keyword as long as the resulting ad is shown in a specially marked advertising block that is visually set apart from the natural search results. The court held that the advert must not make use of the mark, the name of the owner or any of its products, and must make it clear from the URL (website address) that there is a different economic origin.

The various ECJ decisions make it clear that use of a competitor’s trade mark as a keyword is unlikely, of itself, to amount to infringement. Infringement will depend on the content of the attached advertisement, the nature of the mark (in particular, how distinctive and/or well known it is) and the content and context in which the advertisement

Elements of infringement

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<th>Use in the course of trade</th>
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<tr>
<td>Identical mark</td>
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<td>Similar mark</td>
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<td>Identical goods</td>
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<td>Similar goods</td>
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<td>Disimilar goods</td>
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<td>Confusion</td>
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<td>Link</td>
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<td>Adverse effect</td>
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<td>Double identity infringement</td>
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<tr>
<td>Confusion infringement</td>
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<tr>
<td>Reputation infringement</td>
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* There is a degree of uncertainty regarding whether a distinct element of adverse effect is required
is used. While advertisers could include disclaimers in the text of the advertisement, given that the text of a sponsored link is not long, this may lead to more confusion rather than less, possibly even increasing the infringement risk.

The use of metatags raises interesting issues. Metatags are keywords or text embedded in the part of a web page not generally seen by users, which provide information to search engines or web browsers. They are significant in that metatags are used to optimise the position of a website in the “natural” search results.

The English courts have previously held that use of a particular metatag did not amount to infringement, as the results of a web search on the mark used as a metatag included links to both the claimants’ and defendants’ websites and, on that basis, there was no confusion (this was in the context of confusion infringement under Article 5(1)(b)) (Reed Executive plc & Ors v Reed Business Information Ltd & Ors [2004] EWCA Civ 159; www.practicallaw.com/6-102-7543).

This is consistent with the ECJ’s treatment of keywords, and it might be expected that the ECJ would take a similar approach. In other words, a metatag, like a keyword, will not itself infringe: there needs to be something more that affects a function of the mark. However, arguably, metatags are somewhat different from keywords in that they do not result in sponsored links and separate advertisements that can be assessed for confusion.

In contrast, a user performing a search may be unaware that the use of the metatags has manipulated the so-called “natural” search results. It seems arguable that if the effect of using metatags is to push the trade mark owner’s site well down the list of natural search results, so that fewer people would recognise it as the “genuine” site, that could have an adverse effect on the origin function.

The advertising function
The ECJ, in the context of double identity infringement, has held that use as a keyword of a sign identical to another person’s trade mark does not have an adverse effect on the advertising function (Google France). The basis for this conclusion was that the website of the trade mark owner would usually appear in a high and prominent position in the “natural” search results. That display, which is free of charge, means that the visibility to internet users of the goods or services of the trade mark owner is guaranteed. This conclusion may, however, be open to question if the “natural” results have been manipulated by the repeated use of a trade mark on the site, or as a metatag, or in other search optimisation techniques.

The ECJ expanded on this in Interflora (the first time the advertising function has been defined), holding that the fact that a third party’s use of a party’s trade mark as a keyword in relation to identical goods or services obliges the trade mark owner to intensify its own advertising is not a sufficient basis for concluding that there is double identity infringement. Internet advertising on the basis of keywords corresponding to trade marks is regarded by the ECJ as part of the competitive process and should not be prevented when its purpose is merely to offer internet users alternatives to the goods or services of the owners of the relevant trade marks.

The investment function
The ECJ in Interflora brought a third function within the remit of Article 5(1)(a) of the TMD: the so-called “in-
vestment” function. This overlaps with the advertising function but captures techniques other than advertising. The investment function will be impaired where use by a third party of a sign “substantially interferes” with the trade mark owner’s use of the trade mark to acquire or preserve a reputation capable of attracting customers and retaining their loyalty.

However, the ECJ was quick to limit the application of this principle: if the only consequence of the third party’s use of the trade mark is to oblige the trade mark owner to adapt its efforts to acquire or preserve its reputation and retain customers’ loyalty, the investment function will not be impaired. Further, the fact that some customers may be prompted to switch goods or services because of the use of the mark is not sufficient.

Again, the ECJ noted the need to balance the protection of trade mark rights with the need for free competition.

When are marks identical?

Although double identity infringement relates to identical marks, this includes signs where the differences are “so insignificant they may go unnoticed by the average consumer” (Arthus v Félice (LTJ) Diffusion v Sadas, Case C-291/00). In Portakabin v Primakabin, the ECJ held that the keywords used by the advertisers, which included various misspellings, were identical to the mark (Case C-558/08; www.practicallaw.com/3-502-8766).

CONFUSION INFRINGEMENT

A trade mark owner may oppose the use of its sign (or a similar sign) by a third party in relation to identical or similar goods or services under Article 5(1)(b), but only where there is a likelihood of confusion on the part of the public. Whether confusion exists is a question for the national court, but the ECJ has made it clear, in numerous cases (the most recent of which was Die BergSpechte), that the risk that the public might believe that the goods or services in question come from the same undertaking, or from economically-linked undertakings, constitutes a likelihood of confusion.

Pre- and post-sale confusion

The English courts have recently considered what might constitute confusion for the purposes of Article 5(1)(b), again in the context of internet use. The High Court introduced the concept of “initial interest” confusion in Management Europe Limited. In that case, the court held that liability can arise where a claimant can show that a consumer was confused by the defendant’s use of the sign at the time of interest in a product or service, even if that initial confusion is corrected by the time of purchase.

Post-sale confusion can also bring a case within Article 5(1)(b) (at least under English law) following the decision in Datacard v Eagle Technologies ([2011] EWHC 244 (Pat); www.practicallaw.com/2-505-3006). In that case, the court, drawing on previous EU case law, accepted that post-sale confusion could give rise to infringement, supporting this with an argument of principle that such confusion is equally capable of being damaging to the trade mark owner.

REPUTATION-BASED INFRINGEMENT

Reputation-based infringement under Article 5(2) offers protection to marks with a reputation beyond that available to other marks, provided the owner can show that detriment has been caused or

The functions of a trade mark

The European Court of Justice has identified a number of functions for marks. The list is not exhaustive and the functions overlap. An “effect on function” is an additional element required to establish infringement, which is not found in the Trade Marks Directive (2008/95/EC).

Origin function. Known as the essential function: this serves to indicate the origin of the goods sold under the mark (Hoffmann-La Roche & Co. AG v Centralfarm Vertriebsgesellschaft Pharmazeutischer Erzeugnisse mbH, C-102/77).

Advertising function. Use of the mark for advertising purposes designed to inform and persuade consumers (Interflora v Marks & Spencer plc, Case C-323/09 (see “Advertising keywords: ECJ judgment”, Bulletin, Intellectual property and information technology, this issue)).

Investment function. Use of a mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty (and may employ techniques beyond advertising). The mark has an inherent economic value conferred by the messages it conveys and resulting from considerable effort and investment (Sigla SA v OHIM, Case T-215/03; and Interflora).

Communication function. As a vehicle for communicating a message to the public. Through use (essentially for advertising purposes), the trade mark assumes or incorporates the message (informatively or symbolically). The message may refer to the product’s qualities or characteristics or intangible values, images or feelings (for example, luxury, lifestyle, exclusivity, adventure, youth). These may result from the qualities of the product or service or the owner’s reputation or other elements (Souza Cruz SA v Hollywood, R283/1999-3; and Sigla).

Quality function. The guarantee that all of the goods and services bearing the trade mark have been produced under the control of a single undertaking responsible for their quality (SA CNL-Sucal NV v Hag GF AG (Hag II), Case C-10/89, www.practicallaw.com/B-100-6993; and Souza Cruz).

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unfair advantage taken. In Interflora, the ECJ clarified the basis of detriment and free riding in the context of internet use. However, no question was put to the ECJ about unfair advantage.

Three types of injury are identified as giving rise to an action for reputation-based infringement under Article 5(2):

- Detriment to the distinctive character of the trade mark (dilution).
- Detriment to the reputation of the mark (tarnishment).
- Taking unfair advantage of the distinctive character or repute of the mark (free riding).

In addition (though no element of confusion is required), there must be a “link”; in other words, the sign used by the defendant must “call to mind” the registered trade mark (Intel Corp Inc v CPM United Kingdom Ltd, C-252/07; www.practicallaw.com/2-384-7957).

Detriment

The ECJ has previously indicated that detriment requires a change in the economic behaviour of consumers (Intel and L’Oréal v Bellure). There has been no clarification of what this requires, though it might be satisfied by a change in consumers’ willingness to buy (see feature article “Protecting valuable brands: infringers take note”, www.practicallaw.com/9-500-4673). A risk of damage to the mark is enough, it is not necessary to prove actual detriment (Intel).

According to the ECJ (Interflora), detriment occurs when the ability of a mark to distinguish goods and services from those of a different origin is reduced, in particular, through:

- Loss of distinctiveness.
- The mark becoming generic.

The owner is entitled to prevent all those uses that reduce the distinctiveness of a mark, without waiting for the end of the process of dilution (that is, the total loss of distinctive character). Any use that contributes to turning the trade mark into a generic term is also detrimental.

While this is helpful guidance, it still leaves the national courts to grapple with what particular activities will amount to causing detriment. One difficult issue with dilution is that sustained use, perhaps by a number of competitors, of a mark with a reputation will lead to loss of distinctive character or to the mark becoming generic, but it may be difficult to identify particular acts that, on their own, should be regarded as detrimental.

The words chosen by the ECJ suggest that “all” use that reduces distinctiveness of a mark with a reputation must be actionable for the trade mark owner to have effective protection. However, in the context of an internet keyword search-based service, the court found that use as a keyword does not “necessarily” contribute to dilution.

Dilution

The ECJ, echoing its conclusions in relation to impairment of the origin function under Article 5(1)(a), held that when the use of the sign as a keyword triggers the display of an advertisement that enables the “reasonably well-informed and reasonably observant” internet user to establish that the goods or services offered originate not from the trade mark owner, but from one of its competitors, the conclusion will have to be that the trade mark’s distinctiveness has not been reduced by that use. In those circumstances, the mark is merely drawing attention to the existence of the goods and services.

Again, this test is similar to the test for confusion, suggesting that it may be difficult to establish reputation infringement or dilution in relation to keywords where there is no likelihood of confusion. The ECJ seems to appreciate that it is setting a high barrier, saying (in Interflora) that if a reasonably well-informed and observant internet user cannot tell if the services provided by M&S originate from Interflora, that will cause detriment by contribut-
Of course, this leaves the national courts to determine what nature of use of a mark as a keyword will amount to “riding on the coat-tails” beyond use in relation to imitation goods.

**Effect on function**

Some time ago, in *L’Oréal v Bellure*, the ECJ clarified that functions other than the guarantee of origin could be relevant to reputation infringement, such as quality, communication, investment and advertising. In *Interflora*, the ECJ focused on detriment and unfair advantage. Although not entirely clear, it seems that the ECJ expects an adverse effect on function to be shown, in addition to detriment or unfair advantage.

In the case of detriment, a separate requirement of adverse effect on function is superfluous since detriment is an adverse effect. However, where unfair advantage is relied on, this will not necessarily result in an adverse effect on the trade mark, and it remains unclear if, and what, adverse effect would be needed. In fact, the ECJ (in *L’Oréal v Bellure*) said that unfair advantage was not dependent on the use being detrimental to the owner.

The Advocate General in *Interflora* wondered whether protecting a mark in the absence of detriment was anti-competitive, and noted that the goods in question in *Interflora* were “normal” and, in contrast with *L’Oréal v Bellure*, not imitations or replicas. Part of the test for unfair advantage is whether the infringer has derived a commercial advantage without compensating the trade mark owner. Perhaps that lack of compensation could be regarded as a loss of royalty and so constitute an adverse effect?

The ECJ has not expressly addressed these issues in recent cases, but in *Interflora*, it indicated that a trade mark owner could not object to a keyword advertisement triggered by a trade mark (provided it did not relate to imitations), unless it either caused dilution or tarnishment and, moreover, adversely affected the functions of the trade mark.

**LIMITATIONS ON EFFECTS**

There are certain limits on the effects of trade marks.

**Honest use**

Particular issues arise for people selling products of another trade mark owner, including selling second-hand goods. Article 6(1)(c) of the TMD is intended to address this practical issue by enabling providers of goods or services that are supplementary to the goods or services offered by an owner to use that mark in order to inform the public of the practical link between their goods and services and those of the owner of the mark.

Such use, however, must be in accordance with honest practices in industrial or commercial matters. In assessing whether the seller has acted fairly in relation to the legitimate interests of the trade mark owner, a court must consider whether the use is understood by the relevant public, or a significant section thereof, as establishing a link between the third party’s goods and the trade mark owner (or an authorised user of the relevant marks), and whether the third party ought to have been aware of that (Anheuser-Busch v Budějovický Budvar, národní podnik, Case C-245/02). Following *Portakabin*, where a person infringes a third party’s mark under Article 5 of the TMD by selecting a keyword that causes confusion, it is unlikely that such a person will be deemed to have acted in accordance with honest practices, and so the protections in Article 6(1)(c) of the TMD are unlikely to apply.

**Exhaustion within the EEA**

A reseller is entitled to use the trade mark on the goods to advertise their further sale, provided they have been placed on the market in the EEA by a trade mark owner (or with his consent) (Article 7, TMD). This is known as trade mark exhaustion. The trade mark owner cannot prevent such use in advertising (for example, using the mark in keywords), unless the owner has a legitimate reason (Parfums Christian Dior, Case C-337/95, www.practicallaw.com/0-100-7265).

Recent ECJ cases have highlighted factors to consider in identifying a legitimate reason to prevent a third party using an exhausted mark:

- The interests of economic operators and consumers that the sale of second-hand goods via the internet should not be unduly restrictive (*Portakabin*).
- The need for clear information as to the origin of the goods (*Portakabin*).
- Where a reseller specialises in the resale of goods of multiple third parties, whether the sale of the other goods risks, in light of their volume, presentation or poor quality, seriously damaging the image that the trade mark owner has succeeded in creating. Use of the words “used” or “second-hand” does not, of itself, damage a mark’s reputation (*Portakabin*).
- Where the use gives the impression that there is a commercial connection and, in particular, the reseller’s business is affiliated with the owner’s. Giving such an impression is not essential to the further commercialisation of the goods and is not, therefore, within the purpose of the exhaustion rule. Use of the words “used” or “second-hand” does not, of itself, establish a link between the third party and the owner (*Portakabin*).
- Where the genuine goods have been debranded such that the manufacturer of the goods in question is entirely concealed (*Portakabin*) or relabelling conceals the original mark, as this damages the origin function (Viking v Kosan, Case C-46/10, www.practicallaw.com/0-507-8729).
- Where goods have had their labels removed and essential information (such as that required by legislation) is missing (*L’Oréal v eBay*).
- Where luxury goods have been removed from their box, as this could

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Exhaustion outside the EEA

Following L’Oréal v eBay, it is clear that where goods that had not previously been put on the market in the EEA with the owner’s consent are sold by suppliers located outside the EEA, the owner can enforce its rights against the seller (as the owner’s rights are not exhausted), provided that the website is targeted at consumers within the EEA.

When considering whether a website is targeted at consumers within the EEA, relevant factors include:

- The language of the webpage.
- The domain name. For example, the domain name “www.ebay.co.uk” is conclusive (without contradictory evidence) that the website is targeted at consumers covered by the marks relied on in the case, namely the UK.
- Currencies that are accepted for payment.
- Destinations to which the seller will ship.
- The appearance of the website.
- Whether the average consumer in a territory would regard the advert/website as being “aimed and directed” at him (L’Oréal v eBay; Yell Ltd v Louis Giboine and others [2011] EWPCA 009).

The ECJ in L’Oréal v eBay also confirmed the ECJ decision in Coty Prestige Lancaster Group GmbH v Simex Trading AG that tester and other sample bottles marked “not for sale” or “not for individual sale”, which are not intended for sale to customers or supplied without charge by authorised dealers, are not put on the market so there is no exhaustion of an owner’s trade mark rights (Case C-127/09; www.practicallaw.com/5-502-6361).

An information society service provider that stores, as a keyword, a sign identified with a trade mark and organises the display of adverts on the basis of that keyword does not use that sign within Article 5(1) of the TMD. The mere fact that the referencing service is subject to payment; the service provider sets the payment terms; and the service provider provides general information to its clients, is not sufficient to deprive the service provider of the exemptions from liability provided by the E-Commerce Directive (Google France). Further, concordance between the keyword selected and the search term entered by an internet user is not sufficient in itself to give an information society service provider knowledge or control over the data entered into its system by advertisers and stored on its server.

However, an information society service provider may be liable if either of the following apply:

- It has a role in drafting the commercial message that accompanies the advertising link or in the selection of keywords (Google France).
- It provides assistance in optimising the presentation of the offers for sale in question or promoting those offers (L’Oréal v eBay).

In addition, even if an information society service provider has acted neutrally, if it has actual awareness of illegal activity (through finding it or being notified of it), or should have identified the illegality, it must act expeditiously to remove/disable such information.

It is for the national courts to assess the extent of “knowledge or control” exercised by the information society service provider (Google France and L’Oréal v eBay).

Joint liability

While the rules relating to EU infringement are harmonised, the law in relation to accessory liability is unharmonised, and a matter for national law. Under English law, a party may only be liable as a joint tortfeasor where it intends and procures and shares a common design (CBS Songs Limited v Amstrad Consumer Electronics Plc [1988] AC 1013; Unilever Plc v Gillette (UK) Limited [1989] RPC 583).

The English courts have held, in relation to the liability of website hosts, that the fact that a website host facilitated the infringement of third party owned marks, knew that such infringements occurred, and were likely to occur, and profited from such infringements was not sufficient to establish a common design with the infringing advertiser. In L’Oréal v eBay, eBay’s role in assisting foreign sellers from outside the EEA to target UK buyers might amount to a common design but is not inherently infringing. Website hosts may find themselves exposed to a greater risk of liability if they have failed to take the
steps suggested by the court to reduce the volume of unlawful trade on their websites (including filtering postings and descriptions prior to posting, and the application of more vigorous sanctions) (see News brief “Protecting trade marks: because they’re worth it”, www.practicallaw.com/4-386-3102).

**Injuncting intermediaries**

Article 11 of the Enforcement Directive (2004/48/EC) enables rights holders to apply for an injunction against intermediaries whose services are used by a third party to infringe the rights holder’s intellectual property rights. Although the UK has not implemented Article 11 in full, the ECJ confirmed in L’Oréal v eBay that the English court will have to abide by it fully when granting an injunction. The ECJ also confirmed that national courts not only have the power to impose injunctions in respect of infringements already committed, but also to prevent further infringements. The English courts can injunct intermediaries, such as online marketplace operators, provided that:

- Injunctions are “effective, proportionate and dissuasive”. Website operators cannot be required actively to monitor the content of their websites as this would be incompatible with Article 3 of the Enforcement Directive, which requires measures to be fair, proportionate and not excessively costly. Further, the Enforcement Directive should not be interpreted as affecting Articles 14 and 15 of the E-Commerce Directive.

- Measures laid down do not create barriers to legitimate trade. Accordingly, such measures cannot have as their object or effect a general and permanent prohibition on the selling in the marketplace of goods bearing those marks.

The ECJ advised that national courts could instead order website hosts to take measures to make it easier to identify customer-sellers. This would give owners the ability to get an effective remedy against persons who have used online services to infringe their intellectual property rights.

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