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VRIJE UNIVERSITEIT

THE USE OF TRADE MARKS IN KEYWORD ADVERTISING

ACADEMISCH PROEFSCHRIFT

ter verkrijging van de graad Doctor
aan de Vrije Universiteit Amsterdam,
op gezag van de rector magnificus
prof.dr. V. Subramaniam,
in het openbaar te verdedigen
ten overstaan van de promotiecommissie
van de Faculteit der Rechtsgeleerdheid
op maandag 21 september 2020 om 11.45 uur
in de aula van de universiteit,
De Boelelaan 1105

door

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geboren te Groningen

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The idea to write about keyword advertising occurred to me during a course on US trade mark law, which was taught by Professor Graeme Dinwoodie at the Munich Intellectual Property Law Center (MIPLC) in December 2009. At that time, the Max Planck Institute for Intellectual Property and Competition Law (MPI) in Munich was conducting the Study on the Overall Functioning of the European Trade Mark System, which had been mandated to it by the European Commission. Professor Annette Kur was actively involved in this project and encouraged me to do research on trade mark infringement. I was fascinated by the possibilities and legal risks of using third parties' trade marks as keywords to trigger advertisements on Internet search engines. This motivated me to examine the response of traditional trade mark law to this unforeseen use of trade marks.

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Abbreviations

AA	Ars Aequi
AG	Advocate General
B9	Boek9.nl
BenGH	Benelux-Gerechtshof = Benelux Court of Justice
BGB	Bürgerliches Gesetzbuch = German Civil Code
BGH	Bundesgerichtshof = German Federal Supreme Court
BIE	Berichten Industriële Eigendom/Bulletin/Bijblad bij de Industriële Eigendom
BMW	Benelux Merkenwet/Eenvormige Beneluxwet op de merken = Benelux Trade Mark Act
BVerfG	Bundesverfassungsgericht = German Federal Constitutional Court
BVIE	Benelux-verdrag inzake de intellectuele eigendom = Benelux Convention concerning Intellectual Property
BW	Burgerlijk Wetboek = Dutch Civil Code
CA	Cour d'appel = French Court of Appeal
Cass.	Cour de cassation = French Supreme Court
CBB	College van Beroep voor het bedrijfsleven = Dutch Trade and Industry Appeals Tribunal
CC	Case Comment
C.D. Cal.	Central District of California
CFI	Court of First Instance
Ch	Chancery Division
Cir.	United States Court of Appeals for the [...] Circuit
Civ	Civil Division
CJEU	Court of Justice of the European Union (formerly: European Court of Justice)
Comm.	Chambre commerciale = Commercial Chamber
CR	Computerrecht/Computer und Recht
Cri	Computer Law Review International
CTM	Community Trade Mark

CTMR	Community Trade Mark Regulation
D.N.J.	United States District Court for the District of New Jersey
DomJur	Domeinnaam jurisprudentie; http://www.domjur.nl
EC	
ECD	E-Commerce Directive/Directive on Electronic Commerce
ECHR	European Convention for the Protection of Human Rights and Fundamental Freedoms
ECtHR	European Court of Human Rights
E.D. Va.	United States District Court for the Eastern District of Virginia
EEA	European Economic Area
EGC	General Court of the Court of Justice of the European Union
E.I.P.R.	European Intellectual Property Review
E.T.M.R.	European Trade Mark Reports
EU Charter	Charter of Fundamental Rights of the European Union
EUTM	European Union Trade Mark
EUTMD	European Union Trade Mark Directive
EUTMR	European Union Trade Mark Regulation
EWCA	England and Wales Court of Appeal
EWHC	England and Wales High Court
FTC	Federal Trade Commission
GRUR	Gewerblicher Rechtsschutz und Urheberrecht
GRUR-Beil.	Gewerblicher Rechtsschutz und Urheberrecht, Beilage
GRUR Int	Gewerblicher Rechtsschutz und Urheberrecht, Internationaler Teil
Hof	Gerechtshof = Dutch Court of Appeal
HR	Hoge Raad = Dutch Supreme Court
IEF	IE-Forum.nl; http://www.ie-forum.nl
IER	Intellectuele Eigendom en Reclamerecht
IIC	International Review of Intellectual Property and Competition Law
JASIST	Journal of the Association for Information Science and Technology
JCMS	Journal of Common Market Studies
JELS	Journal of Empirical Legal Studies
JIM	Journal of Interactive Marketing

J. Internet L.	Journal of Internet Law
J. Pol. Econ.	Journal of Political Economy
K&R	Kommunikation und Recht
LG	Landgericht = German District Court
L.J.	Law Journal
L. Rev.	Law Review
MarkenG	Markengesetz = German Trade Mark Act
MarkenR	Markenrecht
MCAD	Directive concerning Misleading and Comparative Advertising
MMR	Multimedia und Recht
MPI	Max Planck Institute for Intellectual Property and Competition Law Munich
NRC	Nederlandse Reclame Code = Dutch Advertising Code
OGH	Oberster Gerichtshof = Austrian Supreme Court
OLG	Oberlandesgericht = German Court of Appeal
Rb.	Rechtbank = Dutch District Court
TEU	Treaty on European Union
TFEU	Treaty on the Functioning of the European Union
TGI	Tribunal de grande instance = French District Court
TMD	Trade Mark Directive
TMG	Telemediengesetz = German Telecommunication Media Act
Trademark Rep.	The Trademark Reporter
Trib. Comm.	Tribunal de commerce = French Commercial District Court
UCPD	Unfair Commercial Practices Directive
UK TMA 1994	United Kingdom Trade Marks Act 1994
U.S.	United States Supreme Court
UWG	Gesetz gegen den unlauteren Wettbewerb = German Act against Unfair Competition
Vzr.	Voorzieningenrechter = Dutch Judge for preliminary injunctions
WIPO	World Intellectual Property Organization
WRP	Wettbewerb in Recht und Praxis
WZG	Warenzeichengesetz = former German Trade Mark Act
ZGE	Zeitschrift für Geistiges Eigentum

1 Introduction

1.1 *Relevance and Purpose*

Since the Internet gained its enormous popularity, a variety of online business models have evolved, giving rise to legal challenges. One of those concerns advertising services on search engines. Advertisers can select keywords which trigger their advertisements if they correspond with a search term entered by the Internet user. This highly effective method of context-sensitive advertising has gained tremendous commercial importance.

Advertisers sometimes choose third parties' trade marks as keywords in order to attract the attention of Internet users searching for those marks. In the screenshot in figure 1 (see annex), for instance, the Hugo Boss Online Store presumably selected its competitor's mark Armani as a keyword in Google's advertising programme.

Keyword advertising¹ has been one of the most disputed issues in intellectual property law for several years. Trade mark owners have filed numerous law suits worldwide against advertisers as well as search engines.² The courts have been confronted with the difficulty of applying traditional laws to this new use of trade marks on the Internet, with the result that diverging decisions have emerged.

The use of trade mark keywords is different from the classical use of trade marks to distinguish products.³ Rather than explicitly denoting the product by way of a label, packaging or conventional advertising, keywords function as invisible technical tools. By choosing a certain trade mark as a keyword, the advertiser can target a specific group of consumers.⁴

The Trade Mark Directive 2008 (hereinafter: TMD 2008)⁵ and the Community Trade Mark Regulation (hereinafter: CTMR)⁶ had not anticipated the use of trade marks in keyword advertising.

¹ The expression "keyword advertising" is often applied in this book as a short form for the use of third party trade marks as keywords in advertising on search engines.

² Famous are, e.g., *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010) in Europe and *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. Apr 3, 2009) in the US. A large number of further judgements from the CJEU, the Member States' and US courts will be covered below and can be found in the overview of jurisprudence at the end of this dissertation.

³ Whenever the term "product" is used in this book, it is usually meant to refer to both goods and services. Sometimes the terms "good", "selling", "sale", etc. must be read as also denoting (the provision of) services.

⁴ In this thesis, the word "consumer" does not necessarily mean consumer in the legal sense. It may stand for customer, buyer, purchaser, etc.

⁵ Directive 2008/95/EC.

⁶ Council Regulation (EC) No 207/2009.

Hence, it was unclear whether European trade mark law was applicable at all in the case of keyword advertising. In addition, the interpretation of the infringement criteria was unsettled.

The TMD 2008 has meanwhile been replaced by Directive (EU) 2015/2436 (hereinafter: Trade Mark Directive/TMD). The CTMR has meanwhile been amended by Regulation (EU) 2015/2424 and Regulation (EU) 2017/1001 resulting in the European Union Trade Mark Regulation (hereinafter: EUTMR). These amendments took place after important CJEU decisions on keyword advertising were rendered, which could thus be taken into account.

The basic question in the debate on keyword advertising has therefore been whether, and to what extent, trade mark law should prohibit or allow the use of third party trade marks as keywords. The answer to this question has had immense implications for both the development of the law and for the practice of advertising and trade on the Internet.⁷

More in general, the fundamental policy question has arisen how far trade mark rights should reach. Trade mark law used to be restricted to protecting the mark's function of indicating the origin of the products.⁸ It has meanwhile expanded to protecting to some degree the mark's further communicative value and goodwill against interfering uses by third parties.⁹ With respect to the permissibility of keyword advertising, it is thus of relevance whether trade marks are viewed as granting a comprehensive monopoly or property right, or whether they are regarded as conferring a more limited protection, specifically against confusing third party uses.

In the early stages of the debate, some courts and commentators argued that the use of someone else's trade mark as a keyword should be entirely prohibited. The decisions from the Court of Justice of the European Union (hereinafter: CJEU or Court)¹⁰ on keyword advertising make clear that the CJEU does not share this opinion. It decided that the use of trade mark keywords is permissible if certain conditions are fulfilled.¹¹ Hence, the discussion has shifted to the circumstances under which keyword use may be

⁷ On the basis of two diverging opinions of Dutch courts, *Verkade* illustrated that the answer to this question may depend on political choices. See Conclusion of AG D.W.F. Verkade, in: *Portakabin v. Primakabin*, [2009] NJ 15 (HR Dec 12, 2008), para. 5.23-5.31.

⁸ For historical accounts of trade mark law see, e.g., Bently 2008; and McKenna 2007. See also *infra*, section 2.5.

⁹ *Id.*

¹⁰ Before the entry into force of the Treaty of Lisbon known as "European Court of Justice" (ECJ).

¹¹ See *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011); *Portakabin v. Primakabin*, ECLI:EU:C:2010:416 (CJEU case C-558/08 July 8, 2010); *Bergspechte v. trekking.at*, ECLI:EU:C:2010:163 (CJEU case C-278/08 Mar 25, 2010); and *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010). See also *infra*, section 3.5.

enjoined by the trade mark owner. Though the CJEU has tried to clarify and harmonise the legal situation, there still remains some room for interpretation by the national courts.¹²

Though this dissertation is focussed on search engine advertising, its relevance extends to other forms of online advertising. More recently, courts have applied the same principles in cases in which the online market place Amazon showed competing product offers upon searches for a certain trade mark.¹³

This dissertation will provide an overview of the discussion on keyword advertising in literature and jurisprudence. It will be demonstrated that the application by the CJEU of the infringement criteria in keyword advertising disputes has enabled reasonable solutions. The leeway granted to the national courts permits a thorough examination of the specific facts of each case. However, it is recommended to enhance uniformity of decisions and legal certainty by providing more detailed guidance to the courts. It is argued that allowing the use of third party trade marks as keywords under certain conditions corresponds with the goals of trade mark law to increase market transparency, competition and economic efficiency. It furthermore respects the freedom of expression and the freedom to conduct a business. Therefore, this dissertation proposes a standard which allows the use of trade marks as keyword by third parties unless unjustified detriment is caused to the core function of a trade mark to distinguish the product.

More in general, it will be explained in this dissertation that the practice of keyword advertising has changed the infringement criteria in European trade mark law from a rather rigid system to a flexible instrument for balancing various concerns. The need to spell out the harm to the trade mark owner and to weigh this against conflicting interests can be approved of. However, for various reasons, particularly in relation to predictability and consistency, there remains a serious need for improvement of the system of infringement criteria.

1.2 *Functioning of Keyword Advertising*

Keyword advertising is a form of context-sensitive advertising on the Internet, which makes the advertisements (hereinafter also called “ads”) on a search engine’s website appear as a consequence of the search term entered by the Internet user. Through an online procedure advertisers can choose

¹² See, in particular, *infra*, section 4.6.

¹³ See, e.g., *Ortlieb*, [2018] GRUR 924 (CC Kur) (BGH Feb 15, 2018); *GoFit*, [2018] GRUR 935 (BGH Feb 15, 2018); and *Multi Time Machine Inc. v. Amazon.com Inc.*, 804 F.3d 930 (9th Cir. Oct 21, 2015).

keywords relevant to the product they sell. If a search query matches a selected keyword, the ad is triggered.

The advertiser pays the search engine a certain price for each time the link in his ad is clicked (so-called “pay per click” or “cost per click”).¹⁴ The order in which the ads appear depends on several factors including: which price the advertiser bid to pay for each click on his ad, the expected clickthrough rate and the relevance and quality of the ad and the advertiser’s website to the search query.¹⁵

The ads are normally displayed above or below the algorithmic¹⁶ search results. In the past, ads were also contained in a separated column on the right hand side. The ads usually appear under headings like “Advertisements”, “Ads” or something similar.¹⁷ The links above or below the algorithmic search results used to have a slightly different background colour, but this distinction has meanwhile been omitted. The text ads mostly consist of headline text, a description text and a URL.¹⁸ Some ads contain ad extensions with extra business information, such as contact details, customer rating or specific webpage links.¹⁹

Advertising programmes undergo changes over time concerning the distinction of the ad sections from the algorithmic search results.²⁰ The exact design of the particular advertising service at the moment of the alleged infringement must be taken into consideration since it may be of significance for the question of liability. As an example, figure 2 (see annex) shows a Google page of a search for “Versicherung” (insurance) from 2012 compared to the same search in 2019 in figure 3 (see annex).

The service “Google Ads” (formerly: “AdWords”) will play a central role in this dissertation. This is because Google holds the lion’s share of the search engine market²¹ and is most often involved in

¹⁴ See, e.g., Cost-per-click AdWords 2019. For this reason, the selection of keywords by the advertiser is often referred to as “buying” (or “purchasing”) keywords, while the search engine’s provision of keyword advertising services is described as the “sale” of keywords. This terminology in connection with third party trade marks may allude to something unfair.

¹⁵ See Ad Rank 2019.

¹⁶ Also referred to as “natural”, “organic”, “objective”, “editorial” or “relevance-based” search results, as opposed to the paid advertisements.

¹⁷ Since approximately November 2010, Google uses the heading “Ads”, which has replaced the term “Sponsored links”. See Search Engine Land 2010. Other search engines have followed this practice. In the Netherlands, the descriptions “Advertenties” and “Ads” are now used instead of “Gesponsorde links” and “Gesponsorde Resultaten”. In Germany, the heading “Anzeigen” has substituted “Sponsoren-Links”.

¹⁸ The three headlines may each contain max. 30 characters and the two description fields each max. 90 characters. Two paths of max. 15 characters each may be added to the URL. See Text Ads 2019.

¹⁹ See Extensions 2019.

²⁰ See Search Engine Land 2017 for a history of the different designs of the ad sections on Google’s search page.

²¹ In the Netherlands, Google’s market share amounted to 95.66 % in March 2019, followed by Bing with 2.23 % and Yahoo! with 0.74 %. In Germany, Google owned 94.73 %, Bing 2.77 % and Yahoo! 0.83 % of the market. In the US, Google had 88.5 %, Bing 6.12 % and Yahoo! 4.11 %. See StatCounter 2019.

litigation. The considerations in this book are not restricted to this major player but apply *mutatis mutandis* to similar (future) services.

This research focuses on the use of trade marks as invisible keywords to activate ads rather than on the use of trade marks in the text of the ads. The practice of triggering Internet content by keywords involves a modern way of using trade marks for which the legal assessment has only been developed in the past years.

Before search websites became widely-used, the offline environment already provided possibilities of using third party trade marks in targeted advertising.²² For instance, a common method of promoting new or generic products is to place them close to popular branded products on the shelves in a supermarket or other shop.²³ Similarly, one can advertise in, for instance, a newspaper or telephone yellow pages on the same page as a competitor.²⁴ Furthermore, supermarkets and other retailers provide their customers with loyalty cards containing information about their buying habits. This may be used to approach consumers of a certain product with an offer for a competing product.²⁵ A more explicit way of referring to the brand of a competitor can be found in comparative advertising.²⁶ A cautious approach is necessary in equating these examples with the situation of keyword advertising. The use of trade mark keywords in the internal procedure of a search engine's advertising programme is a use on its own, which is not one-to-one comparable with any other use of trade marks.

²² See Barrett 2006, 448-449; Dogan & Lemley 2004, 809-810 (giving examples of what they consider not to constitute trade mark uses), 812-813 (examples of targeted advertising); and Conclusion of AG D.W.F. Verkade, in: *Portakabin v. Primakabin*, [2009] NJ 15 (HR Dec 12, 2008), para. 5.49-5.50.

²³ See Barrett 2006, 448; Dogan & Lemley 2007, 1685, 1694-1695; Dogan & Lemley 2004, 810, 822; Gielen 2009b, 374; Gielen 2008, 109; Goldman 2009, 390-391 (concluding on p. 411-412 that the hostile approach to keyword triggering is caused by cyberspace exceptionalism); Conclusion of AG D.W.F. Verkade, in: *Portakabin v. Primakabin*, *id.* at para. 5.50; *1-800 Contacts Inc. v. WhenU.Com Inc. and Vision Direct Inc.*, 414 F.3d 400 (2d Cir. June 27, 2005), 411; and *Playboy Enterprises Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. Jan 14, 2004), 1035 (Judge Berzon's concurring opinion). *Dinwoodie & Janis* criticised this analogy. They argued that consumer understanding in the context of bricks-and-mortar retail stores is much more stable than in the online context and that the effects and economic function of contextual advertising may be radically different from side-by-side placement of goods in grocery stores. See *Dinwoodie & Janis* 2007a, 1637-1638; and *Dinwoodie & Janis* 2007b, 1721.

²⁴ See Barrett 2006, 449; Gielen 2009b, 374; and Gielen 2008, 109.

²⁵ See Conclusion of AG D.W.F. Verkade, in: *Portakabin v. Primakabin*, [2009] NJ 15 (HR Dec 12, 2008), para. 5.50.

²⁶ See Gielen 2009b, 374; and Gielen 2008, 109. The conditions for lawful comparative advertisements can be found in Art 4 MCAD. If the conditions are met, a trade mark infringement has to be denied. See *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008), para. 45, 51; and *L'Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 54. This dissertation will examine in section 7.3.1 whether the use of trade mark keywords constitutes comparative advertising within the meaning of Art 2(c) MCAD.

1.3 Interests Involved

Advertisers may not only choose keywords which describe their products, such as “insurance”. They may also select trade marks, for example, ING or Allianz. These can be either their own marks or those of third parties.

There are many conceivable uses of third party trade marks as keywords. A trade mark keyword can, for instance, be booked by a competitor, who would like its ad to appear as a result of a search for that mark. In this way, ING could have its ad shown when someone searches for Allianz, or *vice versa*. Popular trade marks can also be selected by start-up companies in order to make people aware of their existence.

In addition, dealers in (original or non-original) spare parts or providers of repair and maintenance services for trade marked goods may have an interest in displaying their ad after a search for that mark. Thus, a search for BMW may generate ads of companies offering replacement parts or services for BMW cars.

A trade mark can furthermore be used as a keyword by providers of resale goods, such as second-hand or imported articles sold on websites like eBay or Amazon.

Yet another purpose of trade mark keywords is to refer to websites which contain information about the requested brand²⁷ or product by means of news reports, criticism, product reviews, discussion forums, price comparisons, and so on. The “Consumentenbond” or “Stiftung Warentest” could, for instance, select trade marks of smartphones such as Samsung, Apple and Huawei as keywords to trigger ads for their product tests.

A trade mark sometimes contains a part which is descriptive for the product. In such a case, advertisers offering the same or similar products have an interest in using the descriptive term as a keyword. For instance, banks may be interested in using the keyword “bank” for their advertisements, even though it forms part of the protected trade mark “Deutsche Bank” (German bank).

Finally, trade mark keywords can also be chosen by suppliers of infringing goods. For example, the keyword Hermès might trigger an ad linking to a website on which counterfeit²⁸ Hermès handbags or other items are sold.

²⁷ In this dissertation, both the terms “trade mark” and “brand” are used. “Trade mark” usually denotes the trade marked word or symbol, whereas “brand” is used in a broader sense, including the goodwill, image and other connotations of the mark. However, sometimes the terms are used at random.

²⁸ According to Art 51, fn. 14 TRIPs, ““counterfeit trademark goods” shall mean any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which

In almost all cases, advertisers share a strong interest in using trade mark keywords in order to attract the attention of a targeted audience. Consumers increasingly buy products online²⁹ and use the Internet to make enquiries about products before purchasing.³⁰ For this reason, the popularity of keyword advertising as a promotional measure is still growing.³¹

Apart from the advertisers, keyword advertising involves three further market players, each with a distinct set of interests: search engines, search engine users and trade mark owners.³²

Operators of search engines obviously have a financial interest in their advertising services. In fact, they earn the largest part of their revenues through advertising. To illustrate the economic impact: In the year 2018, Google made \$ 116,318 million by advertisements.³³ Advertising revenues enable search engines to innovate and provide services for free.³⁴ With regard to the use of trade marks, search engines have an interest in not having the burden of monitoring which keywords are being used. The automated process of keyword selection saves considerable efforts and expenses. Moreover, trade mark keywords generate substantial earnings for search engines. Advertisers bid comparatively high prices per click for popular search terms. In addition, the choice of a trade mark keyword may increase the number of clicks on the ad.

The search engine user in his capacity as potential customer can benefit from keyword advertising for informational purposes.³⁵ As discussed above, the ads can offer interesting information in relation to the trade mark, for example, regarding competing or complementary goods or services, alternative sources or commentaries. Since search engines can be used free of charge, advertising will always occur on

cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation.”

²⁹ According to a survey regarding 2018, 84 % of Dutch and 82 % of German Internet users had bought or ordered goods or services for private use over the internet in the previous 12 months. The European average was 69 % (compared to 61 % in 2013). See Eurostat 2018a. E-commerce is the fastest growing retail market in Europe and North America. E.g., online retail sales amounted to €9.58 in the Netherlands in 2017 (17.0 % growth from 2016 to 2017) and to €72.69 billion in Germany in 2017 (16.4 % growth from 2016 to 2017). See CRR 2018.

³⁰ In 2016, 80% of Internet users in the EU searched for information about goods and services. See Eurostat 2016. Internet use in general increases rapidly. In 2017, 87 % of all EU households had Internet access (compared to 55 % in 2007). See Eurostat 2018b. 72 % used the Internet daily. See Eurostat 2018b. Among all existing websites, Google is usually the most visited one. In the Netherlands and Germany Google.com ranks first and third. See Alexa 2019a; and Alexa 2019b.

³¹ See also e.g. the increasing Google advertising revenues in the financial tables on Alphabet Investor Relations 2019.

³² The terms “search engine user”, “Internet user”, “consumer”, etc., are used without distinction throughout this book to denote the same person. The same applies to the terms “trade mark owner”, “trade mark holder” and “trade mark proprietor”.

³³ See Alphabet Investor Relations 2019.

³⁴ See Recital 29 ECD: “Commercial communications are essential for the financing of information society services and for developing a wide variety of new, charge-free services [...]”.

³⁵ See Bechtold & Tucker 2014, 732.

them. The keyword system has the advantage of adapting the advertisements to the consumer's needs.³⁶ In the offline world, consumers can compare products from different sellers. Keyword advertising mimics this situation by showing competing products in close proximity.

On the other hand, ads may annoy the consumer, particularly when there are too many of them, or when they are not clearly separated from the algorithmic search results. In addition, the consumer may be confused by certain ads.

Trade mark owners complain about the use of their trade marks as keywords. They have brought many actions against both advertisers and search engines. Trade mark owners' apparent concern is the increased competition, whether lawful or unlawful, generated by the advertisers. Potential customers might be confused, believing that the advertiser is in some way connected with the trade mark owner. In certain cases, the products offered by the advertiser even infringe the trade mark. In other cases, potential customers are simply diverted to the advertiser's website without being confused. Trade mark owners also assert that the mark's reputation suffers damage if it gets associated with the advertiser or its products (of a worse reputation). In addition, they argue that the trade mark's distinctiveness³⁷ is impaired if it is successfully used as a kind of generic search term.

Moreover, if third parties book a trade mark as a keyword, this may harm the trade mark owner's own advertising investments. Indeed, trade mark owners argue that search engines and advertisers benefit from the trade mark's goodwill without paying any compensation to the trade mark owner. The trade mark owner may be forced to pay a considerable price per click to advertise itself on a high position.

However, trade mark owners can also book the trade marks of their competitors as keywords. In fact, even the plaintiffs in keyword advertising law suits have done this on quite a few occasions.³⁸ In

³⁶ See Dogan & Lemley 2007, 1701; and Goldman 2005, 550. Almost two in every five (39%) consumers prefer targeted marketing that delivers content relevant to their needs despite concerns over data privacy. See Digital Marketing Magazine 2017. Though consumers may be more cautious if they are aware that the appearance of a link has been paid for, advertisements are not necessarily less relevant to the search, as was demonstrated in a study by Jansen & Resnick. Despite initial bias towards sponsored links, participants rated the pages linked to therein just as relevant as those of the organic links. See Jansen & Resnick 2006, 1955, 1959. See also Goldman 2005, 517 (“[...] searchers often find the relevance of paid search results equal to or better than editorial search results. [...]”).

³⁷ This book will interchangeably use the term “distinctiveness” and similar descriptions, such as “distinctive character”, without meaning to differentiate between them. The same applies to the words “repute”, “reputation”, “image”, “goodwill”, etc.

³⁸ E.g., Rescucom, the plaintiff in a US keyword case got sued itself for using Best Buy's trade mark “Geek Squad” as a keyword. See IP Kat 2010. Similarly, 1-800, the plaintiff in another US keyword case had itself booked website addresses of its competitors, including that of defendant Vision Direct, to trigger its own pop-up and banner ads with Gator and Yahoo!. See *1-800 Contacts Inc. v. WhenU.Com Inc. and Vision Direct Inc.*, 414 F.3d 400 (2d Cir. June 27, 2005), 409, fn. 12. See for more examples from the US, Goldman 2009, 403. In the French case *Google v. Auto IES*, Case No. RG 08/02354 (CA de Paris Feb 2, 2011) (confirmed by the Cour de cassation in *Google v. Auto IES*, Case No. 11-18110 (Cass. Comm. Sep 25, 2012), the plaintiff Auto IES had itself selected the company names of two of the defendants, Car Import and Directinfos.com, as

addition, a liberal trade mark policy may benefit trade mark owners because they may receive more visits from searchers that are not directly interested in visiting the trade mark owner's website.³⁹

The law needs to strike a balance between the various interests mentioned in this section. This dissertation will translate these interests into legal terms and considerations.

1.4 Research Questions

The starting point of this research is the following question:

What has been the influence of keyword advertising on the infringement criteria in European trade mark law?

Apart from answering this question, a normative assessment of the application of the infringement criteria will be conducted, both in general and with respect to keyword advertising. For this purpose, a number of subquestions will be examined, including:

- *What are the rationales for trade mark protection?*
- *Which other values and policies need to be taken into account?*
- *How were the infringement criteria understood before the jurisprudence on keyword advertising?*
- *How have the infringement criteria been interpreted since this jurisprudence?*
- *Have there been improvements?*
- *Are there still difficulties?*
- *How could these difficulties be addressed?*

keywords. In *Victoria Plumb v. Victorian Plumbing*, [2016] EWHC 2911 (Ch) (November 18, 2016), para. 138-142, the claimant was found liable for passing off by using the defendant's name as a keyword for its own ads.

³⁹ *Bechtold & Tucker* explained that such "non-navigational" searchers may be more likely to seek out the trade mark owner's website if exposed initially to informative advertising about the various external sites that offer associated products. They found that a more liberal trade mark policy introduced by Google in September 2010 led to a decrease of 9.2 % in visits to the trade mark owner's website through "navigational" searches but to an increase of 14.7 % in visits to the trade mark owner's website through "non-navigational" searches, particularly with regard to the less pervasive trade marks in their data. Only 20 % of the analysed searches appeared to be purely navigational. See *Bechtold & Tucker* 2014, 721, 739.

- *How have the infringement criteria specifically been interpreted in keyword advertising cases?*
- *Has a balanced solution been achieved with regard to the underlying aims and principles of the law and the multiple interests involved in keyword advertising cases?*

Within this analysis, the following trade mark doctrines will be explored: trade mark use, trade mark functions, protection against consumer confusion, goodwill protection and limitations of protection.⁴⁰

Besides trade mark law, this book will briefly address keyword advertising from the perspective of unfair competition law and from the laws applying to liability of the search engine.

1.5 Examined Legal Systems

This section will point out a number of legal instruments and provisions which are important for the analysis of keyword uses under trade mark law. These concern norms on a national, regional, European and international level. The laws related to unfair competition and liability of the search engine will be discussed under the applicable chapters of this book.⁴¹

1.5.1 European Law

The legal systems chosen for this examination are first of all the European trade mark system, as it is laid down in the Trade Mark Directive (TMD) and the European Union Trade Mark Regulation (EUTMR) (formerly: Community Trade Mark Regulation/CTMR). This system has existed since the 1990s. The latest amendments are laid down in Directive (EU) 2015/2436 and Regulation (EU) 2017/1001. Part of the revision process was a study on the overall functioning of the system by the Max Planck Institute for Intellectual Property and Competition Law in Munich (MPI).⁴² The CJEU answers

⁴⁰ This dissertation will normally use the term “limitations”, although other designations are possible as well, such as “exceptions”, “defences”, “fair uses” and “permissible uses”.

⁴¹ See *infra*, chapters 7 and 8.

⁴² MPI Trade Mark Study 2011.

preliminary questions concerning both the Trade Mark Directive and the European Union Trade Mark Regulation.⁴³

The former Trade Mark Directive 2008/95/EC has harmonised central provisions of substantive national trade mark law which at the time of adoption were considered as most directly affecting the functioning of the internal market by impeding the free movement of goods and the freedom to provide services in the Union.⁴⁴ Directive (EU) 2015/2436 extends the approximation in order to serve the objective of fostering and creating a well-functioning internal market and to facilitate acquiring and protecting trade marks in the Union, to the benefit of the growth and the competitiveness of European businesses, in particular small and medium-sized enterprises.⁴⁵

The European Union Trade Mark Regulation provides protection of a unitary trade mark right, valid in the entire European Union: the European Union Trade Mark (EUTM; formerly: Community Trade Mark/CTM).⁴⁶ The European Union Trade Mark Regulation contains provisions parallel to those of the Trade Mark Directive. For efficiency reasons, reference to them will mostly be omitted. Nevertheless, the discussion applies accordingly to the European Union Trade Mark Regulation.

The central provision to be interpreted in this book is the infringement provision in Art 10 TMD, which defines the exclusive rights of the trade mark owner.⁴⁷ It reads as follows:

Rights conferred by a trade mark

1. The registration of a trade mark shall confer on the proprietor exclusive rights therein.
2. Without prejudice to the rights of proprietors acquired before the filing date or the priority date of the registered trade mark, the proprietor of that registered trade mark shall be entitled to prevent all third parties not having his consent from using in the course of trade, in relation to goods or services, any sign where:
 - (a) the sign is identical with the trade mark and is used in relation to goods or services which are identical with those for which the trade mark is registered;

⁴³ The CJEU may be invoked by national courts concerning the interpretation of, e.g., European Directives and Regulations. If the national court decides in the final instance, it is obliged to ask preliminary questions in case of doubt. See Art 267 TFEU (formerly: Art 234 EC).

⁴⁴ See Recital 2 TMD.

⁴⁵ See Recital 8 TMD. For the purpose of making trade mark registrations throughout the Union easier to obtain and administer, not only provisions of substantive law but also procedural rules are approximated. See Recital 9 TMD.

⁴⁶ EUTMs can be obtained by applying to the European Union Intellectual Property Office (EUIPO; formerly: Office for Harmonization in the Internal Market/OHIM). See Art Title III EUTMR. The EUIPO has its seat in Alicante, Spain. There is a possibility of appeal to EUIPO's Boards of Appeal (see Title VII EUTMR) and a further appeal to the General Court (EGC) of the Court of Justice of the European Union (see Art 65 EUTMR). The General Court was previously called "Court of First Instance" (CFI).

⁴⁷ Art 9 EUTMR, Art 2.20 BVIE and § 14 MarkenG.

(b) the sign is identical with, or similar to, the trade mark and is used in relation to goods or services which are identical with, or similar to, the goods or services for which the trade mark is registered, if there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark;

(c) the sign is identical with, or similar to, the trade mark irrespective of whether it is used in relation to goods or services which are identical with, similar to, or not similar to, those for which the trade mark is registered, where the latter has a reputation in the 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.

3. The following, in particular, may be prohibited under paragraph 2:

- (a) affixing the sign to the goods or to the packaging thereof;
- (b) offering the goods or putting them on the market, or stocking them for those purposes, under the sign, or offering or supplying services thereunder;
- (c) importing or exporting the goods under the sign;
- (d) using the sign as a trade or company name or part of a trade or company name;
- (e) using the sign on business papers and in advertising;
- (f) using the sign in comparative advertising in a manner that is contrary to Directive 2006/114/EC.

4. Without prejudice to the rights of proprietors acquired before the filing date or the priority date of the registered trade mark, the proprietor of that registered trade mark shall also be entitled to prevent all third parties from bringing goods, in the course of trade, into the Member State where the trade mark is registered, without being released for free circulation there, where such goods, including the packaging thereof, come from third countries and bear without authorisation a trade mark which is identical with the trade mark registered in respect of such goods, or which cannot be distinguished in its essential aspects from that trade mark.

The entitlement of the trade mark proprietor pursuant to the first subparagraph shall lapse if, during the proceedings to determine whether the registered trade mark has been infringed, initiated in accordance with Regulation (EU) No 608/2013, evidence is provided by the declarant or the holder of the goods that the proprietor of the registered trade mark is not entitled to prohibit the placing of the goods on the market in the country of final destination.

5. Where, under the law of a Member State, the use of a sign under the conditions referred to in paragraph 2 (b) or (c) could not be prohibited before the date of entry into force of the provisions necessary to comply with Directive 89/104/EEC in the Member State concerned, the rights conferred by the trade mark may not be relied on to prevent the continued use of the sign.

6. Paragraphs 1, 2, 3 and 5 shall not affect provisions in any Member State relating to the protection against the use of a sign other than use for the purposes of distinguishing goods or services, 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.

Equally important with regard to keyword advertising are the exceptions⁴⁸ to trade mark protection contained in Art 14 TMD (“Limitation of the effects of a trade mark”),⁴⁹ as well as the doctrine of exhaustion within the European Economic Area (EEA)⁵⁰ in Art 15 TMD.⁵¹ Art 14 TMD reads:

Limitation of the effects of a trade mark

1. A trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade

(a) the name or address of the third party, where that third party is a natural person;

(b) signs or indications which are not distinctive or which concern 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 for the purpose of identifying or referring to goods or services as those of the proprietor of that trade mark, in particular, where the use of the trade mark is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts.

2. Paragraph 1 shall only apply where the use made by the third party is in accordance with honest practices in industrial or commercial matters.

3. A trade mark shall not entitle the proprietor to 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 recognised by the law of the Member State in question and the use of that right is within the limits of the territory in which it is recognised.

Art 15 TMD reads:

Exhaustion of the rights conferred by a trade mark

1. A trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Union under that trade mark by the proprietor or with the proprietor's consent.

2. Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.

⁴⁸ This dissertation will hereinafter mostly refer to “limitations” rather than to “exceptions”. See *supra*, fn. 40.

⁴⁹ Art 12 EUTMR, Art 2.23(1) and (2) BVIE and § 23 MarkenG.

⁵⁰ See Art 65(2) EEA Agreement; in conjunction with Annex XVII (last amendment 07.07.2017); Protocol 1 (last amendment 07.07.2017), para. 8; and Protocol 28 (last amendment 01.01.1994), Art 2(1).

⁵¹ Art 13 EUTMR, Art 2.23(3) BVIE and § 24 MarkenG.

1.5.2 National Law

Apart from European law, relevant divergences between national laws and the interpretation of the harmonised provisions will be considered.⁵² This book will mainly deal with Dutch/Benelux and German law. These are chosen since they represent important legal traditions in the field of trade mark law. In fact, these laws have had decisive influence on the development of European trade mark law.⁵³

Solutions found in other Member States, notably France, the UK and Austria, as well as in the US, will be presented by way of comparison.⁵⁴ These countries have generated a substantial number of court decisions and scholarly opinions on keyword advertising, which will be discussed in this book.

All of these jurisdictions have their own specialities.⁵⁵ For instance, the Benelux and France traditionally provide strong trade mark protection. In these jurisdictions, a trade mark is considered as property of the trade mark owner, conferring broad rights to enjoin others from using it.⁵⁶ In contrast, English courts have high regard for arguments in favour of competition.⁵⁷ Germany and the US take a position in the middle. They emphasise the importance of trade mark protection against confusing uses, which jeopardise a trade mark's role as a communicator of source, but they also acknowledge protection

⁵² E.g., optional trade mark protection in Art 10(6) TMD as adopted in Benelux legislation. Yet more differences can be found in the unfair competition laws of the Member States, as well as in the laws on secondary liability. The interpretation of the harmonised provisions as applied to keyword advertising is far from uniform among national courts, which this book will illustrate by means of an extensive discussion of jurisprudence from several European Member States.

⁵³ See Furstner & Geuze 1988; Gielen 1992; and Verkade 1992 for accounts of the drafting phase of the TMD and CTMR. Numerous important CJEU cases have furthermore been referred to it by courts from the Benelux and Germany (some of which will be analysed below).

⁵⁴ A comparison of different EU Member States' laws is part of this research because it can serve to find the correct interpretation of the relevant harmonised provisions. A comparison with US trade mark law is conducted in order to evaluate the potential need for improvement of European trade mark law.

⁵⁵ See Kur 2008b, 151 for a description of the divergent attitudes towards trade mark law prior to its harmonisation.

⁵⁶ In the Benelux, trade mark rights were expanded to (quasi-)property rights due to a broad interpretation of the former Art 13(A)(1)(2) BMW by the BenGH in the case *Claeryn v. Klarein*, [1975] NJ 472 (CC Wichers Hoeth) (BenGH Mar 1, 1975) and subsequent lower court decisions. See Verkade 2010; and Verkade 1992. See Kur 2008b, 151 for the French point of view. The presence of multiple major brand holders may explain the French opinion in favour of strong trade mark protection.

⁵⁷ See Kur 2008b, 151. See also, e.g., *Jacob LJ* in: *L'Oréal v. Bellure*, [2010] EWCA (Civ) 535 (May 21, 2010) (worried about free trade and proper competition as a consequence of the CJEU's decision in *L'Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), which prevents advertisers from informing consumers about the fact that the advertised product is a lawful imitation of a branded product).

going beyond that.⁵⁸ Trade mark protection in Austria used to be in line with the German approach, but it has recently become stronger.⁵⁹

In the Netherlands, Belgium and Luxembourg, trade mark law is regulated in the Benelux Convention concerning Intellectual Property (Benelux-verdrag inzake de intellectuele eigendom: BVIE). Preliminary procedures concerning the interpretation of this convention are dealt with by the Benelux Court of Justice (Benelux-Gerechtshof: BenGH).⁶⁰ In Germany, trade mark law is covered by the German Trade Mark Act (Markengesetz: MarkenG).

1.5.3 *International Law*

Internationally, trade mark law is regulated in several treaties. The oldest treaty, from 1883, is the Paris Convention for the Protection of Industrial Property (Paris Convention).⁶¹ The individual European Union states as well as the US are parties. A more recent treaty, from 1994, is the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), which constitutes an annex to the Marrakesh Agreement Establishing the World Trade Organization (WTO).⁶² Members to this treaty are all the WTO members, including the European Union, its Member States and the US. TRIPs aims to reduce distortions and impediments to international trade and promotes effective and adequate protection of intellectual property rights.⁶³ With regard to trade marks, Art 16 TRIPs addresses the exclusive rights,

⁵⁸ German trade mark law used to protect solely the origin function. See Kur 2008b, 151. See also *infra*, section 2.5. In the US, the likelihood of confusion constitutes the central requirement for trade mark infringement. See § 32 Lanham Act, 15 U.S.C. § 1114 (registered marks) and § 43(a) Lanham Act, 15 U.S.C. § 1125(a) (registered as well as use based marks). US trade mark law does not contain a provision similar to Art 5(1)(a) TMD, which grants absolute protection in cases of double identity. Anti-dilution protection in the US is limited to blurring and tarnishment. See § 43(c) Lanham Act, 15 U.S.C. § 1125(c). The taking of an unfair advantage is not regulated. The provision on dilution, moreover, includes a set of exclusions, e.g., for comparative advertising, parody, criticism, commentary, news reporting and non-commercial use. See § 43(c)(3) Lanham Act, 15 U.S.C. § 1125(c)(3). The law in practice appears to be more protective of trade marks than the law in theory, though. Courts have, e.g., expanded the notion of confusion by applying the doctrine of initial interest confusion. See *infra*, sections 4.5 and 4.7.

⁵⁹ See, e.g., the keyword decisions discussed below in sections 3.6.5 and 4.6.5.

⁶⁰ As far as they do not concern European trade mark law, for which the CJEU is responsible.

⁶¹ The Paris Convention contains provisions concerning, e.g., national treatment, priority rights, independence of territorial marks, acknowledgement of well known marks, acceptance of marks registered in one country *telle quelle* (as is) in other countries, and protection against unfair competition.

⁶² Annex 1C.

⁶³ See preamble. TRIPs includes provisions concerning, e.g., national treatment, most-favoured nation treatment, enforcement of intellectual property rights, and provisions concerning the availability, scope and use of specific intellectual property rights. It provides a minimum level of protection. See Art 1(1) TRIPs.

and Art 17 TRIPs covers limitations. Other international treaties are directed to streamlining the registration procedures or to providing effective enforcement measures.⁶⁴

1.6 Structure

First, the rationales for trade mark protection, the different functions of trade marks and further relevant values and policies will be discussed. In the following chapter, the trade mark use requirement will be examined, including the requirement of an adverse effect on the trade mark functions. Thereafter, protection against consumer confusion will be explored, followed by protection beyond consumer confusion, hereinafter called “goodwill protection”. Another chapter is dedicated to the limitations to trade mark rights. Furthermore, the use of trade mark keywords will be examined from the perspective of unfair competition law, particularly at the intersection with trade mark law. Subsequently, this dissertation will deal with the potential liability of a search engine offering keyword advertising services. It will be concluded with a summary of the main findings and an outlook.

⁶⁴ For instance, a widely used system of international registration is governed by the Madrid Agreement Concerning the International Registration of Marks (Madrid Agreement) and the Protocol Relating to the Madrid Agreement (Madrid Protocol). Fewer countries have acceded to the Trade Mark Law Treaty and the Singapore Treaty on the Law of Trademarks (Singapore Treaty), which approximate administrative trademark registration procedures. For the purpose of filing marks, international agreements have harmonised the classification of goods and services. The prevalent classification system is regulated in the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks (Nice Agreement). Figurative parts of marks can be registered according to the Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks (Vienna Agreement).

2 Theoretical Foundations

2.1 Introduction

This chapter will deal with the theoretical foundations of trade mark law. These are not clearly specified in the Trade Mark Directive and the European Union Trade Mark Regulation. At the time of harmonising the national trade mark laws, it may have been considered too difficult to reach consensus due to the different legal traditions.⁶⁵

After clarifying the notion of “goodwill”, the next sections describe and assess the justifications that may be invoked as a basis for trade mark protection. This is followed by an account of the property theory and the various functions of a trade mark. It will furthermore be examined which other values and policies play a role in establishing the extent of protection.

2.2 The Notion of Goodwill

The concept of “goodwill” plays a major role in this chapter. Therefore, it is worthwhile analysing this concept before discussing the rationales. First, it is noted that this dissertation uses the terms “goodwill” and “reputation” as synonyms, as usual in the European context.⁶⁶ It is acknowledged that this may be confusing in the US context, where a distinction is made between the two concepts.⁶⁷ There exist various definitions of „goodwill“,⁶⁸ for instance:

[...] a business value that reflects the basic human propensity to continue doing business with a seller who has offered goods and services that the customer likes and has found adequate to fulfill her needs. [...]⁶⁹

[...] the special value that attaches to a mark when the seller’s advertising and investments in quality generate consumer loyalty – a capacity to attract consumers over time. [...]⁷⁰

⁶⁵ See *supra*, fn. 55.

⁶⁶ The TMD and the EUTMR do not mention “goodwill” at all but merely apply the term “reputation”.

⁶⁷ A company can have a reputation without having goodwill. Goodwill presumes customer loyalty. See also the following definitions.

⁶⁸ See Bone 2006, 549, 569-571, 583-585 (pointing out the problems with defining the concept of goodwill); and McCarthy 2019, § 2:17-2:19.

⁶⁹ See McCarthy 2019, § 2:17.

⁷⁰ See Bone 2006, 549.

[...] a capitalized appraisal of profit potentialities not allocable to tangible assets. [...] ⁷¹

Being a symbol of goodwill, trade marks enable continued consumer patronage.⁷² Trade marks serve as messengers of brand identity. They communicate to the public certain associations, both in relation to the quality and features of the product and concerning psychological aspects. Some brands are associated with luxury, others with exclusivity, comfort, innovation, design, youth, sportiness, environmental friendliness and so forth. A trade mark can confer a particular image, lifestyle and belongingness to the group of people who buy the brand. Trade mark owners endeavour to create and maintain their brand identity by positioning the mark in the mind of consumers for which they carefully use a specific marketing strategy.⁷³ Justice Frankfurter stated in the famous US trade mark case *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*:⁷⁴

The protection of trademarks is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them. A trademark is a merchandising shortcut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same -- to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trademark owner has something of value. If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress. And, in this case, we are called upon to ascertain the extent of the redress afforded for infringement of a mark registered under the Trademark Act of 1905.⁷⁵

[...] The creation of a market through an established symbol implies that people float on a psychological current engendered by the various advertising devices which give a trademark its potency. It is that which the Trademark Act of 1905 protects. [...] ⁷⁶

⁷¹ See Brown 1948, 1199.

⁷² See McCarthy 2019, § 2:15, 2:18.

⁷³ See Völker & Elskamp 2010, 69-70 (with regard to the communication function). The CJEU stated in *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 39: “[...] a trade mark is often an instrument of commercial strategy used, inter alia, for advertising purposes or to acquire a reputation in order to develop consumer loyalty.” See also *Google v. Louis Vuitton*, ECLI:EU:C:2009:569 (AG Poiares Maduro case C-236-238/08 Sep 22, 2009), para. 54 (describing a trade mark's communication functions); Kaufmann 1987, 227 (discussing the goodwill function); Senftleben 2012, 8-9; and Senftleben 2009, 46 (explaining the different stages of “sign reservation”, “sign programming” and “brand image creation”).

⁷⁴ 316 U.S. 203 (U.S. May 4, 1942). This case concerned the burden of proving the profits in an infringement suit regarding shoe heels.

⁷⁵ See *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203 (U.S. May 4, 1942), 205.

⁷⁶ See *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, *id.* at 208.

It seems that whereas trade marks were originally regarded as mere indicators of source, in modern society, trade marks have often acquired value as designators of all kinds of emotional appeal.⁷⁷ A trade mark is not anymore a symbol merely of the goodwill of the source of the product but also of psychological associations.⁷⁸ There appears to be a tendency to protect this value as the property of the trade mark owner.⁷⁹

Sometimes trade marks gain an intrinsic reputation, which arouses expectations independently of the particular product.⁸⁰ It could be said that the trade mark itself has become the product.⁸¹ In the extreme case, there is no relation anymore between the mark and the physical aspects of the product. Such “lifestyle trade marks” hardly confer any product-related information but mainly evoke emotions.⁸²

In any case, the goodwill represented by a trade mark is a valuable asset,⁸³ which the trade mark owner is eager to protect.⁸⁴ As a trade mark law policy, it must be asked to what degree this goodwill deserves legal protection. It could be maintained that it is sufficient to provide protection against harm and exploitation of goodwill where a third party uses the trade mark in a way that causes consumer confusion. It could also be argued that broader protection is necessary to prevent goodwill from being damaged or appropriated. In order to determine the desirable extent of goodwill protection, the trade mark rationales and other relevant policy arguments and interests will first need to be examined.

2.3 Rationales

This section examines the underlying reasons for the legal protection of trade marks in general or for specific trade mark doctrines. These are based on theories advanced by certain commentators. Arguments against these theories will be addressed as well. The rationales to be discussed are classified

⁷⁷ See Dreyfuss 1990, 397; Litman 1999, 1726-1728; and Strasser 2000, 386-390.

⁷⁸ See McCarthy 2019, § 3:13.

⁷⁹ See Dreyfuss 1990, 403-404; Lemley 1999, 1693, 1705; Litman 1999, 1725-1726; and Swann & Davis 1994, 282.

⁸⁰ See Bone 2006, 552 (calling this “inherent goodwill” and giving the example of the mark “Tiffany” as an indicator of luxury, prestige and high quality); Griffiths 2008, 252 (noting that such a reputation provides emotional or psychological appeal); Kaufmann 1987, 227 (opposing legal protection of the goodwill/selling/advertising function); Ramello 2007, 76-78 (pointing out the lack of economic research on the welfare effects of this phenomenon); and Strasser 2000, 386-387 (giving the example of the mark “Mercedes” as an indicator of high quality).

⁸¹ See Dreyfuss 1990, 397; Ramello 2007, 77; Scott, Oliver & Ley-Pineda 2008, 296; Senftleben 2009, 56; and Swann & Davis 1994, 273. *Schechter* already stated in 1925 that “[...] The mark sells the goods. [...]”. See *Schechter* 1925, 150.

⁸² See Strasser 2000, 387-390 (giving the example of the mark “Ferrari” and arguing that lifestyle trade marks enable competition in mature markets).

⁸³ For instance, the brand Apple was estimated to have a value of \$ 153,634 million in 2019. See Brand Finance 2019.

⁸⁴ See Kur 2008c, 193.

as “consumer search costs”, “incentive”, “natural law/reward”, “commercial morality”, “sumptuary code” and “expressive autonomy”. This list is not exhaustive.

2.3.1 Consumer Search Costs

Numerous scholars consider the consumer search costs rationale, as it is called in economic terms and in US doctrine,⁸⁵ as the prevalent rationale for trade mark protection.⁸⁶ Trade marks are said to lower search costs for consumers because they allow consumers to distinguish more easily between different products. At the same time, the existence of trade marks encourages producers to enhance product quality and variety.⁸⁷ This law and economics approach regards trade marks as tools to achieve efficiency.⁸⁸

2.3.1.1 Trade Mark Law Protects Against Consumer Confusion

Trade marks’ ability of facilitating the communication between producers and consumers can only be fully realised if the law provides trade mark protection.⁸⁹ Trade mark law prevents consumers from being confused between signs and the products they indicate. Accurate information provided by trade marks is essential in a competitive market. According to common economic understanding, consumer welfare is served by competition since it generates lower prices and desired quality and quantity.⁹⁰ Legal protection of trade marks against consumer confusion maximises society’s wealth by serving market transparency, competition and economic efficiency.⁹¹

⁸⁵ This theory became commonly accepted under the influence of the Chicago School of law and economics. See McKenna 2007, 1845.

⁸⁶ See, e.g., Barrett 2006, 376; Bone 2006, 555; Dogan & Lemley 2004, 786-801 (arguing in this article that the goal of trade mark law - of promoting fair and robust competition through reducing consumer search costs - is threatened by an expansionist trend in Internet cases); Gilliéron 2008, 690-691; Kratzke 1991, 206; Kur 2008c, 191-192; Landes & Posner 2003, 166-168; and Landes & Posner 1987, 268-270; Lemley 1999, 1694-1695; Ohly 2011, 525; Senftleben 2011a, 1-7; and Senftleben 2011b, 383-384 (arguing that defensive protection against confusing use is sufficient, and that additional brand exploitation rights are not justified).

⁸⁷ See Economides 1988, 525-527; Landes & Posner 2003, 166-168; and Landes & Posner 1987, 268-270.

⁸⁸ See Ramello 2007, 66.

⁸⁹ See Landes & Posner 2003, 168; and Landes & Posner 1987, 270 (“[...] It should be apparent that the benefits of trademarks in lowering consumer search costs presuppose legal protection of trademarks. [...]”); and Strasser 2000, 382.

⁹⁰ See Kratzke 1991, 212-213. See also *infra*, section 2.6.2.

⁹¹ See Barrett 2006, 376; Dogan & Lemley 2004, 786-788; Kaufmann 1987, 225-226; Kratzke 1991, 212-213; and Senftleben 2012, 7.

2.3.1.2 Trade Marks Reduce Consumer Search Costs

Trade marks facilitate consumer decisions. They provide consumers with information about quality and product features which they are not able to directly notice. Without the existence of trade marks there is often an information asymmetry. Sellers know more about the unobservable features of a product than buyers.⁹²

For instance, a consumer who wishes to buy jam is confronted with a large choice on the supermarket shelf. It is not possible to taste the jams in the shop. Even if this were possible, it would be quite a hassle. Fortunately, the jams are contained in differently labelled jars. Due to previous purchases, the consumer knows which brand he favours. The existence of trade marks enables him to select the desired product. Since jam is a rather frequently bought product, the trade mark functions directly through the consumer's memory of experiences with the product.⁹³

Trade marks function indirectly for products which are less frequently consumed, such as electronics. Information about these products is often obtained through other people, the media or through experiences with different products from the same brand.⁹⁴ Imagine that a consumer wants to buy a new television. In the absence of any direct experience of his own, he may rely on recommendations from relatives and friends, product reviews or advertisements. He may also choose a certain brand because of his satisfaction with other devices from the same company, such as a laptop and mobile phone. Owing to the existence of trade marks, the consumer is able to make an informed choice.

Consumers are prepared to pay a premium for the expectation of consistent quality, based on the trade mark's goodwill established through repeated satisfactory purchases.⁹⁵ The goodwill premium is often lower than the search costs that would otherwise be necessary.⁹⁶ Hence, brand preference is not "irrational".⁹⁷

⁹² See Economides 1988, 526-527.

⁹³ See Economides 1988, 528. It can be distinguished between "search" and "experience" as information processes to determine brand preferences. See Nelson 1970, 312. The taste of jam is an "experience" quality.

⁹⁴ See Economides 1988, 531.

⁹⁵ See Bergh, Van den & Lehmann 1992, 592; Landes & Posner 2003, 168; and Landes & Posner 1987, 275.

⁹⁶ See Bergh, Van den & Lehmann 1992, 592.

⁹⁷ See McCarthy 2019, § 2:5.

2.3.1.3 Trade Marks Stimulate Product Quality and Variety

Apart from providing essential product information, trade marks give firms a long term incentive to produce a certain quality and desired product characteristics in order to keep customers satisfied.⁹⁸ It is even argued that in the absence of trade marks only the cheapest unobservable quality would be produced because firms would not be able to charge higher prices for better quality.⁹⁹ This has been illustrated by *Akerlof* in his famous article “The Market for ‘Lemons’”.¹⁰⁰

Akerlof analysed a market for used cars. The sellers of the cars know their quality, but the buyers do not. Thus, the buyers are only willing to pay the average price of a car. As a consequence, cars of higher quality will not be offered anymore. Since the average quality of the cars in the market will therefore decrease, the average price that consumers want to pay will drop as well. This again results in sellers of above-average quality cars leaving the market. The process will continue until only cars with the lowest unobservable quality are left. In this example, the information asymmetry between sellers and buyers causes a market failure. If there had been sufficient information concerning the quality of the cars, the higher quality cars would also have been sold since there was no lack of potential buyers and sellers.¹⁰¹

Besides the enhancement of quality, trade marks also stimulate variety of product features. In a competitive market, firms will try to offer something different than their competitors, which results in a wider choice for consumers. In this respect, trade marks enable producers to communicate the unobservable differences to consumers.¹⁰²

2.3.1.4 Counterarguments

Although the search costs argument receives wide support among commentators, there are also critical voices in scholarship. The search cost theory alone is not able to explain certain trade mark law doctrines. For instance, Art 10(2)(c) TMD protects marks with a reputation against the taking of an unfair advantage of the distinctive character or the repute of the trade mark. Such protection beyond consumer

⁹⁸ See Economides 1988, 526; Landes & Posner 2003, 166-168, 179; and Landes & Posner 1987, 268-270, 280.

⁹⁹ See Economides 1988, 526.

¹⁰⁰ See *Akerlof* 1970.

¹⁰¹ See *Akerlof* 1970, 489-490, 495, 499-500. See also Economides 1988, 526, fn. 10. *Van den Bergh and Lehmann* noted that the process of adverse selection described by *Akerlof* explains why quality competition is often not able to develop even in competitive markets. See *Bergh, Van den & Lehmann* 1992, 591.

¹⁰² See Economides 1988, 527.

confusion against misappropriation of a brand does not aim at reducing search costs but needs a different justification.¹⁰³

Moreover, the search cost rationale may not take full account of the richness of connotations carried by trade marks nowadays. Trade marks are often valuable assets per se rather than mere indicators of source.¹⁰⁴ Hence, it seems necessary to examine potential additional justifications for granting trade mark protection and for defining its scope.¹⁰⁵

A further critique of the consumer search costs rationale holds that it relies on uncertain empirical assumptions regarding consumer behaviour.¹⁰⁶ In addition, it is said to be based on disputable economic premises.¹⁰⁷ For instance, not all firms are interested in a long term reputation for high quality products. A trade mark owner may deliberately choose to offer an inferior product and rather spend money on marketing.¹⁰⁸ Furthermore, the theory of a perfectly competitive market contradicts the reality of product differentiation resulting in market power, barriers to entry, reduced competition, higher prices and lower welfare.¹⁰⁹

Expansions of trade mark rights with negative effects on the public interest¹¹⁰ are often criticised for not conforming to the search costs theory.¹¹¹ However, it is also put forward that excessive protection may actually be caused by strict adherence to this theory. *McKenna* asserted in his article on the normative foundations of trade mark law that the strong focus on information transmission and consumer protection in US trade mark law has considerably enabled the expansion of trade mark rights.¹¹² He argued that trade mark law traditionally protected producers against dishonest diversion of their customers,¹¹³ based on a natural rights theory of property.¹¹⁴ It was only in the 20th century that concerns of monopolies and wasteful advertising led to a normative shift from the property notion to the

¹⁰³ See Spence 2008, 324-325 (mentioning common justifications for protection against allusion on p. 326-331 and offering an alternative justification based on the expressive autonomy of the trade mark owner from p. 331 onwards). With regard to US law, see Sheff 2013, 767 (with further references in fn. 13; mentioning criticism that current trade mark doctrine, particularly expansions such as post sale confusion, sponsorship and affiliation confusion, dilution and initial interest confusion, cannot be fully explained on the basis of the consumer search costs rationale; presenting a “contractualist” approach as an alternative to the “consequentialist” theory of trade mark law).

¹⁰⁴ See *supra*, section 2.2.

¹⁰⁵ See also Dreyfuss 1990, 398.

¹⁰⁶ See Sheff 2013, 767 (with further references in fn. 14).

¹⁰⁷ See Aldred 2008, 281 (“Chicago economics no longer reflects mainstream economic thought”).

¹⁰⁸ See Aldred 2008, 270-271.

¹⁰⁹ See Aldred 2008, 272-273. See also *infra*, sections 2.4.2.2 and 2.5.2.3.

¹¹⁰ E.g., competition, consumer choice and freedom of expression.

¹¹¹ See, e.g., Lemley 1999; and *supra*, fn. 103.

¹¹² See McKenna 2007.

¹¹³ See McKenna 2007, 1850-1873.

¹¹⁴ See McKenna 2007, 1873-1895.

prevention of consumer confusion.¹¹⁵ Existing trade mark doctrines and concepts were still applied and their scope was broadened. *McKenna* attributed this to the decisive role of consumer expectations, which were influenced by the legal situation as well as by marketing power. This resulted in a spiral since broader trade mark rights created greater consumer expectations, and so forth.¹¹⁶ In a later article, *McKenna* suggested limiting the scope of trade mark protection by addressing deceptive practices that affect consumers' purchasing decisions rather than trying to eliminate all search costs or confusion.¹¹⁷

Numerous authors reasoned like *McKenna* that the concept of consumer confusion is subject to change since consumer perceptions can be easily influenced by the law and marketing.¹¹⁸ This can be illustrated by the development of merchandising practices. In the past, it used to be accepted that third parties sold articles related to popular sports teams, films, musical groups and so forth. Then, brand owners have successfully asserted exclusive rights in this regard with considerable harm to competition.¹¹⁹ The behaviour of the trade mark owners in combination with the legal recognition of their merchandising rights has led consumers to believe that only the trade mark owners themselves may sell merchandising articles. Consumers are thus more likely to assume an economic connection between a third party seller and the trade mark owner in merchandising cases.¹²⁰

An overly strong focus on preventing consumer confusion is said to be detrimental to other interests, such as free speech.¹²¹ It is therefore held that some extent of confusion may need to be accepted in cases where other values prevail.¹²²

¹¹⁵ See *McKenna* 2007, 1896-1898.

¹¹⁶ See *McKenna* 2007, 1899.

¹¹⁷ See *McKenna* 2012.

¹¹⁸ See *Austin* 2008, 386-388 (explaining that the Lanham Act has increased the repertoire of legally cognisable things about which consumers can be confused, and that the more power is exercised by brand owners, the more easily consumers get confused); *Denicola* 1982, 170 (noting that whether the public will assume participation of the trade mark owner in cases of association or connection depends on whether the law allows exploitation of consumer recognition of famous marks); *Dogan & Lemley* 2007, 1693-1695 (arguing that whether a particular use confuses consumers depends, in part, on the legal baselines that trade mark law sets; see also *infra*, section 3.7.6.2); *Dogan & Lemley* 2004, 824-825; and *McKenna* 2012, 137 (observing that legal rulings have sometimes made consumers adapt to new uses of trade marks). *Kur* explained that consumers' views change with changing market conditions, which may to some extent be shaped by powerful market players who force their competitors to refrain from the use of their purported rights or to take a license. Consequently, the public's expectation changes as well. See *Kur* 2008c, e.g., 203 (with regard to event marks); and *Kur* 2005, 838-839. See also *McGeveran* 2008b, 65, 119.

¹¹⁹ See, e.g., *Arsenal v. Reed*, [2002] ECR I-10273 (CJEU case C-206/01 Nov 12, 2002), in which a seller of Arsenal fan products was found to infringe the trade mark despite the use of disclaimers. According to the CJEU, the use of the sign was such as to create the impression that there was a material link in the course of trade between the goods concerned and the trade mark proprietor and was thus liable to jeopardise the guarantee of origin. See *Arsenal v. Reed*, *id.* at para. 56, 60.

¹²⁰ See also *Denicola* 1982, 170.

¹²¹ See *McGeveran* 2008b, 71-77, 112-113 (criticising in his article a number of US trade mark doctrines for requiring a likelihood of confusion analysis in expressive use cases resulting in a chilling effect on free speech).

¹²² With regard to free speech, see *McGeveran* 2008b, 76; and *McGeveran* 2008a, 1210, 1215, 1225. See also *Bergh, Van den & Lehmann* 1992, 589 (explaining that normative economic analysis allows consideration of other values than the efficiency

2.3.2 Incentive

According to the incentive rationale, patents and copyright are granted to incentivise innovation and creation with the aim of enriching society with technology and art.¹²³ Similarly, it can be argued that trade marks should be legally protected to encourage the establishment and maintenance of goodwill by investment in quality and advertising.¹²⁴

Indeed, without protection against consumer confusion, there would be less incentive for producers to deliver quality products.¹²⁵ Moreover, it is put forward that more comprehensive protection is needed in order to provide an incentive to create strong brands.¹²⁶

2.3.2.1 Counterarguments

Opponents argue that trade mark rights are fundamentally different from patents and copyright.¹²⁷ Trade mark law is not intended and not suitable for providing incentives to innovate and create.¹²⁸ As long as the law protects the informative function of trade marks against confusing uses by third parties, the market provides sufficient incentives to create trade marks and to invest in quality and brand reputation.¹²⁹

goal); and McKenna 2012, 87-88 (arguing that the search costs theory does not explain which search costs are relevant under trade mark law and pointing out the tension between search costs reduction and other values).

¹²³ See concerning patents, Machlup 1958, 33; and concerning copyright, Breyer 1970, 291 et seq.

¹²⁴ See McCarthy 2019, § 2:4 (“An important purpose underlying trademark law is the protection of the trademark owner’s investment in the quality of the mark and the quality of the goods or services the mark identifies”).

¹²⁵ Because consumers would be lacking information regarding unobservable quality. See *supra*, section 2.3.1.3.

¹²⁶ See Scott, Oliver & Ley-Pineda 2008, 296 (not endorsing this view).

¹²⁷ See Barrett 2006, 377, 387-388; Bone 2006, 567; Dogan & Lemley 2004, 788-789, 801; Dreyfuss 1990, 407-408; Kur 2001a, 27; Lemley 2004, 1694-1695; Lemley 1999, 1694-1695; Lemley & McKenna 2010, 174; and Rothman 2005, 166.

¹²⁸ See Lunney 1999, 456-459; and Strasser 2000, 424.

¹²⁹ See Bone 2006, 618-621; Burrell & Gangjee 2010, 547-548; Denicola 1982, 178-179; Dogan & Lemley 2004, 801; Dreyfuss 1990, 408-409; Landes & Posner 2003, 171; Landes & Posner 1987, 273; Lemley 2004, 1694-1695; Lemley 1999, 1695; Lemley & McKenna 2010, 172-177; Litman 1999, 1730, 1735; Lunney 1999, 465; Ohly 2011, 526; Rothman 2005, 166-167; Senftleben 2009, 59; and Spence 2008, 329-330. *Dreyfuss* added that there may even be an over-incentive to invest in the underlying product where the public appreciates the expressive aspects of the trade mark more than the product itself. See Dreyfuss 1990, 408.

It is controversial whether investment in brand personality should be encouraged.¹³⁰ Some claim that promoting strong brands by means of advertising causes social waste. It creates barriers to entry, increases prices and induces consumers to take buying decisions based on image instead of quality.¹³¹

It is also emphasised that granting protection against non-confusing appropriation based on the incentive argument must be balanced with the social costs involved.¹³² These may be avoided without harming the necessary incentives.¹³³

2.3.3 *Natural Law/Reward*

The natural law and reward, also called “labour-desert”,¹³⁴ rationales will be discussed jointly since they are closely connected. According to the natural law rationale, the creator has a natural right in his creation.¹³⁵ In this sense, an intellectual creation is regarded as the intellectual property of its creator.¹³⁶ The reward rationale assumes that those who create something of value to society should obtain a reward for their efforts.¹³⁷ Under this theory, the trade mark owner deserves protection of the mark’s goodwill since he is entitled to the fruits of his investment in advertising and product quality.¹³⁸

The labour theory of property originates from *Locke*. In his argumentation, the earth and all its fruits and inferior creatures in their natural state belonged to mankind in common. However, by applying the labour of his body and the work of his hands, a man could remove something from nature with the result that it became his property.¹³⁹ *Locke* called this “the law of nature”.¹⁴⁰ In his view, the property acquired by labour was restricted in the sense that one could not take more than one could make use of to any

¹³⁰ See Lemley & McKenna 2010, 176; and Spence 2008, 329-330.

¹³¹ See Brown 1948 (rejecting protection of the persuasive function of trade symbols); Landes & Posner 2003, 173-174; Landes & Posner 1987, 274-275 (disproving this argument); and Lemley & McKenna 2010, 176 (with references in fn. 180). See also *infra*, section 2.5.2.2.

¹³² See Bone 2006, 619 (noting the social costs of higher prices resulting in deadweight loss, enforcement and rent-seeking costs and conflicts with free speech and with the limits of patent and copyright law); Griffiths 2008, 264 (referring to the negative effect on competition); and Scott, Oliver & Ley-Pineda 2008, 297 (mentioning restrictions of competition and expression, including the use of trade marks as significant designations of our language).

¹³³ See Denicola 1982, 179.

¹³⁴ See Bone 2006, 616.

¹³⁵ See Bone 2006, 616.

¹³⁶ See Klippel 2015, 59-61 (discussing the term “intellectual property” from an historical perspective).

¹³⁷ See Strasser 2000, 422.

¹³⁸ See Bone 2006, 582 (explaining an early twentieth century view with regard to investment in advertising), 616 (questioning the moral argument for misappropriation-based liability); and Dreyfuss 1990, 403 (worried about free speech if this argument is accepted).

¹³⁹ See Locke 1764, §§ 26-27.

¹⁴⁰ See Locke 1764, §§ 31.

advantage of life before it spoiled.¹⁴¹ Though *Locke's* theory was concerned with material goods, it has been applied to intellectual property as well.¹⁴²

The natural law and reward rationales could be interpreted as favouring broad trade mark rights. Under this approach, a trade mark owner may not only claim a right to the signalling function of his mark but also to the additional value which has accrued to the mark.¹⁴³ However, it may also be argued that the natural right or reward granted in exchange for investment in a trade mark should be more limited in scope.¹⁴⁴

2.3.3.1 Counterarguments

Critics point out that even if inventiveness and creativity justify a natural right or an award for inventors and authors,¹⁴⁵ it is not appropriate to grant exclusive trade mark rights merely for coming up with a new commercial symbol or for establishing brand reputation.¹⁴⁶ It is questionable whether investment in advertising to build brand goodwill is socially beneficial and should be rewarded.¹⁴⁷

It is also observed that it is not only the trade mark owner who has made investments in the mark. In gaining value and reputation, the public plays an essential role as well.¹⁴⁸ In addition, successful brand owners are already rewarded by obtaining a market advantage.¹⁴⁹

¹⁴¹ See Locke 1764, §§ 31.

¹⁴² See Klippel 2015, 61.

¹⁴³ See Dreyfuss 1990, 404 (opposing protection of this “surplus value”); and Scott, Oliver & Ley-Pineda 2008, 297-305 (concluding that the Lockean idea cannot justify protection against trade mark dilution).

¹⁴⁴ According to *McKenna*, American courts in the nineteenth century protected producers from illegitimate trade diversion by recognising a natural right (or property right) to the patronage of their customers, instead of pursuing economic efficiency. Nonetheless, trade mark rights were quite limited at that time, and the rights of others were taken into account. See *McKenna* 2007.

¹⁴⁵ Note that the natural law/reward rationales have even been criticised with regard to patents and copyright. See with regard to patents, Machlup 1958, 21-23; and with regard to copyright, Breyer 1970, 285-286 (reward rationale), 284, 289-290 (natural law rationale); and Geiger 2006, 379-381.

¹⁴⁶ See Rothman 2005, 166; Senftleben 2009, 60; Sheff 2013, 772 (with further references in fn. 43); Spence 2008, 330; and Strasser 2000, 423.

¹⁴⁷ See *supra*, section 2.3.2.1.

¹⁴⁸ See Wilf 1999 (arguing that trade marks are jointly created by the producer and the public, and that the public's authorial role entitles it to a public domain). See also Burrell & Gangjee 2010, 552; Dreyfuss 1990, 407; Lemley & McKenna 2010, 182; Litman 1999, 1730; Naser 2009, 189-191; Rothman 2005, 167; Scott, Oliver & Ley-Pineda 2008, 299; and Senftleben 2012, 19.

¹⁴⁹ See Spence 2008, 330-331.

The goodwill of a trade mark is the result of investment, which is not generally protected but exposed to the risks of the competitive market.¹⁵⁰ Recognising a natural right to control the fruits of one's own labour would condemn all competition as morally wrong.¹⁵¹

On top of that, copyright and patent protection are limited in time, which ensures that the works and inventions at some point enter the public domain to the benefit of society. Trade mark protection, however, can be prolonged endlessly.¹⁵²

2.3.4 Commercial Morality

Trade mark protection against consumer confusion could be grounded on the principle that intentionally deceiving consumers by using a confusingly similar mark is morally wrong.¹⁵³ Besides the deception of consumers, it could be said to be unfair for third parties to profit from the goodwill of a mark which has been created by the investments of its owner in product quality and advertising.¹⁵⁴ Different qualifications are used in this regard, such as “unjust enrichment”, “free riding”, “parasitism”, “palming off”, “trading on the goodwill”, “riding on another's coattails” or “reaping where one has not sown.”¹⁵⁵ These labels are not only applied when the third party's use of the trade mark causes consumer confusion but also when the third party has merely benefitted without harming the trade mark owner.¹⁵⁶

The commercial morality rationale has the strength of unifying trade mark and unfair competition law. These two areas of law are very closely related and are both directed at eliminating unfair commercial conduct.¹⁵⁷ The concept of “fairness” plays a major role not only in unfair competition law but also in trade mark law.¹⁵⁸

¹⁵⁰ See Ohly 2011, 527.

¹⁵¹ See Bone 2006, 616-617; and Kratzke 1991, 219-220.

¹⁵² See Senftleben 2009, 60.

¹⁵³ See Bone 2004, 2108; Ohly 2011, 525; and Spence 2008, 324.

¹⁵⁴ See Bone 2006, 551, 616-618; Dreyfuss 1990, 403-404; and McCarthy 2019, § 2:9.

¹⁵⁵ See Bone 2004, 2111, 2113, fn. 42; Bone 2006, 551; Dreyfuss 1990, 404; Lemley 2005, 1044; and McCarthy 2019, §§ 2:4, 2:23. See also *L'Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 41. References to reaping and sowing can be found throughout the Bible, e.g., Luke 19:22.

¹⁵⁶ See, e.g., *L'Oréal v. Bellure*, *id.* at para. 41, 43, 49-50 (finding that the taking of unfair advantage under Art 10(2)(c) TMD (formerly: Art 5(2) TMD) does not require that there be a likelihood of confusion or a likelihood of detriment but merely that the other party seeks “to ride on the coat-tails of the mark with a reputation in order to benefit from the power of attraction, the reputation and the prestige of that mark and to exploit, without paying any financial compensation, the marketing effort expended by the proprietor of the mark in order to create and maintain the mark's image”). See also Lemley 2005, 1045.

¹⁵⁷ See *infra*, fn. 434. *McKenna* argued that trade mark law was traditionally a kind of unfair competition law, which protected producers against unfair diversion of their customers. See McKenna 2007, 1850-1873; and *supra*, section 2.3.1.4.

¹⁵⁸ See, e.g., Recital 27; and Arts 10(2)(c) and 10(6) TMD.

One aspect of the principle of commercial morality is respect for another's autonomy. For instance, even if a third party's product is of at least the same quality as that of the trade mark owner, a consumer may still want to be assured where the product originates from. In this case, consumer autonomy may require that the third party does not use the trade mark for its product.¹⁵⁹

2.3.4.1 Counterarguments

Critics hold that the enrichment obtained by using another's trade mark is not necessarily "unjust".¹⁶⁰ As long as consumers are not confused, use of a trade mark by a competitor may serve society without causing harm to the origin function of the mark.¹⁶¹ Allowing third parties to benefit from the positive externalities of popular brands may enhance consumer information¹⁶² and the public may benefit from lower prices.¹⁶³ Free riding can counterbalance the anticompetitive effects of otherwise existing market power.¹⁶⁴ It is often observed that free-riding is part of our society and inherent in competition.¹⁶⁵ Thus, in order to qualify enrichment as "unjust", a separate justification for trade mark protection must be invoked.¹⁶⁶

A further problem with the commercial morality rationale is that fairness is a vague legal concept, which must be normatively interpreted.¹⁶⁷ Whether or not a certain business practice is considered fair depends, for instance, on how familiar it is.¹⁶⁸ In this regard, the notion of commercial morality may be affected by the legal situation and marketing power.¹⁶⁹

¹⁵⁹ See McCarthy 2019, § 2:24 (reasoning that consumers have the right to be told the truth about origin, sponsorship and affiliation even in the absence of financial injury); and Sheff 2013, 800-801 (offering a "contractualist" explanation for the way courts consider product quality in infringement cases). See also Bone 2004, 2109-2111 (rejecting the consumer autonomy argument). *Bone* explained the rule that liability is independent of product quality on grounds of minimisation of enforcement costs. See Bone 2004, 2139-2143. Other reasons for this rule may be the risk that the quality of the third party's product could deteriorate (see Bone 2004, 2138; and Sheff 2013, 799-800) or providing sufficient incentives to invest in the goodwill of the mark (see Bone 2004, 2138-2139).

¹⁶⁰ See Bone 2006, 616; Bone 2004, 2111; Kratzke 1991, 223; and Spence 2008, 330.

¹⁶¹ See Kratzke 1991, 223.

¹⁶² See Gilliéron 2008, 704; and Goldman 2009, 418-419 (referring to these positive externalities as "brand spillovers").

¹⁶³ See Brown 1948, 1204.

¹⁶⁴ See Lunney 1999, 451.

¹⁶⁵ See Austin 2008, 373; Bone 2004, 2111; Burrell & Gangjee 2010, 547-548; Dogan & Lemley 2008, 73; Dogan & Lemley 2007, 1694; Dreyfuss 2008, 285; Lunney 1999, 446; Rothman 2005, 162; Spence 2008, 330; Tushnet 2008a, 557; and Tushnet 2008b, 322.

¹⁶⁶ See Spence 2008, 330.

¹⁶⁷ See with regard to the concept of "Unlauterkeit", Podszun in: Harte-Bavendamm & Henning-Bodewig 2016, UWG § 3, para. 121-166; and Sosnitza in: Ohly & Sosnitza 2016, UWG § 3, para. 14-44.

¹⁶⁸ See Lemley & McKenna 2010, 184 (questioning the universality of the instinct that free riding is wrong).

¹⁶⁹ See *supra*, section 2.3.1.4 with respect to consumer perceptions.

2.3.5 *Sumptuary Code*

Apart from the established theories covered above, it is worthwhile discussing *Beebe*'s revealing account of the evolution of certain trade mark doctrines, which he offered in his article on intellectual property law and the sumptuary code.¹⁷⁰ *Beebe*'s theory does not concern a classical rationale for trade mark protection, explaining aspects such as scope and duration of protection. Rather, it provides a sociological explanation for certain developments in intellectual property law which *Beebe* critically observes. According to *Beebe*, intellectual property law is currently being applied to safeguard the sumptuary code.¹⁷¹ A sumptuary code is a system which differentiates members of society through their consumption practices.¹⁷²

Beebe pointed out that the sumptuary code is at present being threatened by powerful copying technologies which diminish the distinctiveness of material goods and hence their ability to confer consumption-based social distinction. Intellectual property law provides a means to control the sumptuary code by imparting an aura of uniqueness to products.¹⁷³

Of relevance for the present purpose are *Beebe*'s considerations concerning trade mark dilution.¹⁷⁴ He observed that courts and commentators in the US and elsewhere often reject the antidilution cause of action for the reason that it does not comply with the search costs theory. However, in *Beebe*'s view, dilution is not about a trade mark's function of source identification but rather affects its uniqueness, which enables social differentiation among consumers.¹⁷⁵ *Beebe* noted that courts are generally willing to protect such uniqueness, for which they have modified other trade mark doctrines.

For instance, courts have expanded the notion of consumer confusion by recognising so-called "post sale" confusion. Even if purchasers are not confused concerning the source of the product at the point of sale,¹⁷⁶ other people, who see the product later, may not be able to distinguish between the original and a knockoff. The pervasive presence of knockoffs harms a brand's rarity and reputation for exclusiveness to the detriment not only of the brand owner but also of the purchasers of the originals.

¹⁷⁰ See *Beebe* 2010.

¹⁷¹ See *Beebe* 2010, 813-814.

¹⁷² See *Beebe* 2010, 812.

¹⁷³ See *Beebe* 2010, 815-816, 818, 844.

¹⁷⁴ See *Beebe* 2010, 845-859.

¹⁷⁵ See *Beebe* 2010, 849-850.

¹⁷⁶ Point of sale confusion may be prevented by the circumstances of the purchase, e.g. price, place or presence of disclaimers. See also *McKenna* 2012, 102.

Protection against post sale confusion prevents the product from becoming commonplace and thus preserves the sumptuary order.¹⁷⁷

Courts' attempt to control the sumptuary code becomes even more obvious through the recognition of the doctrine of misappropriation, in Europe referred to as the taking of "unfair advantage". Under this theory, it is considered unfair to acquire the prestige of a branded product without paying financial compensation.¹⁷⁸

In addition, the doctrine of tarnishment, in Europe called "detriment to the repute" of the trade mark, is being applied to protect differential distinctiveness rather than substantive meaning. If a mark's reputation for uniqueness is diluted, tarnishment can be found. It is not necessary to prove that the mark has been linked to low quality products or that it has been used in a detrimental context.¹⁷⁹

Beebe expects that intellectual property law will ultimately not succeed in preserving the sumptuary code. New forms of distinction arise constantly, which is even promoted by intellectual property law in its progressive mode. Finally, taken to the extreme, there will be such an abundance of rarities that people become indifferent to distinction.¹⁸⁰ *Beebe* regards this as normatively desirable. In his vision, consumption-based social distinction will be replaced by production-based social distinction. Under this commons-based system, the individual achieves distinction through gifts (e.g. via open source or creative commons) rather than through consumption.¹⁸¹ As a matter of policy, he sees a role for intellectual property law to propagate this system and to design rules that enable attribution.¹⁸²

¹⁷⁷ See *Beebe* 2010, 851-853. See also *Lunney* 1999, 407-408; *McKenna* 2012, 104; *McKenna* 2007, 1907-1908; and *Sheff* 2013, 802-804. *Lunney* questioned whether prestige goods generated any net increase in social welfare and held that there was no apparent reason why competition should not apply to prestige goods. See *Lunney* 1999, 408, 467-469.

Another explanation for recognising the doctrine of post sale confusion is that an observer of a knockoff product with bad quality might be deterred from buying the trade marked product in the future. See *Lunney* 1999, 407; *McKenna* 2012, 103; and *Sheff* 2013, 802 (calling this "bystander confusion"). *McKenna* rejected this argument since it was not at all clear whether the casual observer intended to buy the product. See *McKenna* 2012, 103; and *McKenna* 2007, 1907-1908. *Lunney* found it "difficult to believe that such confusion would actually prove very widespread, particularly as consumers became aware of the need to separate more precisely imitators from the original." See *Lunney* 1999, 407.

Bone was skeptical about protection against post sale confusion merely based on goodwill appropriation considerations but acknowledged that it could as well serve information transmission policies if potential consumers were dissuaded from buying the plaintiff's product after seeing defendant's inferior product. See *Bone* 2006, 607-612

¹⁷⁸ See *Beebe* 2010, 854-856.

¹⁷⁹ See *Beebe* 2010, 857-859.

¹⁸⁰ See *Beebe* 2010, 880-884.

¹⁸¹ See *Beebe* 2010, 884-885.

¹⁸² See *Beebe* 2010, 885-887.

2.3.5.1 Counterarguments

As noted above, *Beebe*'s theory does not provide a comprehensive justification for trade mark law, but it is able to explain certain expansions of trade mark law from a sociological point of view. As recognised by *Beebe* himself, it should not be a social aim to stimulate preservation of the sumptuary code through intellectual property law. The interests to be considered are not only those of prestigious brand owners and the buyers of those products but also those of the general public and the people who cannot afford such products.

2.3.6 Expressive Autonomy

Spence offered a justification for protection against allusion to a trade mark. He used the term "allusion" as referring to uses of a mark which do not cause consumer confusion but which take unfair advantage of, or cause unfair detriment to, the distinctive character or reputation of a mark.¹⁸³

This justification is based on speaker autonomy. It assumes that freedom of speech does not only include freedom from unjustified restriction of expression and a right to be heard but also freedom from being forced to express or subsidise a message with which one does not wish to be associated.¹⁸⁴ This freedom may be impaired where someone uses a sign that alludes to a mark in such a way that the mark owner does not want to be associated with, or does not endorse, the resulting connotations.¹⁸⁵

Spence additionally suggested limitations to protection against allusion, which he grounded in the expressive autonomy of the third party.¹⁸⁶ In his opinion, allusion to a mark should be allowed where it is necessary to adequately comment upon or identify the mark, its owner or the goods or services offered under the mark. In particular, competitors should be able to indicate the substitutability of a branded product to consumers.¹⁸⁷ In addition, allusive uses should be permitted where a mark has gained an indexical function of specific associations, such as "Barbie" for a particular understanding of womanhood.¹⁸⁸

¹⁸³ See Spence 2008, 325.

¹⁸⁴ See Spence 2008, 331.

¹⁸⁵ See Spence 2008, 334.

¹⁸⁶ See Spence 2008, 337-340.

¹⁸⁷ See Spence 2008, 337-338.

¹⁸⁸ See Spence 2008, 338.

2.3.6.1 Counterarguments

The expressive autonomy rationale intends to justify protection against non-confusing uses of trade marks. However, in view of the broad limitations proposed by *Spence*, there appears to be little scope left for this kind of trade mark protection. There are indeed numerous countervailing interests in such situations, including the freedom of expression of the party alluding to the mark, as recognised by *Spence*.¹⁸⁹ The theory of expressive autonomy does not provide an answer to the question whose claim prevails under which circumstances: that of the trade mark owner or that of the third party.

It may furthermore be objected, as also acknowledged by *Spence* himself, that a rationale based on expressive autonomy does not appear particularly suitable with regard to trade mark owners, which are usually companies,¹⁹⁰ as opposed to, for instance, creators of works of art. Moreover, trade marks concern commercial speech, which is protected to a lesser extent.¹⁹¹

2.4 Property Theory

The term “property” has already occurred in the discussion of the previous section. Trade marks are generally referred to as industrial or intellectual “property”¹⁹² in relation to which the “owner”,¹⁹³ “holder” or “proprietor”,¹⁹⁴ has “exclusive rights”.¹⁹⁵ This language suggests control by trade mark owners.¹⁹⁶ Indeed, within certain boundaries, trade mark owners can exclude others from using their marks.¹⁹⁷ In addition, trade marks as objects of property¹⁹⁸ can be transferred,¹⁹⁹ licensed,²⁰⁰ levied in execution,²⁰¹ or be given as security or be the subject of rights in rem.²⁰²

¹⁸⁹ See *Spence* 2008, 337-340.

¹⁹⁰ See *Spence* 2008, 336.

¹⁹¹ See *Spence* 2008, 336. See also *infra*, section 2.6.1.3.

¹⁹² See, e.g., Art 1(2) Paris Convention (“The protection of industrial property has as its object [...], trademarks, [...]”); and Art 1(2) TRIPs in conjunction with Part II, Section 2 (“For the purposes of this Agreement, the term “intellectual property” refers to all categories of intellectual property that are the subject of Sections 1 through 7 of Part II.”).

¹⁹³ See, e.g., Part II, Section 2 TRIPs.

¹⁹⁴ See, e.g., Arts 5(C) and 6septies Paris Convention and throughout the TMD.

¹⁹⁵ See, e.g., Art 10(1) TMD and Art 16(1) TRIPs.

¹⁹⁶ See *Landes & Posner* 2003, 12 (“A property right is a legally enforceable power to exclude others from using a resource [...]” and “[...] Thus a property right includes both the right to exclude others and the right to transfer the property to another.”).

¹⁹⁷ See, e.g., Section 3 TMD.

¹⁹⁸ See, e.g., Recital 34 and Section 5 TMD.

¹⁹⁹ See, e.g., Art 22 TMD.

²⁰⁰ See, e.g., Art 25 TMD.

²⁰¹ See, e.g., Art 24 TMD.

²⁰² See, e.g., Art 23 TMD.

Property rights may be justified by the rationales discussed above, for instance the natural law/reward or incentive rationale. Also in connection with the consumer search costs rationale, it is argued that protection of trade marks as property rights contributes to economic efficiency by stimulating investment in quality and by reducing consumer search costs.²⁰³

Depending on the approach, the use of the term “property” in connection with trade marks may either indicate absolute protection against any third party use or more qualified protection in specific circumstances.

According to one interpretation of the property theory, a trade mark should be regarded as the property of its owner with an absolute right to exclude others from its use.²⁰⁴ In this view, the property theory assumes the full internalisation of positive externalities and thus condemns free riding by third parties on the trade mark owner’s goodwill.²⁰⁵ Infringement can be established by the mere unauthorised use of the mark without the need to show consumer confusion.²⁰⁶

Other interpretations of the property theory support more limited trade mark protection. For instance, it is maintained that property rights do not subsist in the mark itself but only in the goodwill attached to the mark.²⁰⁷ It is furthermore held that using another’s mark constitutes an infringement only where it causes consumer confusion.²⁰⁸

Opponents of the property theory comment that simply calling a trade mark or the goodwill attached to it “property” does not justify the grant of absolute rights. Rather, such rights need to be motivated by appropriate policy goals.²⁰⁹ The term “property” carries the risk that the interests of the trade mark owner

²⁰³ See Landes & Posner 2003, 166-168; and Landes & Posner 1987, 268-270 (classifying trade marks as a form of property).

²⁰⁴ See Bone 2006, 561-562 (explaining that English and American courts of equity in the nineteenth century justified their jurisdiction to grant injunctions by treating trade marks as property); Dogan & Lemley 2004, 800 (pointing out the problems with the property interpretation); Fezer 2009, MarkenG Einl. C, para. 8-10 (arguing that the interests of the owner of a trade mark, being a subjective right protected as property by the Constitution, prevail in case of doubt); and Prüfer-Kruse 2010, 41 (noting that this opinion assumes that trade marks are constitutionally comprehensively protected as property rights against any use by third parties).

²⁰⁵ See Lemley 2005, 1037-1044 (criticising the tendency to apply real property rhetoric and rationale to intellectual property); and Swann & Davis 1994 (in favour of protecting trade marks’ positive associations as property rights).

²⁰⁶ See Bone 2006, 564-565 (describing the American view in the late nineteenth century); Lemley 2005, 1042 (disapproving the development of trade mark law in the direction of property rights); and Swann & Davis 1994 (advocating trade mark protection against free riding or negative associations beyond confusion or dilution).

²⁰⁷ This seems to have been the US position in the nineteenth and at the beginning of the twentieth century. See Bone 2006, 567-572 (suggesting that the focus on goodwill can be explained by its usefulness for handling problems with classifying trade marks as property rights); and McKenna 2007, 1881-1886 (reasoning that property rights existed in consumer patronage, also called “goodwill”, which was protected against dishonest diversion of trade).

²⁰⁸ See Bone 2006, 571-572 (explaining that the goodwill-as-property theory was used to consolidate property-based and fraud-based theories since appropriation of goodwill presumed misleading customers with regard to the source of the products).

²⁰⁹ See Bone 2006, 585-589 (describing the legal realist attack in the first decades of the twentieth century on the natural law theory of property rights); Kratzke 1991, 221-223 (reasoning that trade mark protection should only be provided to the extent that it enhances interbrand competition and listing a number of reasons for not treating trade marks as “property”); Lunney

are subliminally regarded as normatively prevailing over competing interests.²¹⁰ The same applies to the notions of “appropriation” and “free-riding”.²¹¹ Assuming absolute property in goodwill and thus in consumer patronage could lead to the assumption that all kinds of competition are illegal.²¹² However, a competitor can also attract consumers away from the trade mark owner by merely referring to the mark without creating source confusion.

It is also observed that the argument that a mark has economic value and should thus be protected by the law as property results in circular reasoning since that value actually depends on the extent to which the mark is legally protected.²¹³

In addition, it is noted that, even if one wishes to qualify trade marks as “property”, one should be aware that a special kind of property is meant.²¹⁴ The rationales for intellectual property protection are completely different from those for protection of real property.²¹⁵ Besides, even real property does not imply unlimited rights and internalisation of all positive externalities.²¹⁶ The property concept does in any case not adequately describe trade mark doctrine, which does not grant a general right to exclude others.²¹⁷ Unlike, for instance, in real estate, patent and copyright law, the scope of protection in trade mark law depends on consumer perceptions.²¹⁸

1999, 420 (arguing that the “property” label is not helpful in deciding on a trade mark regime; instead, the welfare consequences of trade mark protection should be examined); and Spence 2008, 328 (requiring separate justification for each use reserved to the right holder).

²¹⁰ See Denicola 1982, 165; Henning-Bodewig & Kur 1988, 266-267; and Ohly 2011, 527-528.

²¹¹ See Kratzke 1991, 219-221.

²¹² See Bone 2006, 616-617 (observing that the labor-desert argument would condemn all competition as morally wrong since it involves taking customers and thus value from a competitor); and Kratzke 1991, 219-220 (noting that most competitive endeavours involve appropriation of customers but that this is not necessarily wrongful).

²¹³ See Cohen 1935, 815. See also Bone 2006, 587. *Prüfer-Kruse* commented that the scope and limitations of trade mark rights are defined in the applicable trade mark law rather than by the recognition of a constitutionally protected property right. See *Prüfer-Kruse* 2010, 41.

²¹⁴ See Landes & Posner 2003, 11-36 (pointing out differences between physical and intellectual property). Due to such differences, *Lemley* questioned the use of the property label. See *Lemley* 2005, 1071.

²¹⁵ See Dogan & Lemley 2004, 801; and Dreyfuss 1990, 407. Copyright and patent law are aimed at providing incentives to create and innovate. The rationales for trade mark law are discussed in this chapter. Real property rights may be justified by preventing a “tragedy of the commons”, which occurs when a finite natural source is depleted by overuse. See *Lemley* 2005, 1050-1051.

²¹⁶ See Dogan & Lemley 2004, 800; and *Lemley* 2005, 1048.

²¹⁷ See Denicola 1982, 165.

²¹⁸ See McCarthy 2019, § 2:10.

A further concern is that treating trade marks as property results in substantial costs to society.²¹⁹ This is even more troublesome since, in contrast to copyright and patent protection, trade mark protection can be extended without limitation.²²⁰

2.5 Trade Mark Functions

The trade mark rationales examined above concern theoretical justifications for trade mark law. The CJEU does not directly mention these rationales. Instead, it has developed a theory of trade mark functions. The trade mark rationales are indirectly acknowledged to the extent they correspond with the trade mark functions.²²¹

The doctrine of the trade mark functions describes the tasks and effects of a trade mark in the market.²²² It must be distinguished between the question which functions a trade mark fulfils economically and the question which functions are legally relevant to which extent.²²³ This section will set out the understanding of the different trade mark functions in theory. It will be demonstrated below that the CJEU takes various interests and policies into consideration in determining whether a particular trade mark function has been adversely affected in specific circumstances.²²⁴

Before entry into force of the European legal instruments in the field of trade mark law, there was a split on the national level between different jurisdictions, as well as legal commentators, with regard to the question whether trade mark law should merely protect the origin function, or whether it should provide broader protection.

The Benelux Trade Mark Act, which came into force in 1971, already provided extensive protection of “modern” functions of a mark as a carrier of goodwill and guarantee indication.²²⁵ Before that, Dutch trade mark law only covered uses which indicated the origin of the product.²²⁶

²¹⁹ See Landes & Posner 2003, 16-21, 172-173 (in relation to intellectual property mentioning particularly high transaction costs, rent seeking, costs of protection and reduction of access, though qualifying this with regard to trade mark protection); and Lemley 1999, 1696, 1710-1713 (worried about suppression of political and social commentary and works of art, higher prices due to competition impediments, poorer language and culture, higher transaction costs, less legal certainty and opportunistic behaviour).

²²⁰ See Rothman 2005, 166.

²²¹ E.g., the search costs rationale justifies protection of the origin function.

²²² See Fezer 2009, MarkenG Einl. D, para. 1. For an elaborate examination of the trade mark functions, see Henning-Bodewig & Kur 1988, 4-24, 227-268.

²²³ See Henning-Bodewig & Kur 1988, 228; Kur 2001a, 24-25; and Prüfer-Kruse 2010, 21.

²²⁴ See *infra*, sections 3.5.7.4-3.5.7.7.

²²⁵ See Arkenbout 1991, 96.

²²⁶ See Verkade 1992, 93, para. 6.

According to the prevailing opinion under the former German Trade Mark Act, the Warenzeichengesetz (WZG), the origin function was regarded as the only legally protected trade mark function and infringement was restricted to uses which distinguished the commercial origin of the products.²²⁷ This opinion originated as an argument in favour of international exhaustion of trade mark rights.²²⁸ It was reasoned that a trade mark served to designate the origin of the goods. The exclusive right protected against confusion in this regard. After being put on the market by the trade mark owner, the further distribution of the original branded goods into another country did not deceive the public concerning their origin and quality and could therefore not be enjoined.²²⁹ However, there were also critics who advocated protection of further trade mark functions.²³⁰ After the entry into force in 1995 of the current German Trade Mark Act, the Markengesetz (MarkenG), which substantially broadened the ambit of trade mark law,²³¹ it was argued by some that all economic functions of a trade mark were protected.²³²

Currently, European trade mark law protects more than the origin function of a mark.²³³ For example, Arts 10(2)(c) TMD protects trade marks with a reputation against misappropriation and harm to distinctiveness and reputation.²³⁴ Even under Art 10(2)(a) TMD, which applies if both the signs and the products are identical, the CJEU has recognised the protection of several additional functions beyond the origin function, for instance, those of advertising and investment.²³⁵

²²⁷ See Fezer 2009, MarkenG § 14, para. 156-158; Henning-Bodewig & Kur 1988, 228 (with references in fn. 34); and Kur in: Kur, Von Bomhard & Albrecht 2019, MarkenG Einl., para. 124.

²²⁸ See Kur in: Kur, Von Bomhard & Albrecht 2019, MarkenG Einl., para. 124.

²²⁹ See Beier 1968, 13-15.

²³⁰ See Fezer 2009, MarkenG § 14, para. 161 (with references).

²³¹ See Kur in: Kur, Von Bomhard & Albrecht 2019, MarkenG Einl., para. 128.

²³² See, e.g., Fezer 1997, MarkenG Einl., para. 35.

²³³ According to Recital 16 TMD, the function of the protection afforded by the registered trade mark is “in particular” to guarantee the trade mark as an indication of origin.

²³⁴ While protection of a mark’s distinctiveness and reputation can to some extent still be justified by the consumer search costs rationale, this certainly does not apply to protection against misappropriation. See Lemley 2004, 1704; and Ohly 2011, 526. Kur noted that the protection of marks with a reputation had blurred the traditionally strict border between trade mark rights and other intellectual property rights. Such protection had departed from the original purpose of trade mark law to indicate the commercial origin of the goods or services. Instead, it had established exploitation rights. See Kur 2001a, 29-30.

²³⁵ See, *inter alia*, *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 38-40; *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 77, 79; and *L’Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 58, 65. This has been heavily criticised. See European Commission (reported by Ohly 2010a, 778, fn. 15); Hacker 2009, 337; *Jacob LJ in: L’Oréal v. Bellure*, [2010] EWCA (Civ) 535 (May 21, 2010), para. 30; Ohly 2010a, 782; Senftleben 2011a, 12-14, 28; Senftleben 2011b, 385; Senftleben 2010a, 349-350; and Hacker in Hacker 2018, MarkenG § 14, para. 105-106. The MPI study stated that it should be accepted as a principle for the future practice that the additional trade mark functions would not play an autonomous role in defining the scope of protection under the former Art 5(1)(a) (now: 10(2)(a)) TMD. The focus on the trade mark functions was said to have blurred the picture. See MPI Trade Mark Study 2011, para. 2.179, 2.184.

The terminology regarding the trade mark functions is not always consistent. Courts and commentators apply different wordings and there exist substantial overlaps between, as well as differentiations within, the various functions. Thus, the exact designation should not be accorded too much weight. For ease of reference, this book attempts to follow the classification of the CJEU as far as possible.

2.5.1 *Origin Function*

The origin function ensures distinction between the products of different companies.²³⁶ A trade mark identifies and distinguishes a product from competing products. It may as such be compared with a human being's name or signature.²³⁷ The CJEU designates the origin function as the “essential” function of a trade mark:

[...] the essential function of a trade mark is to guarantee the identity of origin of the marked goods or services to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the goods or services from others which have another origin. For the trade mark to be able to fulfil its essential role in the system of undistorted competition which the Treaty seeks to establish and maintain, it must offer a guarantee that all the goods or services bearing it have been manufactured or supplied under the control of a single undertaking which is responsible for their quality. [...]²³⁸

As becomes clear from this definition, the term “origin function” may be considered too narrow. It is not required that the consumer knows the origin of the products in terms of the manufacturer or place of production. Rather, the trade mark indicates that one company controls its use to distinguish the marked products from those of other companies.²³⁹ This function is thus also referred to as “distinguishing”,

²³⁶ Art 3(a) TMD requires that a trade mark is “capable of distinguishing the goods or services of one undertaking from those of other undertakings”.

²³⁷ See Landes & Posner 2003, 167 (“[...] The benefit of the brand name is thus analogous to that of designating individuals by names rather than by descriptions.”); Landes & Posner 1987, 269; and McCarthy 2019, § 3:9 (explaining that trade marks answer the question “Who are you?”).

²³⁸ See *Arsenal v. Reed*, [2002] ECR I-10273 (CJEU case C-206/01 Nov 12, 2002), para. 48 (consistent case law of the CJEU).

²³⁹ See *Economides* 1988, 527 (“[...] Presently the trademark typically identifies the product (the full combination of features that constitute the product), and its role of identifying the source is secondary in the minds of consumers. [...]”); and as early as 1925, *Schechter* 1925, 148, 150 (noting the “[...] indifference of the public to the actual physical origin or ownership of the goods in question [...]”, and that “[...] A trade-mark merely guarantees to the consumer that the goods in connection with which it is used emanate from the same source or have reached the consumer through the same channels of trade as certain other goods that have given the consumer satisfaction and that bore the same trade-mark. [...]”). According to the CJEU, a trade mark must offer a guarantee that all the goods or services bearing it have been manufactured or supplied under the control of a single undertaking which is responsible for their quality. See, *inter alia*, *Arsenal v. Reed*, [2002] ECR I-10273 (CJEU case C-206/01 Nov 12, 2002), para. 48. See also *Henning-Bodewig & Kur* 1988, 231-232; *Kaufmann* 1987, 226; *Kur* 2001a, 29, fn.

“individualising”, “identifying” or “informational”.²⁴⁰ Nonetheless, the term “origin function”, understood broadly, will continue to be used throughout this book to adhere to the terminology of the CJEU. The origin function corresponds with the consumer search costs rationale.²⁴¹ In order to ensure that trade marks can fulfil this function, it is crucial to prevent consumer confusion.²⁴²

2.5.2 Advertising Function

The advertising function designates the ability of a trade mark to attract customers, that is, the mark’s positive associations or goodwill.²⁴³ Trade marks form the main element in promoting goods or services through advertising.²⁴⁴ Other designations for the advertising function are, for instance, “goodwill”, “selling” or “soliciting” function.²⁴⁵

It could be maintained that the advertising function is to a certain extent automatically protected through the legal recognition of the origin function,²⁴⁶ which guarantees the trade mark’s ability to distinguish a product along with its characteristics, image and other associations communicated by the mark. However, pursuant to the CJEU, the advertising and other trade mark functions are independently protected under Art 10(2)(a) TMD, also in situations in which the origin function is not impaired.²⁴⁷ According to the CJEU in *Google v. Louis Vuitton*,²⁴⁸ the trade mark proprietor may prohibit a third party’s use of the mark “where that use adversely affects the proprietor’s use of its mark as a factor in sales promotion or as an instrument of commercial strategy.”²⁴⁹ The Court recognised that the trade mark proprietor may want to use “its mark for advertising purposes designed to inform and persuade

26; Kur 1999, 8; (calling this the “marking sovereignty” (“Kennzeichnungssouveränität”) of the trade mark owner); and McCarthy 2019, §§ 3:10-11.

²⁴⁰ See Fezer 2009, MarkenG Einl. D, para. 1, 27; Henning-Bodewig & Kur 1988, 5; Kratzke 1999, 205; and McCarthy 2019, § 3:8.

²⁴¹ See Strasser 2000, 380.

²⁴² See Senfleben 2009, 47.

²⁴³ See Fezer 2009, MarkenG Einl. D, para. 9; and Henning-Bodewig & Kur 1988, 6, 241.

²⁴⁴ See McCarthy 2019, § 3:13.

²⁴⁵ See Kaufmann 1987, 227-228.

²⁴⁶ See Kaufmann 1987, 227-228.

²⁴⁷ See, *inter alia*, *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 38; *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 77; and *L’Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 58, 65.

²⁴⁸ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

²⁴⁹ See *Google v. Louis Vuitton*, *id.* at para. 92.

consumers”.²⁵⁰ In this respect, two kinds of advertising functions may be distinguished: the informative and the persuasive advertising function.²⁵¹

2.5.2.1 Informative Advertising

In line with the consumer search costs rationale, advertising ensures market transparency by informing consumers of the products on offer. Commentators seem to agree that this so-called “informative” function of advertising benefits society and thus deserves legal protection.²⁵² Informative advertising also enhances competition by facilitating market entry.²⁵³ In the ideal situation, advertising supplies perfect information about price, quality and other product features.

2.5.2.2 Persuasive Advertising

Advertising may as well persuade consumers in a psychological way to buy the product. Such “persuasive”, “psychological” or “perception” advertising may influence consumer preferences and thereby create additional demand, independent from objective needs.²⁵⁴ *Brown* asserted in his influential article from 1948 that persuasive advertising constituted a waste and inefficient allocation of resources.²⁵⁵ It was furthermore argued that irrational consumer choice caused by psychological advertising had anti-competitive effects since the market power of the brand owner could result in increased prices and prevent market entry.²⁵⁶

This adverse opinion of brand advertising has been rejected by some economists.²⁵⁷ They have acknowledged that advertising promotes competition and consumer information and lowers entry

²⁵⁰ See *Google v. Louis Vuitton*, *id.* at para. 91.

²⁵¹ See *Brown* 1948, 1168-1169, 1185-1191.

²⁵² See, e.g., *Brown* 1948, 1168, 1185 (assuming that the informative function of advertising corresponds with the source identification function of trade marks); and *Kratzke* 1991, 215-217 (“[...] The law should recognize as exclusive those trademark interests that facilitate transmission of the informational and identificatory messages of advertising”).

²⁵³ See *Kratzke* 1991, 217-219.

²⁵⁴ See *Bone* 2006, 579-582 (noting that the shift toward this kind of advertising took place in the early twentieth century); *Economides* 1988, 532-535; and *McKenna* 2012, 115.

²⁵⁵ See *Brown* 1948, 1169, 1179.

²⁵⁶ See *Bone* 2006, 589-592, 599-602 (describing the opinion of the critics of psychological advertising and the goodwill-as-property theory in the first half of the twentieth century as well as in the period from 1940 to 1970).

²⁵⁷ See *Landes & Posner* 1987, 275 (with further references).

barriers.²⁵⁸ Distinguishing between informative and persuasive advertising in this regard is difficult.²⁵⁹ Advertising always tries to persuade the public to purchase the product by emphasising its benefits. At the same time, at least a minimum amount of information is provided.²⁶⁰

In practice, many consumer decisions are the result of emotion rather than of rational economic considerations of price and quality.²⁶¹ If advertising creates new preferences, it is hard to condemn consumers buying and enjoying the advertised products.²⁶² Consumers may be in need of personal or emotional product features in view of the abundance of products, among which it is hard to distinguish.²⁶³ In addition, branded products may help consumers to demonstrate their social status.²⁶⁴ Producers' advertising strategies aim at reinforcing these tendencies.²⁶⁵

However, it is doubtful whether materialism and social distinction through brands should be promoted.²⁶⁶ It is questionable whether human happiness grows by creating and fulfilling new preferences based on brands.²⁶⁷ In addition, what the consumer is willing to pay for a branded product is not the same as the benefit he receives from it. Many factors prejudice sovereign consumer choice,

²⁵⁸ See Bone 2006, 602 (describing the attitude towards advertising since 1980); and Economides 1988, 532 (explaining that the potential distortions of perception advertising are more than offset by the efficiency gains of trade marks). *Brown*, however, though acknowledging that advertising enables product differentiation and could help build and increase demand for new products, came to the conclusion that there was no evidence that advertising increased total profits, resulting in greater total investments for the economy as a whole. See *Brown* 1948, 1170-1180. Van den Bergh & Lehmann put forward that persuasive advertising could be the most effective way of informing consumers about product quality. See Bergh, Van den & Lehmann 1992, 592.

²⁵⁹ See Bergh, Van den & Lehmann 1992, 592; McKenna 2012, 118; and Strasser 2000, 389.

²⁶⁰ See Bergh, Van den & Lehmann 1992, 592; and Strasser 2000, 389. *Nelson* reasoned that advertising contained direct information about the function of the product and that the fact that a brand was advertised provided indirect information about the utility of the brand. He also found that advertising for search goods relates to hard facts whereas advertising for experience goods increased the reputation of the brand. See *Nelson* 1974, 731-734, 740.

²⁶¹ See Bone 2006, 603; *Brown* 1948, 1181 (“[...] The economist, whose dour lexicon defines as irrational any market behavior not dictated by a logical pecuniary calculus, may think it irrational to buy illusions; but there is a degree of that kind of irrationality even in economic man; and consuming man is full of it.”); and McCarthy 2019, § 2:25.

²⁶² See Bone 2004, 2115-2116 (finding it problematic to normatively distinguish between good and bad preferences); Bone 2006, 602-603; Economides 1988, 535 (believing that perception advertising provides consumers with products, i.e. mental images, that they value); Lemley 1999, 1692-1693 (leaving it to the consumer to decide what he wants); and McKenna 2012, 120 (considering that respect for consumer autonomy requires consumers to manage persuasive messages without paternalistic interference by the law). *Brown* argued that, indeed, the utility of a good could be measured by what people were willing to pay for it, without regard to the nature of the satisfaction. However, he also asserted that consumers did not really have freedom of choice due to a lack of adequate presentation of alternatives. See *Brown* 1948, 1181-1183.

²⁶³ See Henning-Bodewig & Kur 1988, 13-14.

²⁶⁴ See Griffiths 2008, 252-253; and Henning-Bodewig & Kur 1988, 14-15.

²⁶⁵ See Henning-Bodewig & Kur 1988, 15.

²⁶⁶ See Beebe 2010, 884-885 (rather proposing a system of commons-based social distinction); *Brown* 1948, 1167-1169 (explaining that stimulating consumerism may have negative social consequences, such as greed, damage to the environment, longer working hours, etc.); and McKenna 2012, 119 (noting that emotional responses to brands are often of questionable social value).

²⁶⁷ See Aldred 2008, 274.

such as availability bias, uncertain prediction of future satisfaction and difficulties with self-control.²⁶⁸ A problem with branded products as status symbols is that they produce negative externalities by decreasing the status of those who do not possess them.²⁶⁹

Even if persuasive advertising is not to be discouraged, it is still questionable whether any additional protection beyond protection against likelihood of confusion is necessary. By protecting the source identification function of a trade mark, the persuasive aspects seem to be protected as well.²⁷⁰ As *Brown* put it: “Nothing more than information as to source is necessary for the consumer to be able to repeat a satisfactory purchase.”²⁷¹

The question may be raised whether the persuasive function of trade marks deserves more protection nowadays due to the fact that society has changed and consumers have come to attach more importance to the psychological messages carried by trade marks.²⁷² However, even though the emotional appeal of trade marks is susceptible to harm and exploitation in the absence of a likelihood of confusion, it is not clear that economic reasons exist for extending protection.²⁷³ Additional legal protection beyond that of the origin function does not appear to be necessary as an incentive since trade mark owners have enough reason to create strong brand images.²⁷⁴ It could be argued that precisely because of its increased importance, one should be careful in granting legal protection to the persuasive function in order to prevent the trade mark from being excluded from use by the public.²⁷⁵

2.5.3 Investment Function

The investment function is defined by the Court as the use of a trade mark by its proprietor “to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty.”²⁷⁶ The Court acknowledges that the investment function overlaps with the advertising function where advertising is

²⁶⁸ See Aldred 2008, 274-277 (also criticising on p. 279-280 that willingness to pay is not the right yardstick to determine social welfare).

²⁶⁹ See Aldred 2008, 274.

²⁷⁰ See Brown 1948, 1195, 1205; and Litman 1999, 1735. See also *supra*, fn. 246.

²⁷¹ See Brown 1948, 1181 (denying a relationship between the hope for continued custom and the magnitude of persuasive advertising).

²⁷² See Litman 1999, 1728.

²⁷³ See Griffiths 2008, 255.

²⁷⁴ See *supra*, fn. 129.

²⁷⁵ See Litman 1999, 1728-1729. *Kur* warned even before the TMD came into effect that protection of the mark’s advertising value required limitations in view of the risks for the freedom of communication and the freedom of action (“Handlungsfreiheit”). See Kur 1990, 14-15.

²⁷⁶ See *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 60.

employed for this purpose. Nonetheless, the investment function is distinct from the advertising function in the sense that it employs also various other commercial techniques.²⁷⁷

2.5.4 *Quality Function*

The quality function of a trade mark, also referred to as “guarantee” or “confidence” function,²⁷⁸ was already mentioned by the CJEU in 1990 in the case *CNL SUCAL v. HAG*.²⁷⁹

Trade mark rights are, it should be noted, an essential element in the system of undistorted competition which the Treaty seeks to establish and maintain. Under such a system, an undertaking must be in a position to keep its customers by virtue of the quality of its products and services, something which is possible only if there are distinctive marks which enable customers to identify those products and services. For the trade mark to be able to fulfil this role, it must offer a guarantee that all goods bearing it have been produced under the control of a single undertaking which is accountable for their quality.²⁸⁰

The quality function is closely related to the origin function.²⁸¹ The protection of the origin function against confusing third party use works in two ways. With regard to the quality of the product, a trade mark serves consumers as a communicator of this quality. By relying on the trade mark, consumers are able to choose the product with the desired quality. At the same time, the existence of trade marks provides trade mark owners with the incentive to maintain or enhance the quality of the products under their control.²⁸²

The quality signals of a mark can be disturbed, for instance, when a third party attaches the mark or a similar sign to inferior products,²⁸³ or when genuine trade marked products are resold in a badly damaged condition.²⁸⁴ In those cases, the quality function of the mark is jeopardised. Trade mark

²⁷⁷ See *Interflora v. M&S*, *id.* at para. 61.

²⁷⁸ See Fezer 2009, MarkenG Einl. D, para. 8; and Kaufmann 1987, 226.

²⁷⁹ [1990] ECR I-3711 (CJEU case C-10/89 Oct 17, 1990).

²⁸⁰ See *CNL SUCAL v. HAG*, *id.* at para. 13.

²⁸¹ See Kaufmann 1987, 226-227 (reasoning that the guarantee function is merely a specification of the origin function and should not be treated as a separate function); and Paulus 2014, 96-97, 161-165 (arguing that the guarantee function is only economically but not normatively relevant since it is not protected independently from the origin function).

²⁸² See *supra*, section 2.3.1.

²⁸³ See Völker & Elskamp 2010, 67 (noting that, from the point of view of the public, every noticeable deviation is relevant in this regard).

²⁸⁴ See Art 15(2) TMD (EEA-wide exhaustion does not apply where there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market).

infringement may even exist if the third party products are not of poorer quality.²⁸⁵ Use of the mark is reserved to its owner as the single entity in control of the quality of the products.²⁸⁶

To be sure, the quality function of a trade mark does not warrant a specific quality of the product to which it is attached.²⁸⁷ It merely ensures that the trade marked product comes from the same source as other products bearing that mark.²⁸⁸ In the case of disappointing quality, consumers may be able to rely on consumer protection law.²⁸⁹ Quality expectations cannot be enforced under trade mark law. Still, the risk of economic failure due to loss of consumer patronage is likely to encourage producers to preserve a certain level of quality.

2.5.5 *Communication Function*

The communication function of a trade mark has not yet been defined by the CJEU. This function seems to concern all the messages a trade mark communicates to its addressees. These include, besides the quality and features of a product, all other connotations the mark evokes, for instance, emotions.²⁹⁰ The communication function may therefore be regarded as the broadest trade mark function, which overlaps to a great extent with the other trade mark functions. The question thus arises whether there is any scope for the protection of this function separate from the other functions.²⁹¹

Völker & Elskamp reasoned that the communication function protects the impressions and emotions which do not directly concern the product itself and its condition but rather the feeling or life style associated with the brand. They argued that the communication function is impaired when a diverging third party use jeopardises the consistent positioning of the brand in the mind of consumers.²⁹² *Strasser* asserted that the identifying function only helps if one already knows the product.²⁹³ In his view, it is

²⁸⁵ See *supra*, fn. 159.

²⁸⁶ See McCarthy 2019, § 3:11; and *supra*, fn. 239.

²⁸⁷ See Aldred 2008, 269-272; and Brown 1948, 1185-1187.

²⁸⁸ See *supra*, fn. 239.

²⁸⁹ See, e.g., the Consumer Sales Directive.

²⁹⁰ See Senftleben 2009, 48; Völker & Elskamp 2010, 69; and *Google v. Louis Vuitton*, ECLI:EU:C:2009:569 (AG Poiares Maduro case C-236-238/08 Sep 22, 2009), para. 54. See also *supra*, section 2.2.

²⁹¹ See Ingerl & Rohnke 2010, MarkenG § 14, para. 301 (observing that it is unclear which independent function is left in a legal sense for the communication function beyond the advertising function); and *L'Oréal v. eBay*, ECLI:EU:C:2010:757 (AG Jääskinen case C-324/09 Dec 9, 2010), para. 112, fn. 58 (“[...] As to the communication function, it seems that in the doctrine the elements of this function are to a large extent covered by the distinguishing and origin function, advertising function and the investment function. [...]”).

²⁹² See Völker & Elskamp 2010, 69-70.

²⁹³ See Strasser 2000, 384.

the communication function that provides consumers with product information through various means, most importantly, commercial advertising.²⁹⁴

The communication function does not only concern the relationship between the trade mark owner and its customers. Trade marks, as publicly announced designators of a product, become part of the general vocabulary, which can also be used by third parties.²⁹⁵ Providing comprehensive protection of the communication function would result in the prohibition of all references to the mark, not only by competitors but also by third parties. This would restrict the availability of relevant product information to the detriment of consumers.²⁹⁶

2.5.6 Other Trade Mark Functions

The functions mentioned above are not the only functions a trade mark fulfils. For instance, *Fezer* pointed out additional functions, such as the “monopoly” or “protection” function, the “distribution” and “coding” functions, and the “consumer protection” function.²⁹⁷ By its words “in particular”, the CJEU has listed the trade mark functions in a non-exhaustive way.²⁹⁸ However, it is not clear whether there is any separate scope in the infringement context for additional functions beyond those discussed.²⁹⁹

2.6 Further Considerations

As has been demonstrated above, there exist convincing reasons for granting trade mark protection. Nevertheless, other important values and policy objectives must be respected as well. Thus, the interests of the trade mark owner need to be balanced with those of third parties and society at large.

²⁹⁴ See Strasser 2000, 385. *Strasser* advocated protection of the communication function, for instance, by recognising “confusion in the wider sense”. This happens when information communicated by the mark is mistakenly associated with third party products, in contrast to “confusion in the narrower sense”, which occurs when trade marked products cannot be distinguished. See Strasser 2000, 401.

²⁹⁵ See Henning-Bodewig & Kur 1988, 10. For examples of such third party use in the keyword advertising context, see *supra*, section 1.3.

²⁹⁶ See Henning-Bodewig & Kur 1988, 254-255.

²⁹⁷ See Fezer 2009, MarkenG Einl. D, para. 1-30.

²⁹⁸ See *L'Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 58. See also, *inter alia*, *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 38 (using the words “such as”); and *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 77.

²⁹⁹ See Ingerl & Rohnke 2010, MarkenG § 14, para. 305 (observing that often only parts or combinations of the above mentioned functions are hidden behind other names of functions).

In a first step, such a balance is performed on the level of the eligibility requirements.³⁰⁰ Not all signs can be protected as trade marks. For instance, descriptive, generic and functional signs cannot be registered or are liable to be declared invalid.³⁰¹ In a second step, the interests of the trade mark owner are weighed against those of others on the level of infringement. Not all uses of another's mark qualify as infringing use. They only do so if they fulfil the infringement criteria. In addition, there may be justifications for the use of the mark. This is the case if a limitation applies.³⁰² The relevant aspects to be considered in relation to the infringement criteria and the limitations in keyword advertising scenarios will be examined in the following.

2.6.1 *Fundamental Rights*

2.6.1.1 *Status and Sources*

Fundamental rights or human rights are rights of a fundamental nature owned by every human being.³⁰³ These rights are recognised in the Dutch “Grondwet”, the German “Grundgesetz”, other national constitutions, EU law, including the Charter of Fundamental Rights of the European Union (hereinafter: EU Charter or Charter), and international treaties, in particular the European Convention for the Protection of Human Rights and Fundamental Freedoms (hereinafter: ECHR or Convention). Fundamental rights are in the first place directed towards the State. They must be observed by the legislator, the executive authorities and the judiciary.³⁰⁴

The courts need to interpret the law in conformance with the fundamental rights.³⁰⁵ In the Netherlands, courts may not assess compliance of a law with the Constitution,³⁰⁶ but they must examine whether a

³⁰⁰ This is not part of this research, which concentrates on infringement.

³⁰¹ See Arts 4(1)(c), (d) and (e) TMD.

³⁰² See Arts 14 and 15 TMD.

³⁰³ See Pot, van der 2014, 249-250.

³⁰⁴ See Arts 32, 37(4), 49 and 60 Grondwet; Art 1(3) Grundgesetz; and B. Kempen in: Merten & Papier 2006, § 54, para. 23. There is no provision in the Grondwet that explicitly obliges the judiciary to obey the Grondwet. However, from an international law perspective, it is clear that the judiciary forms a body of the State bound by the fundamental rights. See Pot, van der 2014, 291.

³⁰⁵ See Arts 93 and 94 Grondwet; Arts 1(3) and 20(3) Grundgesetz; and B. Kempen in: Merten & Papier 2006, § 54, para. 64-65. In the Netherlands, in the case of a conflict between a national law and an international norm binding on all persons, courts may choose to interpret the national law in conformance with the international norm instead of not applying the national law. See Pot, van der 2014, 724.

³⁰⁶ Under Art 120 Grondwet, the constitutionality of statutes and treaties shall not be reviewed by the courts. This so-called “toetsingsverbod” only applies to “formele wetten”, i.e. “formal statutes” established by the government and the Parliament according to a specific procedure. See Pot, van der 2014, 265.

law conflicts with certain fundamental rights contained in international treaties.³⁰⁷ In Germany, courts confronted with a law that seems to be in conflict with the Constitution must refer the matter to the Federal Constitutional Court (Bundesverfassungsgericht: BVerfG), which may declare the law to be void.³⁰⁸ The Federal Constitutional Court may also be invoked by anyone affected by a violation of fundamental rights.³⁰⁹

Besides the importance of fundamental rights in the vertical relationship between individuals and the State, some fundamental rights may have a certain horizontal effect between individuals (“horizontale werking” or “derdenwerking” in Dutch; “Drittwirkung” in German).³¹⁰ For instance, general clauses in private law may be interpreted in light of the applicable fundamental rights.³¹¹

An important international source of fundamental rights is the ECHR. Parties to this Convention are the members of the Council of Europe, which include the Member States of the European Union. A permanent court, the European Court of Human Rights (ECtHR), ensures compliance with the Convention.³¹² After exhaustion of all domestic remedies, an individual can file an application with the ECtHR claiming a violation of the Convention.³¹³ This has resulted in an enormous amount of jurisprudence clarifying the interpretation of the Convention.³¹⁴

The rank and effect of the Convention under the national laws differs.³¹⁵ In the Netherlands, the provisions of the Convention that are binding on all persons can be directly invoked by citizens and prevail over national law.³¹⁶ In Germany, the Convention has the same position as federal law.³¹⁷ Although the Convention cannot be considered as part of constitutional law, the Federal Constitutional

³⁰⁷ According to Art 94 Grondwet, statutory regulations in force within the Kingdom shall not be applicable if such application is in conflict with provisions of treaties or of resolutions of international organisations that are binding on all persons. Art 93 Grondwet provides that provisions of treaties and of resolutions of international organisations which may be binding on all persons by virtue of their content are binding after they have been published. For a discussion of the primacy and direct effect of international law, see Pot van der 2014, 713-726.

³⁰⁸ See Art 100(1) Grundgesetz; and B. Kempen in: Merten & Papier 2006, § 54, para. 66.

³⁰⁹ See Art 93(1)(4a) Grundgesetz; and B. Kempen in: Merten & Papier 2006, § 54, para. 67.

³¹⁰ See Pot, van der 2014, 283; and H.-J. Papier in: Merten & Papier 2006, § 55.

³¹¹ This is an example of a horizontal indirect effect. See Pot, van der 2014, 285; and H.-J. Papier in: Merten & Papier 2006, § 55, para. 23-24.

³¹² See Art 19 ECHR.

³¹³ See Arts 34 and 35(1) ECHR.

³¹⁴ The interpretation provided by the ECtHR is taken into account by the Dutch Supreme Court (Hoge Raad), even if the cases were brought against other States. See Pot, van der 2014, 720.

³¹⁵ See Chr. Grabenwarter in: Merten & Papier 2009, § 169, para. 5.

³¹⁶ See Arts 93 and 94 Grondwet; Pot van der 2014, 264, 713-726.

³¹⁷ See Art 59(2) Grundgesetz; and Chr. Grabenwarter in: Merten & Papier 2009, § 169, para. 12.

Court takes its content and the jurisprudence of the ECtHR into account in the interpretation of the German Constitution.³¹⁸

The fundamental rights of the ECHR and those of the constitutional traditions common to the Member States constitute general principles of EU law.³¹⁹ The European Union furthermore recognises the rights, freedoms and principles set out in the EU Charter.³²⁰ The Charter concerns primary law with the same legal value as the Treaty on European Union (TEU) and the Treaty on the Functioning of the European Union (TFEU).³²¹

The addressees of the EU Charter are the institutions, bodies, offices and agencies of the European Union.³²² The Member States are only bound by the Charter when they are implementing European Union law.³²³ The fundamental rights contained in the Charter have the same meaning and scope as the corresponding rights of the ECHR.³²⁴ The Charter may not be interpreted as restricting or adversely affecting the ECHR.³²⁵ For these reasons, the fundamental rights contained in the ECHR will mainly be referred to.

2.6.1.2 Trade Marks and Fundamental Rights

In the application of trade mark law, it is important that the fundamental rights are respected, most notably the freedom of expression.³²⁶ This has been accurately explained by Advocate General Poiares Maduro in its opinion regarding *Google v. Louis Vuitton*:

Nevertheless, whatever the protection afforded to innovation and investment, it is never absolute. It must always be balanced against other interests, in the same way as trade mark protection itself is balanced against them. I believe that the present cases call for such a balance as regards freedom of expression and freedom of commerce.

Those freedoms are particularly important in this context because the promotion of innovation and investment also requires competition and open access to ideas, words and signs. That promotion is always the product of a balance that has been struck between incentives, in the form of private goods given to those who innovate and invest, and the public character of

³¹⁸ See Chr. Grabenwarter in: Merten & Papier 2009, § 169, para. 14.

³¹⁹ See Art 6(3) TEU.

³²⁰ See Art 6(1) TEU.

³²¹ *Id.*

³²² See Art 51(1) EU Charter.

³²³ *Id.*

³²⁴ See Art 52(3) EU Charter.

³²⁵ See Art 53 EU Charter.

³²⁶ See Recital 27 TMD: “[...] Furthermore, this Directive should be applied in a way that ensures full respect for fundamental rights and freedoms, and in particular the freedom of expression.”

the goods necessary to support and sustain the innovation and investment. That balance is at the heart of trade mark protection. Accordingly, despite being linked to the interests of the trade mark proprietor, trade mark rights cannot be construed as classic property rights enabling the trade mark proprietor to exclude any other use. The transformation of certain expressions and signs – inherently public goods – into private goods is a product of the law and is limited to the legitimate interests that the law deems worthy of protection. It is for this reason that only certain uses may be prevented by the trade mark proprietor, while many others must be accepted.³²⁷

Advocate General Póitares Maduro explicitly considered the freedom of expression and the freedom of commerce in the assessment of an effect on the trade mark functions other than the origin function.³²⁸ This approach seems to have been followed by the CJEU, however, without explicitly mentioning the fundamental rights.³²⁹

National courts occasionally balance trade mark rights with fundamental rights, for instance, in the case of parodies or criticism regarding a brand.³³⁰ Fundamental rights may be “internalised” in trade mark law.³³¹ For instance, ambiguous terms such as “unfair” or “due cause” could be interpreted by taking account of the freedom of expression. Alternatively, fundamental rights may be applied by courts as an external corrective against excessive trade mark protection.³³²

³²⁷ ECLI:EU:C:2009:569 (AG Póitares Maduro case C-236-238/08 Sep 22, 2009), para. 102-103.

³²⁸ See *Google v. Louis Vuitton*, *id.* at para. 102-113.

³²⁹ See *infra*, sections 3.5.7.4-3.5.7.7.

³³⁰ See, e.g., *Lila Postkarte*, [2005] GRUR 583 (BGH Feb 3, 2005). In this case concerning a postcard with a parody on the brand Milka, the BGH denied a trade mark infringement under Art 10(2)(c) TMD (Art 14(2)(3) MarkenG). The BGH decided that the advantage taken was not unfair/without due cause on a balance with the freedom of art. The Court of Appeal in Amsterdam found several parodies on “Nijntje” (Miffy), a little rabbit featuring in famous Dutch children’s books written by Dick Bruna, to be permissible. Referring to the exception for parodies in copyright law, the court determined that there was a due cause under Art 10(6) TMD (Art 2.20(1)(d) BVIE) for using the trade marks. See *Nijntje (Mercis & Bruna v. Punt.nl)*, [2011] ECLI:NL:GHAMS:2011:BS7825 (Hof Amsterdam Sep 13, 2011). In another Dutch case, the District Court in Amsterdam refused preliminary injunctive relief against Greenpeace for using a trade mark of the Dutch State in a campaign for clean and save energy. The court emphasised Greenpeace’ freedom of expression and found the use to constitute a due cause under Art 10(6) TMD. See *Denk vooruit*, [2006] ECLI:NL:RBAMS:2006:AZ5624 (Vzr. Rb. Amsterdam Dec 22, 2006). For French decisions from 2002-2005, see Geiger 2006, 396, fn. 115; and Geiger 2004, 268-269, fn. 2-4. For a South African decision from 2005, see Geiger 2006, 396, fn. 114.

³³¹ See Alberdingk Thijm & Vries, de 2015, 174 (observing that the traditionally closed system of IP protection has been opened up in recent years through the application of fundamental rights by the CJEU); and McGeeveran 2008a, 1211-1214 (with regard to US law; in favour of internalising free speech concerns within trade mark law).

³³² See Geiger 2004 for arguments in favour of recourse to fundamental rights as an external limit to intellectual property rights. See Geiger 2006 for a suggestion to “constitutionalise” IP law by acknowledging fundamental rights as a foundation. Some authors argue against direct application of the freedom of expression as a limitation to trade mark protection. See Burrell & Gangjee 2010 (rejecting a freedom of expression based defence for lack of certainty and since it would result in isolated pockets of permissible conduct. Instead, these authors suggested a reinterpretation of the expanded doctrines of dilution and confusion); and Denicola 1982, 190 (arguing that reliance on free speech rights is not needed as long as trade mark protection is restricted by the confusion rationale).

Certain fundamental rights may be invoked in the horizontal relationship between a third party and a trade mark proprietor.³³³ For instance, third parties could rely on the freedom of expression when stating their opinion or conferring information regarding the trade marked product.³³⁴ On the other hand, trade mark owners could claim a right to property when their trade mark rights are violated.³³⁵ When two or more fundamental rights collide, it is necessary to find a fair balance.³³⁶

2.6.1.3 Freedom of Expression

The right to freedom of expression is, *inter alia*, contained in Art 10 ECHR, Art 11 EU Charter and the national constitutions.³³⁷ The text of Art 10 ECHR reads:

Freedom of expression

1. Everyone has the right to freedom of expression. This right shall include freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers. This Article shall not prevent States from requiring the licensing of broadcasting, television or cinema enterprises.
2. The exercise of these freedoms, since it carries with it duties and responsibilities, may be subject to such formalities, conditions, restrictions or penalties as are prescribed by law and are necessary in a democratic society, in the interests of national security, territorial integrity or public safety, for the prevention of disorder or crime, for the protection of health or morals, for the protection of the reputation or rights of others, for preventing the disclosure of information received in confidence, or for maintaining the authority and impartiality of the judiciary.

According to Art 10(2) ECHR, limitations of the freedom of expression must be “prescribed by law” and must be “necessary in a democratic society.” Furthermore, one of the legitimate aims mentioned in this provision must be at stake.³³⁸

The freedom of expression in Art 10 ECHR includes the freedom of artistic expression.³³⁹ Political expression and other expression regarding matters of public interest receive particularly strong

³³³ See Geiger 2004, 275-278 (in general about the ECHR); and Sakulin 2001, 119-120 (regarding the freedom of expression).

³³⁴ See *infra*, section 2.6.1.3.

³³⁵ See *infra*, section 2.6.1.4.

³³⁶ See Alberdingk Thijm & Vries, de 2015 (discussing the theory of the “fair balance” as developed by the CJEU).

³³⁷ See, e.g., Art 7 Grondwet and Art 5 Grundgesetz. The Dutch provision excludes commercial advertising from its scope. See Art 7(4) Grondwet.

³³⁸ See Schabas 2015, 471 (stating that this part of the analysis is rarely very important in practice, as opposed to the “necessary in a democratic society” component of the test). In the case of trade mark disputes, the relevant purpose will be “the protection of the reputation or rights of others.”

³³⁹ According to the ECtHR, Art 10 ECHR does not distinguish between the various forms of expression and includes freedom of artistic expression. See *Müller and others v. Switzerland*, no. 10737/84 (ECtHR May 24, 1988), para. 27. See also Sakulin 2011, 159; and Schabas 2015, 451, 463-464. The German Constitution contains a separate provision regulating freedom of art

protection under the ECHR and restrictions are thus difficult to justify.³⁴⁰ Trade marks may be mentioned in this kind of expression to criticise a certain producer. For instance, Royal Dutch Shell and Exxon Mobil are referred to in campaigns against further gas extraction in the Groningen area to prevent earth quakes.³⁴¹

Commercial expression in the form of advertising also falls within the ambit of Art 10 ECHR.³⁴² This was acknowledged by Advocate General Fennelly in the *Tobacco Advertising* case.³⁴³ He commented the following:

Commercial expression should also be protected in Community law. Commercial expression does not contribute in the same way as political, journalistic, literary or artistic expression do, in a liberal democratic society, to the achievement of social goods such as, for example, the enhancement of democratic debate and accountability or the questioning of current orthodoxies with a view to furthering tolerance or change. However, in my view, personal rights are recognised as being fundamental in character, not merely because of their instrumental, social functions, but also because they are necessary for the autonomy, dignity and personal development of individuals. Thus, individuals' freedom to promote commercial activities derives not only from their right to engage in economic activities and the general commitment, in the Community context, to a market economy based upon free competition, but also from their inherent entitlement as human beings freely to express and receive views on *any* topic, including the merits of the goods or services which they market or purchase.³⁴⁴

As also recognised by Advocate General Fennelly,³⁴⁵ commercial expression may more easily be restricted due to a larger margin of appreciation of the member states.³⁴⁶ Most forms of trade mark use concern commercial expression. An example is the mentioning of a competitor in a comparative

and science in Art 5(3) Grundgesetz. The same applies to Art 13 EU Charter. Recital 27 TMD states: "[...] Use of a trade mark by third parties for the purpose of artistic expression should be considered as being fair as long as it is at the same time in accordance with honest practices in industrial and commercial matters. [...]"

³⁴⁰ See Sakulin 2011, 150; and Schabas 2015, 451, 474.

³⁴¹ As, e.g., reported by Reuters 2019.

³⁴² The ECtHR decided that the scope of Art 10(1) ECHR also includes information of a commercial nature. See *Markt Intern Verlag GmbH and Klaus Beermann v. Germany*, no. 10572/83 (ECtHR Nov 20, 1989), para. 26. This was reaffirmed with regard to advertising in *Casado Coca v. Spain*, no. 15450/89 (ECtHR Feb 24, 1994), para. 35-37. See also H.J. Blanke in: Merten & Papier 2010, § 141, para. 23; and Sakulin 2011, 166.

³⁴³ See *Tobacco Advertising (Germany v. Parliament and Council)*, [2000] ECR I-8419 (AG Fennelly case C-376/98 June 15, 2000), para. 153.

³⁴⁴ See *Tobacco Advertising (Germany v. Parliament and Council)*, *id.* at para. 154.

³⁴⁵ See *Tobacco Advertising (Germany v. Parliament and Council)*, *id.* at para. 158-159.

³⁴⁶ The ECtHR has stated in a number of judgments that, in view of the margin of appreciation in the complex and fluctuating areas of unfair competition and advertising, the Court's task is confined to ascertaining whether the measures taken at national level are justifiable in principle and proportionate. See *Krone Verlag GmbH & Co. KG v. Austria*, no. 39069/97 (ECtHR Dec 11, 2003), para. 30; *Jacobowski v. Germany*, no. 15088/89 (ECtHR June 23 1994), para. 26; and *Casado Coca v. Spain*, no. 15450/89 (ECtHR Feb 24, 1994), para. 50. See also H.J. Blanke in: Merten & Papier 2010, § 141, para. 23; and Sakulin 2011, 168.

advertisement. The supermarket chain Lidl, for instance, advertised its own products by comparing their taste and price with those of products from well known brands.³⁴⁷

Sometimes, expression is not purely commercial but contains elements of, for instance, political or artistic expression.³⁴⁸ An example is the German case *Lila Postkarte*³⁴⁹ concerning a postcard with reference to the brand Milka. Even though the main aim of distributing the postcard was commercial, the postcard contained a parody on the brand Milka, which was protected by the freedom of art.

In our society, it is essential to be able to refer to trade marks in everyday communication.³⁵⁰ Replacing the trade mark by a generic or descriptive term may not be a satisfactory solution. The trade mark may have a large array of connotations which cannot simply be replaced by other terms.³⁵¹ The examples of criticism, comparative advertising and parodies have already been mentioned. Other essential references to trade marks serve, for instance, to describe one's own products, to offer complementary goods or services or resale products, to review products or to provide price comparisons.³⁵² Such nominative trade mark uses do usually not impair the trade mark's function as an indicator of origin.³⁵³

Apart from the freedom to hold opinions and to impart information and ideas, Art 10 ECHR includes the freedom to receive information and ideas. As mentioned earlier, consumers may benefit from references to trade marks when they are provided with additional product information and choice.³⁵⁴

2.6.1.4 Right to Property

Another fundamental right which is relevant with regard to trade marks is the right to property. It is regulated in Art 17 EU Charter, the national constitutions³⁵⁵ and Article 1 of Protocol No. 1 to the ECHR. The latter entitles natural as well as legal persons to peaceful enjoyment of their possessions. In the case

³⁴⁷ See *Waar kies jij voor?*, Case No. 2016/00014, <https://www.reclamecode.nl/uitspraken/resultaten/voeding-en-drank-2016-00014-cvb/151169/> (CBB June 14, 2016).

³⁴⁸ See *McGeeran* 2008a, 1211.

³⁴⁹ [2005] GRUR 583 (BGH Feb 3, 2005).

³⁵⁰ See *Denicola* 1982, 195-197 (observing that famous trade marks are part of public vocabulary and that restriction of their use to identify the trade mark owner or its product would impair free communication of ideas); and *Lemley* 1999, 1711 (“[...] Many commentators have noted that modern expression frequently requires the use of trademarks in their role as social referents [...]”).

³⁵¹ See *Dreyfuss* 1990, 417 (meaning of the word “Olympic”).

³⁵² See *supra*, section 1.3 for examples of uses of third party trade marks in keyword advertising.

³⁵³ See *Griffiths* 2008, 245, 256.

³⁵⁴ See *supra*, section 1.3 (in the context of keyword advertising).

³⁵⁵ See, e.g., Art 14 Grundwet and Art 14 Grundgesetz.

Anheuser-Busch Inc. v. Portugal,³⁵⁶ the Grand Chamber of the European Court of Human Rights found Article 1 of Protocol No. 1 to the ECHR to be applicable to intellectual property.³⁵⁷ This finding corresponds with national jurisprudence³⁵⁸ and with the prevailing view in literature.³⁵⁹ It has been explicitly recognised in Article 17(2) EU Charter, stating: “Intellectual property shall be protected.”³⁶⁰ As a result, in disputes concerning intellectual property, sometimes a balance needs to be found between the two conflicting fundamental rights of freedom of expression and protection of property.³⁶¹

2.6.1.5 Freedom to Conduct a Business

Article 16 EU Charter provides: “The freedom to conduct a business in accordance with Union law and national laws and practices is recognised.” A corresponding provision cannot be found in the ECHR. Its scope and effect are therefore not yet well established. It is held that this provision originates from, and is closely related to, the rights to property and to work, as contained in the national constitutions.³⁶² It applies to natural as well as legal persons.³⁶³ According to the Explanations, Art 16 EU Charter is based on case law of the CJEU which has recognised freedom to exercise an economic or commercial activity and freedom of contract as well as on Art 119(1) and (3) TFEU, which recognises free competition.³⁶⁴

³⁵⁶ [2007] E.T.M.R. 24 (ECtHR Jan 11, 2007).

³⁵⁷ The ECtHR found this provision to be applicable to intellectual property “as such”. See *Anheuser-Busch Inc. v. Portugal*, [2007] E.T.M.R. 24 (ECtHR Jan 11, 2007), para. 72. It also determined that the applicant company’s legal position in dispute as an applicant for the registration of a trade mark came within this provision. See para. 78. *Beiter* criticised the application of the human right to property to intellectual property. See *Beiter* 2008.

³⁵⁸ In Germany, the Federal Constitutional Court (Bundesverfassungsgericht) has qualified trade marks as property under Art 14 Grundgesetz. See *Weinbergsrolle*, [1979] GRUR 773 (BVerfG May 22, 1979), 778 (regarding registered trade marks); and *Esslinger Neckarhalde II*, [1988] GRUR 610 (CC Mergel) (BVerfG Mar 8, 1988), 612 (regarding trade marks acquired through use). Dutch jurisprudence recognises the decision of the ECtHR in *Anheuser-Busch Inc. v. Portugal*, *id.* See, e.g., *Plesner v. Louis Vuitton*, [2011] ECLI:NL:RBSGR:2011:BQ3525 (Vzr. Rb. Den Haag May 4, 2011).

³⁵⁹ See R. Dolzer in: Merten & Papier 2010, § 140, para. 11 (with further references in fn. 40).

³⁶⁰ “Protection of intellectual property, one aspect of the right of property, is explicitly mentioned in paragraph 2 because of its growing importance and Community secondary legislation. Intellectual property covers not only literary and artistic property but also *inter alia* patent and trademark rights and associated rights. The guarantees laid down in paragraph 1 shall apply as appropriate to intellectual property.” See Explanations relating to the Charter of Fundamental Rights 2007.

³⁶¹ See, e.g., *Neij and Sunde Kolmisoppi v. Sweden*, no. 40397/12 (ECtHR Feb 19, 2013) (in a file-sharing case weighing the interest of the applicants to facilitate the sharing of the information in question with the interest in protecting the rights of the copyright-holders); *Plesner v. Louis Vuitton*, [2011] ECLI:NL:RBSGR:2011:BQ3525 (Vzr. Rb. Den Haag May 4, 2011) (balancing the freedom of artistic expression with the right to property of the owner of a registered design); and *Lila Postkarte*, [2005] GRUR 583 (BGH Feb 3, 2005) (*idem* but regarding a trade mark).

³⁶² See Michele Everson & Rui Correia Gonçalves in: Peers et al. 2014, 438, 442-443.

³⁶³ See Blanke in: Stern & Sachs 2016, 333.

³⁶⁴ See Explanations relating to the Charter of Fundamental Rights 2007.

It is not yet clear whether the “freedom” to conduct a business can be seen as a subjective right of individuals or merely as a principle to be observed by the European legislator and the CJEU.³⁶⁵ In addition, it is debated whether this freedom should, on the one hand, be understood as a human right based on the dignity of individuals or, on the other hand, as an attempt to establish a specific economic order with the European Union.³⁶⁶ The future jurisprudence of the CJEU will moreover have to tell which aspects of economic conduct are protected under Art 16 EU Charter.³⁶⁷

With regard to intellectual property, Art 16 EU Charter has already been applied by the CJEU in the cases *UPC Telekabel v. Constantin Film and Wega*,³⁶⁸ *SABAM v. Netlog*,³⁶⁹ and *Scarlet v. Sabam*.³⁷⁰ These cases concerned injunctions against Internet intermediaries whose services were used by third parties to infringe copyright or related rights. The CJEU determined that a fair balance had to be struck between, on the one hand, the protection of the intellectual property right enjoyed by the right holders, and, on the other hand, (*inter alia*) the freedom to conduct a business enjoyed by the operators.³⁷¹ The Court defined that the freedom to conduct a business included, *inter alia*, “the right for any business to be able to freely use, within the limits of its liability for its own acts, the economic, technical and financial resources available to it.”³⁷² The fact that the CJEU required the national courts to balance the freedom to conduct a business with the right to intellectual property in a dispute between private economic operators could be an indication that the Court regards Art 16 EU Charter as a private obligation or quasi subjective right.³⁷³

2.6.1.6 Consumer Protection

According to Art 38 EU Charter, “Union policies shall ensure a high level of consumer protection.” This concerns a rather unusual fundamental right, which is not known from the ECHR or the national

³⁶⁵ See Michele Everson & Rui Correia Gonçalves in: Peers et al. 2014, 444-445. Note that Art 51(1) EU Charter uses the terms “respect” the rights and “observe” the principles. Art 52(5) reads: “The provisions of this Charter which contain principles may be implemented by legislative and executive acts taken by institutions, bodies, offices and agencies of the Union, and by acts of Member States when they are implementing Union law, in the exercise of their respective powers. They shall be judicially cognisable only in the interpretation of such acts and in the ruling on their legality.”

³⁶⁶ See *id.* at 440-442.

³⁶⁷ See *id.* at 453.

³⁶⁸ ECLI:EU:C:2014:192 (CJEU case C-314/12 Mar 27, 2014).

³⁶⁹ ECLI:EU:C:2012:85 (CJEU case C-360/10 Feb 16, 2012).

³⁷⁰ ECLI:EU:C:2011:771 (CJEU case C-70/10 Nov 24, 2011).

³⁷¹ See *UPC Telekabel v. Constantin Film and Wega*, *id.* at para. 46-47; *SABAM v. Netlog*, *id.* at para. 47; and *Scarlet v. Sabam*, *id.* at para. 49.

³⁷² See *UPC Telekabel v. Constantin Film and Wega*, *id.* at para. 49.

³⁷³ See Michele Everson & Rui Correia Gonçalves in: Peers et al. 2014, 455.

constitutions.³⁷⁴ It is doubtful whether Art 38 EU Charter adds anything to the already existing provisions of the TFEU.³⁷⁵

The Explanations indicate that the principles set out in Art 38 EU Charter have been based on Art 169 TFEU,³⁷⁶ which provides in the first paragraph that “[i]n order to promote the interests of consumers and to ensure a high level of consumer protection, the Union shall contribute to protecting the health, safety and economic interests of consumers, as well as to promoting their right to information, education and to organise themselves in order to safeguard their interests.” This should be read in conjunction with Art 12 TFEU,³⁷⁷ which stipulates that “[c]onsumer protection requirements shall be taken into account in defining and implementing other Union policies and activities.” Also relevant in this regard is Art 114(3) TFEU on harmonisation,³⁷⁸ which states that “[t]he Commission, in its proposals envisaged in paragraph 1 concerning health, safety, environmental protection and consumer protection, will take as a base a high level of protection, taking account in particular of any new development based on scientific facts.”

These references in the TFEU, as well as the fact that it has received the status of a fundamental right, make clear that consumer protection concerns an important objective of the European Union. Consumer protection requirements should accordingly be taken into account in the context of trade mark law, in particular the economic interests of consumers and their right to information.

2.6.2 *Competition*

When determining the scope of trade mark protection, another important aspect that must be taken into account is competition. This section will briefly describe the EU policy objectives and the most important legal rules. Before discussing the connection between trade marks and competition, a short explanation of economic models will be provided.

³⁷⁴ See Steve Weatherill in: Peers et al. 2014, 1008.

³⁷⁵ See *id.* at 1025.

³⁷⁶ See Explanations relating to the Charter of Fundamental Rights 2007.

³⁷⁷ See Steve Weatherill in: Peers et al. 2014, 1007.

³⁷⁸ *Id.*

2.6.2.1 EU Policy and Law

The European Union is founded on the principle of an open market economy with free competition.³⁷⁹ The objective of the EU competition rules is to protect competition on the market as a means of enhancing consumer welfare and of ensuring an efficient allocation of resources.³⁸⁰ The ultimate aim is to protect the competitive process.³⁸¹ Apart from this economic goal, the European Union's competition policy pursues the internal market goal.³⁸²

The competition provisions are enforced by the European Commission,³⁸³ subject to judicial review by the Court of Justice of the European Union.³⁸⁴ This is done in cooperation with the competition authorities and courts of the Member States.³⁸⁵ The central provisions are Arts 101 and 102 TFEU.

Art 101(1) TFEU prohibits all agreements between undertakings, decisions by associations of undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the internal market. Art 101(3) TFEU allows an exemption from this prohibition under certain conditions³⁸⁶ in the case of a contribution to improving the production or distribution of goods or to promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit.³⁸⁷

Art 102 TFEU, the other main component of the European Union's competition policy, prohibits the abuse of a dominant position³⁸⁸ within the internal market in so far as it may affect trade between Member States. Even though it is not in itself illegal for an undertaking to be in a dominant position,

³⁷⁹ See Arts 119(1) and 120 TFEU.

³⁸⁰ See European Commission 2004, para. 13, 33; and European Commission 2009, para. 5.

³⁸¹ See European Commission 2004, para. 105; and European Commission 2009, para. 6.

³⁸² See Bishop & Walker 2010, 5. See also Art 3(3) TEU; and Art 119(1) TFEU.

³⁸³ See Art 105 TFEU; Art 4 Council Regulation 1/2003; and Arts 8 and 13 EC Merger Regulation.

³⁸⁴ See Art 261 TFEU; Art 31 Council Regulation 1/2003; and Art 16 EC Merger Regulation.

³⁸⁵ See Arts 5, 6 and 11-16 Council Regulation 1/2003; and Arts 9, 12, 19 and 22 EC Merger Regulation.

³⁸⁶ The agreement, decision or concerted practice may not impose on the undertakings concerned restrictions which are not indispensable to the attainment of the objectives or afford such undertakings the possibility of eliminating competition in respect of a substantial part of the products in question. See Art 101(3) TFEU.

³⁸⁷ It is thus necessary to determine whether the pro-competitive effects of the agreement, decision or concerted practice by way of efficiency gains outweigh the anti-competitive effects. See European Commission 2004, para. 11, 33. Art 101(3) TFEU can be applied in individual cases or to categories of agreements by way of block exemption regulation. See European Commission 2004, para. 2, 35. According to Art 1(2) Council Regulation 1/2003, agreements, decisions and concerted practices caught by Art 101(1) TFEU which satisfy the conditions of Art 101(3) TFEU shall not be prohibited, no prior decision to that effect being required. The undertaking or association of undertakings claiming the benefit of Art 101(3) TFEU shall bear the burden of proving that the conditions of that paragraph are fulfilled. See Art 2 Council Regulation 1/2003.

³⁸⁸ Dominance means a position of economic strength which enables the undertaking to prevent effective competition being maintained on a relevant market, by affording it the power to behave to an appreciable extent independently of its competitors, its customers and ultimately of consumers. See European Commission 2009, para. 10. For the purpose of assessing dominance, it is necessary to determine the competitive structure of the market. See European Commission 2009, para. 12-17.

such an undertaking has a special responsibility not to allow its conduct to impair genuine undistorted competition on the common market.³⁸⁹ Thus, it must be examined whether there is actually an abuse of the dominant position, examples of which are formulated in Art 102 TFEU. The Commission also carries out so-called “merger control” in the case of concentrations with a Community dimension.³⁹⁰

2.6.2.2 Economic Models

There exist various economic models, starting with perfect competition, on the one hand, monopoly, on the other hand, and all kinds of forms in between these two extremes.³⁹¹ In a nutshell, perfect competition assumes a large number of buyers and sellers, homogenous products, perfect market information and free market entry and exit.³⁹² Under this model, the market price is equal to the marginal cost of producing the product.³⁹³ It is also equal to the average cost so that total profits are zero.³⁹⁴ This results in productive efficiency (production at the lowest possible cost) as well as allocative efficiency (price that consumers are willing to pay equals market price).³⁹⁵ The opposite model of a monopoly assumes only one seller who will sell less at a higher price in order to optimise his profits.³⁹⁶ The reduced output and increased price result in a deadweight social welfare loss suffered by consumers.³⁹⁷ Regulatory interference may reduce this problem and enhance consumer welfare.³⁹⁸ In real life, the market usually contains both monopolistic and competitive elements.³⁹⁹

³⁸⁹ See European Commission 2009, para. 1.

³⁹⁰ See EC Merger Regulation.

³⁹¹ E.g., duopoly (two sellers) and oligopoly (more than two sellers but not enough to render negligible the influence of any one upon the market price). See Chamberlin 1958, 30-56. *Chamberlin* advocated the theory of monopolistic competition, a blending between pure monopoly and pure competition since due to product differentiation each seller has a monopoly of his own product but is subject to competition of more or less imperfect substitutes.

³⁹² See Bishop & Walker 2010, 22.

³⁹³ See Bishop & Walker 2010, 22.

³⁹⁴ See Bishop & Walker 2010, 23.

³⁹⁵ See Bishop & Walker 2010, 25. Already in the 18th century, *Smith* explained the mechanism of the market price tending towards the “natural price” in the model of free competition. See Smith 1776, I.7.4-I.7.16.

³⁹⁶ See Bishop & Walker 2010, 26-27.

³⁹⁷ See Bishop & Walker 2010, 27-28. See also Smith 1776, I.7.26.

³⁹⁸ See Bishop & Walker 2010, 28-29. In order to assess whether a market is effectively competitive, an analysis of the market structure and the behaviour of the market players is needed. It can then be decided whether regulatory intervention would serve consumer welfare. See Bishop & Walker 2010, 50.

³⁹⁹ See Chamberlin 1958 (thus advancing the theory of “monopolistic competition”).

2.6.2.3 Trade Marks and Competition

It was demonstrated above that the legal protection of trade marks contributes to society's welfare by reducing search costs and enhancing product quality and variety, resulting in increased competition and economic efficiency.⁴⁰⁰ It is indeed common ground that trade marks are essential in a competitive market.⁴⁰¹ However, it is disputed to what extent trade mark protection is still beneficial for competition.

Apart from the trade mark symbol itself, competitors are free to offer products similar to that of the trade mark owner, which prevents market power.⁴⁰² If reasonable substitutes exist, the relevant market is broader than the market for the trade marked product.⁴⁰³ Still, trade marks are occasionally referred to as "monopolies".⁴⁰⁴ Trade mark owners have a strong incentive to use trade marks to differentiate their products and strengthen their uniqueness to acquire substantial market power with corresponding profits.⁴⁰⁵ This mechanism is reinforced by the phenomenon of "brand inertia", according to which consumers stick to the brand they know.⁴⁰⁶ The resulting brand loyalty may create entry barriers for competitors.⁴⁰⁷ The market power obtained in this process could result in supra-competitive prices and deadweight social welfare losses.⁴⁰⁸

In view of these risks, it is advisable to be careful when defining the scope of trade mark protection. It seems that legal protection against consumer confusion is likely to enhance competition, whereas broader protection of goodwill could easily harm competition.⁴⁰⁹

⁴⁰⁰ See *supra*, section 2.3.1.

⁴⁰¹ See, e.g., *Arsenal v. Reed*, [2002] ECR I-10273 (CJEU case C-206/01 Nov 12, 2002), para. 47; *CKK v. MGM (Canon v. Cannon)*, [1998] ECR I-5507 (CJEU case C-39/97 Sep 29, 1998), para. 28; and *CNL SUCAL v. HAG*, [1990] ECR I-3711 (CJEU case C-10/89 Oct 17, 1990), para. 13.

⁴⁰² See Economides 1988, 532.

⁴⁰³ See McCarthy 2019, § 2:12 ("Almost all trademarked products are in competition in a relevant market with other trademarked products."); and Swann & Davis 1994, 272-274 (arguing that even famous brands which can be regarded as products themselves are subject to competition).

⁴⁰⁴ See Chamberlin 1958, 270-274 (regarding legal protection of trade marks beyond their mere function of identification as preservation of monopoly); Lunney 1999, 422-431 (explaining that many of the most popular brands constitute product markets unto themselves); and McCarthy 2019, § 2:11 (considering this a misuse of the term as commonly understood).

⁴⁰⁵ See Aldred 2008, 272; and Ramello 2007, 75.

⁴⁰⁶ See Aldred 2008, 272; and Ramello 2007, 76.

⁴⁰⁷ See Aldred 2008, 272; Di Cataldo 2011, 835; and Ramello 2007, 76.

⁴⁰⁸ See Aldred 2008, 272; and Lunney 1999, 430-431.

⁴⁰⁹ See Bergh, Van den & Lehmann 1992, 598 (pointing out the tension between reduction of search costs and competition and the risk of too broad protection of goodwill); Brown 1948, 1200-1201 (sceptical of protection of goodwill against misappropriation in view of the harm to free competition); Denicola 1982, 183 (arguing that trade marks' positive effects on consumer information and competition are limited to protection against a likelihood of confusion); and Lunney 1999, 433-439, 478 (advocating narrow trade mark protection confined to its informational role to prevent anticompetitive loss). See also *supra*, section 2.5.2.2.

2.6.2.4 Keyword Advertising and Competition

The use of third parties' trade marks as keywords by competitors in order to promote their products as alternatives to those of the trade mark owner has the potential to increase competition with resulting benefits for consumers.⁴¹⁰ This has been recognised in the CJEU's jurisprudence on keyword advertising⁴¹¹ as well as by competition authorities both in Europe and in the US.

In December 2018, the European Commission imposed a fine of nearly 40 million Euro on the clothing company Guess due to a violation of Art 101 TFEU.⁴¹² Amongst other things, Guess had systematically banned authorised retailers in its selective distribution system from using or bidding on Guess trade marks as keywords in Google AdWords.⁴¹³ This vertical restriction could not be justified by preventing potential trade mark infringements. A risk of confusion as to the origin of the products was denied since the authorised retailers sold genuine Guess products.⁴¹⁴ The objective of the restriction was to reduce competitive pressure on Guess' own online retail activities and to keep down its own advertising costs.⁴¹⁵ The Commission stressed the importance of keyword advertising as a means to attract consumers to online shops:

By severely curtailing the use of online search advertising by its authorised retailers, Guess limited the "findability" and ultimately the viability of retailers selling its products online. While Guess' retailers were – subject to the authorisation requirement – in principle able to sell online, they were deprived of the ability to effectively generate traffic to their own websites by means of online search advertising. This restricted their ability to sell the contractual products to customers, in particular outside the contractual territory or area of activity.⁴¹⁶

⁴¹⁰ *Goldman* explained in this regard that in search engines, trade mark owners face competition from various actors who do normally not compete with them for offline advertising, and that online word of mouth shapes consumers' brand perceptions beyond the trade mark owner's control, which improves trade mark owner accountability and benefits the entire marketplace. See *Goldman* 2008, 412-413.

That the European legislator favours the promotion of competitive products can be inferred from the fact that it allows comparative advertising under certain conditions. See *MCAD*. See also Paulus 2014, 74-75 (finding comparative advertising and referential use of trade marks in general desirable from an economic policy perspective); Spence 2008, 337-338 (reasoning that signaling the substitutability of a product to consumers should not constitute prohibited allusive use); and Sakulin 2011, 295-296 (with regard to the taking of unfair advantage under Art 10(2)(c) TMD, suggesting that even if comparative advertising causes a transfer of part of the image of the third party trade mark, the trade mark holder's interests may still be outweighed by the information benefits for consumers. In his opinion, such balancing should also be performed in relation to referential and descriptive use in order to comply with the freedom of commercial expression.).

⁴¹¹ See *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 57-58.

⁴¹² See *Guess*, C(2018) 8455 final (European Commission case AT.40428 Dec 17, 2018).

⁴¹³ See *Guess, id.* at para. 45.

⁴¹⁴ See *Guess, id.* at para. 117.

⁴¹⁵ See *Guess, id.* at para. 50, 118, 121-122.

⁴¹⁶ See *Guess, id.* at para. 120.

Guess' behaviour qualified as a restriction "by object",⁴¹⁷ which by its nature, appreciably affected competition.⁴¹⁸

In a US Federal Trade Commission (hereinafter: FTC) case, horizontal restrictions on competitive keyword advertising were analysed.⁴¹⁹ This case concerned competing online sellers of contact lenses. The company 1-800 Contacts had concluded a large number of settlement agreements with its competitors to refrain them from using 1-800's trade marks as keywords. The FTC found that these agreements unreasonably restrained trade in violation of Section 5 of the FTC Act and that they harmed consumers and competition.⁴²⁰ The FTC reasoned that the advertising restrictions withheld information from consumers which they needed to compare prices and other features.⁴²¹ It also emphasised the usefulness of keyword advertising:

Online search is one of the key methods by which consumers discover vendors and compare products and services. It is an important method by which lower-priced rivals compete with 1-800 Contacts. Rival online sellers generally offer lower prices than 1-800 Contacts, and much of the advertising for those retailers emphasizes those lower prices. This is particularly important because the advertising is presented to a consumer at a time when the consumer is more likely to be looking to buy.⁴²²

The FTC considered the advertising restrictions inherently suspect.⁴²³ The settlement agreements restricted the use of keyword advertising regardless of whether the ads were likely to be confusing. The FTC found this too broad. The asserted justification of trade mark protection could be achieved through means less restrictive of competition.⁴²⁴ Moreover, the factual basis for this justification was rejected.⁴²⁵ The FTC noted that courts generally dismiss trade mark infringements claims based on the mere use of a trade mark keyword without an additional factor, such as confusing use of the trade mark in the ad text.⁴²⁶ Apart from the inherently suspect nature of the agreements, there was also direct evidence of anticompetitive effects: restriction of truthful advertising and increase in contact lens prices sold

⁴¹⁷ See *Guess, id.* at para. 124-126.

⁴¹⁸ See *Guess, id.* at para. 148.

⁴¹⁹ See *In the Matter of 1-800 Contacts Inc.*, Docket No. 9372 (FTC Nov 7, 2018).

⁴²⁰ See *In the Matter of 1-800 Contacts Inc.*, *id.* at 2.

⁴²¹ See *In the Matter of 1-800 Contacts Inc.*, *id.* at 20.

⁴²² See *In the Matter of 1-800 Contacts Inc.*, *Id.*

⁴²³ See *In the Matter of 1-800 Contacts Inc.*, *id.* at 22.

⁴²⁴ See *In the Matter of 1-800 Contacts Inc.*, *id.* at 25.

⁴²⁵ See *In the Matter of 1-800 Contacts Inc.*, *id.* at 36.

⁴²⁶ See *In the Matter of 1-800 Contacts Inc.*, *id.* at 38.

online.⁴²⁷ Finally, the FTC found anticompetitive harm to search engines due to reduced auction prices and reduced quality of search engines results pages presented to consumers.⁴²⁸

2.6.3 Unfair Competition

Freedom of competition implies that there are winners and losers in the competitive process. Those who offer products that do not possess the quality or characteristics desired by consumers or are too expensive are not protected against harm caused by competition. On the other hand, free competition does not mean that the law of the jungle applies.⁴²⁹ While competition law aims at preserving the existence of free competition, unfair competition law aims at ensuring fair market behaviour.⁴³⁰

The law of unfair competition covers a broad range of practices.⁴³¹ Relevant with regard to this research are, for instance, misleading and comparative advertising, misappropriation of reputation and diversion of customers.⁴³²

Trade mark law partly addresses the same concerns as unfair competition law.⁴³³ Both trade mark law and unfair competition law intend to guarantee a fair and transparent marketplace with undistorted competition and consumer choice to the benefit of all market participants and society at large.⁴³⁴ Trade

⁴²⁷ See *In the Matter of 1-800 Contacts Inc.*, *id.* at 42.

⁴²⁸ See *In the Matter of 1-800 Contacts Inc.*, *id.* at 53.

⁴²⁹ See McCarthy 2019, § 1:20 (arguing that free competition is not inconsistent with fair competition since a “competitor must win on the merits, not by the use of tactics that confuse or deceive buyers”).

⁴³⁰ See Ahrens in: Harte-Bavendamm & Henning-Bodewig 2016, UWG Einl. G, para. 108; Köhler in: Köhler, Bornkamm & Feddersen 2019, UWG Einl., para. 6.11; and Ohly in: Ohly & Sosnitza 2016, UWG Einf. A, para. 2, Einf. D, para. 71. With regard to US law, see McCarthy 2019, § 1:20.

⁴³¹ See, e.g., the categories mentioned in Art 10bis(3) Paris Convention and the practices listed in Arts 5-9 and Annex I UCPD.

⁴³² See *infra*, chapter 7.

⁴³³ It will be examined in chapter 7 to what extent unfair competition applies besides trade mark law in keyword advertising disputes.

⁴³⁴ See *supra*, section 2.3 for the rationales of trade mark law. For unfair competition law, see, e.g., § 1 UWG: “Purpose of the law. This law serves to protect competitors, consumers, as well as other market participants, against unfair commercial practices. At the same time, it protects the interest of the general public in undistorted competition.” See for a detailed explanation of the purposes of German unfair competition protection, Köhler in: Köhler, Bornkamm & Feddersen 2019, UWG § 1. In the Netherlands, a special law on unfair competition does not exist. Instead, it is based on the general tort law provision Art 6:162 BW (“onrechtmatige daad”) and certain areas are regulated in dedicated parts of the Civil Code (Burgerlijk Wetboek: BW). Unfair competition law has traditionally been developed by case law, which has not only considered the interests of competitors and other enterprises but also those of consumers. Consumer protection law has received explicit recognition since the 1970s. See Verkade 2009, 6. The purpose of the UCPD is to contribute to the proper functioning of the internal market and to achieve a high level of consumer protection. See Art 1 UCPD. The Directive directly protects consumers and indirectly competitors and fair competition. See Recital 8 UCPD. The MCAD aims to protect traders against misleading advertising and the unfair consequences thereof and lays down the conditions under which comparative advertising is permitted. See Art 1 MCAD. This Directive is concerned with undistorted competition in the internal market and the economic welfare of consumers and traders. See Recitals 3-4 MCAD. It regulates comparative advertising to the benefit of consumers and competitors by encouraging enhanced product information and choice and by stimulating competition. See Recitals 6 and 9 MCAD.

mark law is said to be part of unfair competition law in the broader sense.⁴³⁵ With regard to the assessment of the use of trade marks in keyword advertising in general and when deciding a particular case, incoherencies in the application of both areas of the law should be avoided.⁴³⁶

2.6.4 *Internal Market*

The Trade Mark Directive constitutes a measure for the approximation of the laws of the Member States relating to trade marks with the object of the establishment and functioning of the internal market,⁴³⁷ which is a main objective of the European Union.⁴³⁸ Part of the internal market goal is a system of ensuring undistorted competition.⁴³⁹ Directive 2008/95/EC had harmonised central provisions of substantive trade mark law which at the time of adoption were considered as most directly affecting the functioning of the internal market by impeding the free movement of goods and the freedom to provide services⁴⁴⁰ in the European Union.⁴⁴¹ Directive (EU) 2015/2436 extended approximation to other aspects of substantive trade mark law in order to serve the objective of fostering and creating a well-functioning internal market and to facilitate acquiring and protecting trade marks in the Union, to the benefit of the growth and the competitiveness of European businesses, in particular small and medium-sized enterprises.⁴⁴² In order to respect the internal market goal, divergent interpretations of trade mark law within the European Union should be avoided as far as possible.

2.6.5 *E-Commerce*

Of relevance with regard to keyword advertising is furthermore the European Union's e-commerce policy. The E-Commerce Directive (ECD) has created a legal framework to ensure the free movement of information society services between Member States.⁴⁴³ The European legislator regards the free

⁴³⁵ See Ohly in: Ohly & Sosnitza 2016, UWG Einf. D, para. 82. With regard to US law, see Mc Carthy 2007a, § 2:7; and McKenna 2007, 1860.

⁴³⁶ See *infra*, chapter 7.

⁴³⁷ See Art 114(1) TFEU.

⁴³⁸ See Art 3 TEU and Art 26 TFEU.

⁴³⁹ See Protocol (No 27) on the Internal Market and Competition.

⁴⁴⁰ These are part of the internal market. See Arts 26(2), 28 and 56 TFEU.

⁴⁴¹ See Recital 2 TMD.

⁴⁴² See Recital 8 TMD.

⁴⁴³ See Art 1(1) and Recital 8 ECD.

movement of information society services in many cases as a reflection of the freedom of expression.⁴⁴⁴ The E-Commerce Directive includes rules on information requirements for commercial communications,⁴⁴⁵ exemptions from liability for information society service providers⁴⁴⁶ and the prohibition to impose a general obligation to monitor on such providers.⁴⁴⁷ Improving the rules for cross-border e-commerce is part of the European Commission's Digital Single Market Strategy.⁴⁴⁸

2.7 Conclusion

2.7.1 The Notion of Goodwill

This chapter started in section 2.2 with an explanation of the concept of “goodwill”. It was observed that trade marks nowadays not only serve to indicate the source of the products but also to convey a wide range of emotional associations. Because the resulting brand image is often highly valuable, trade mark owners are interested in adequate legal protection.

2.7.2 Rationales

Section 2.3 analysed the various justifications advanced in favour of trade mark protection. The widely supported consumer search costs rationale presents convincing economic arguments. It reasons that trade marks enable consumers to make informed choices based on product quality and characteristics. Trade marks also provide producers with an incentive to deliver a certain level of quality and variety. It is crucial in this regard that protection against consumer confusion exists in order to allow the market mechanism to work efficiently. However, the consumer search costs rationale is not entirely undisputed. It is maintained that this rationale does not consider the full range of roles played by trade marks in modern society and may therefore lead to underprotection. On the other hand, an unduly strong focus on consumer confusion may also result in a spiral of higher consumer expectations and hence broader trade mark protection.

⁴⁴⁴ See Recital 9 ECD. See also with regard to the importance of the Internet for the exercise of the right to freedom of expression, United Nations 2018; and the case *Yildirim v. Turkey*, Appl. No. 3111/10 (ECtHR Dec 18, 2012) (finding a restriction of Internet access a violation of the freedom of expression).

⁴⁴⁵ See Art 6 ECD.

⁴⁴⁶ See Arts 12-14 ECD.

⁴⁴⁷ See Art 15 ECD.

⁴⁴⁸ See European Commission 2015, para. 2.1.

Numerous commentators have rebutted the relevance of the incentive rationale with respect to trade marks. Protection beyond that against consumer confusion does not appear necessary to create sufficient incentives for trade mark owners to invest in their brands. The promotion of strong brand images is moreover socially questionable since it may result in higher prices, reduced choice and restricted expression.

The natural law and reward rationales have some appeal owing to their support in the law of nature and the basic human instinct of fairness. However, these theories do not justify full control over the results of the trade mark owner's investment. The commercial morality rationale similarly has the advantage of corresponding with a sense of justice according to which it is improper to exploit a trade mark's goodwill. On the other hand, it is argued that free riding enhances competition and is not unjust unless it causes confusion among consumers. Hence, the ambiguous concept of commercial morality needs further specification to determine the appropriate extent of trade mark protection.

The sumptuary code theory does not explain trade mark protection in full, but it provides a plausible explanation for the observed expansion of trade mark protection beyond the situation of confusion at the point of sale. The preservation of uniqueness of a trade mark to enable consumption-based social distinction could be one of the underlying reasons for protection against dilution, tarnishment, post sale confusion and misappropriation. The sumptuary code theory, however, acknowledges that safeguarding the sumptuary code should not be the aim of trade mark law in view of conflicting interests of the public.

The expressive autonomy rationale intends to justify trade mark protection when there is no consumer confusion. Under this theory, a trade mark owner should be able to resist allusion to its mark if it does not want to support or be associated with the third party use. This autonomy of the trade mark owner is subject to the rights of others to refer to the mark.

After examining all these theories, the economic rationale concerning consumer search costs remains the most convincing.⁴⁴⁹ In a market full of product choice, trade marks enable consumers to make a connection between the product and the producer. Trade mark protection prevents consumer confusion and safeguards market transparency, competition and economic efficiency, thereby enhancing consumer welfare.

Nonetheless, natural law, reward and commercial morality theories may complement the search costs rationale. Whereas the search costs rationale is aimed at welfare effects, the other rationales rest on

⁴⁴⁹ See also Paulus 2014, 70 (arguing that the protection against a likelihood of confusion is based on sound economic arguments and is in the interest of the trade mark owner, consumer and society at large); and Prüfer-Kruse 2010, 42 (concluding that other rationales have not provided a plausible justification for protection beyond that against consumer confusion).

ethical principles. Recourse to these justifications may strengthen the basis for trade mark protection by their reliance on human instincts of justice. In this way, economic efficiency and moral values could be integrated. However, these theories do not justify unrestricted trade mark rights. Additional protection of a mark's goodwill when there is no consumer confusion should be particularly carefully balanced with opposing interests, rights and policies.⁴⁵⁰

2.7.3 *Property Theory*

Section 2.4 discussed the property theory. It was noted that different interpretations of this theory exist. Some view trade marks as absolute property rights which may fully be exploited by the trade mark owner. Others confine the scope of trade mark protection to its main purpose of preventing deception. Various authors have criticized the attempt to justify trade mark protection by the "property" label without providing adequate policy reasons. It is a matter of terminology, which carries the danger of granting an overly broad scope of protection with negative social and economic consequences, such as reduced speech and competition.

2.7.4 *Trade Mark Functions*

Section 2.5 described the various functions fulfilled by trade marks. Whether further trade mark functions than the ones discussed are relevant in the infringement context has not yet been clarified by the CJEU. The origin function may be regarded as the main function, which safeguards the correct identification of products to consumers. In conformance with the search costs rationale, the prevention of confusion is essential in this regard.

The advertising function concerns the trade mark's power to attract customers by informing or persuading them. Despite the enhanced importance of brand image in modern society, it was observed that protection of the persuasive aspects of advertising beyond the informative function is difficult to justify. Additional protection is socially doubtful and does not seem necessary to provide sufficient incentives to trade mark owners to create and maintain the reputation of their brands.

⁴⁵⁰ See also, e.g., Di Cataldo 2011, 835 (noting that there is no reason to consider the trade mark owner's interests, beyond protection of the origin function, worthy of prevailing over all possible interests of a third party to use the trade mark); and Kur 2008a, 12 (stressing that an open, comprehensive balance of all the interests involved is necessary where there is no detriment to the essential function of the trade mark to serve transparency in the market).

According to the CJEU, the investment function includes the advertising function as well as other commercial methods for upholding the reputation of the mark. The quality function appears intrinsic to the origin function in that it communicates and encourages the quality of the product. The function of communication covers the transmission of all kinds of information regarding the product, such as source, quality, other features and image. Hence, this function occurs to encompass the trade mark functions already mentioned. Comprehensive protection of the communication function could be detrimental since the public should maintain sufficient freedom to refer to the trade mark for legitimate purposes.

2.7.5 *Further Considerations*

Section 2.6 analysed the rights, principles and policies from other areas that should be taken into account when determining the extent of trade mark protection. To decide whether or not there is a trade mark infringement in a concrete dispute, the considerations discussed in section 2.6 may assist in performing a balance between the rights and interests of the trade mark owner with those of others and the public at large.

Trade mark law should comply with and be interpreted in conformance with the fundamental rights. Relevant with respect to keyword advertising are the freedom of expression, the right to property, the freedom to conduct a business and consumer protection. Trade marks may need to be used by third parties in a referential way in (commercial or non-commercial) expression. In addition, information concerning products available on the market is part of the freedom to receive information enjoyed by consumers. Trade mark owners may invoke the fundamental right to property, which includes intellectual property. The scope of the freedom to conduct a business is not yet well established. It could potentially be applicable to both advertisers and trade mark owners and, based on CJEU case law, to the search engine as an Internet intermediary. The fundamental right to consumer protection, which concerns an essential policy aim of the European Union, should also be considered in the application of trade mark law. For the purpose of this research, special attention should be given to the economic interests of consumers and their right to information. In the case of conflicting fundamental rights, a fair balance need to be achieved.

Arts 101 and 102 TFEU and related provisions intend to ensure competition on the common market. To complement these rules and accomplish a coherent approach, EU competition policy should also be considered in the application of trade mark law. This includes the principle of free competition and the aim of ensuring a competitive market to the benefit of consumers. Trade marks play a central role in this

respect. Though it may therefore be inadequate to designate trade marks as “monopolies”, a certain concern regarding market power of popular brand owners appears justified. Such market power could harm competition and result in entry barriers, higher prices and deadweight losses suffered by consumers. These concerns could necessitate a limited scope of trade mark protection, which enables the performance of the informative role but does not cover all kinds of exploitation of the mark by third parties. Competition authorities recognise the potential of keyword advertising by condemning practices that restrict competitive use of trade mark keywords.

While competition law ensures the existence of competition on the market, unfair competition law safeguards fair conduct by competitors. A uniform approach towards keyword advertising from the perspectives of trade mark and unfair competition law should be strived for. In this regard, it should also be kept in mind that the reason for the Trade Mark Directive was the harmonisation of national trade mark laws for the purpose of the establishment and functioning of the internal market.⁴⁵¹ Therefore, it is important to achieve a common interpretation of trade mark law within the European Union. Another area in which the national laws have been harmonised to some extent concerns e-commerce. In order to enable the free movement of information society services, the E-Commerce Directive includes rules on, *inter alia*, information requirements for commercial communications and a limited liability regime for Internet intermediaries. These rules should also be considered in the context of keyword advertising.

2.7.6 Application with Regard to Keyword Advertising

As described above, there exist multiple ways of using third party trade marks as keywords.⁴⁵² These uses often enhance market information and competition to the benefit of consumers,⁴⁵³ which corresponds with the objectives discussed above. This practice should therefore not too easily be restricted. However, in view of the consumer search costs rationale and the protection of the informative function of trade marks, the use of third party trade marks in keyword advertising should be enjoined where it creates confusion among consumers. A balance should in any case be found between the benefits of keyword advertising for advertisers and society at large and the harm caused to the trade

⁴⁵¹ The internal market objective was also the reason for the Directive concerning Misleading and Comparative Advertising (MCAD) and the Unfair Commercial Practices Directive (UCPD).

⁴⁵² See *supra*, section 1.3.

⁴⁵³ See *supra*, section 2.6.2.4.

mark owner. In this regard, it may be helpful to distinguish between actual detriment⁴⁵⁴ and mere exploitation of goodwill.⁴⁵⁵ The following chapters will present suggestions for deciding the appropriate scope of trade mark protection and the application of the infringement criteria in actual keyword disputes. These suggestions attempt to provide a predictable and harmonised approach with the aim of promoting a competitive, transparent and fair market place.

⁴⁵⁴ E.g., the trade mark becomes associated with unfavourable context.

⁴⁵⁵ E.g., a competitor benefits from the fame of the trade mark. See also Bone 2006, 592.

3 Trade Mark Use and Functions

3.1 Introduction

In the early stages of the debate about keyword advertising cases, the main issue concerned the requirement of “use as a trade mark”, also called the “trade mark use” requirement, which not only received much attention in Europe but also in the United States. The CJEU has meanwhile resolved the issue of trade mark use with regard to keyword advertising in a number of cases.

According to the CJEU, there is no “use” within the meaning of Art 10 TMD in relation to the acts performed by the search engine offering keyword advertising.⁴⁵⁶ In contrast, keyword use by advertisers constitutes “use in relation to goods or services” pursuant to Art 10(2) TMD.⁴⁵⁷ In cases of double identity, falling under Art 10(2)(a) TMD, the CJEU requires one of the trade mark functions to be adversely affected.⁴⁵⁸

As a consequence of this jurisprudence, the focus has shifted from the requirement of use as a trade mark to the requirement of an adverse effect on the trade mark functions. With regard to the liability of the search engine, trade mark law has lost its relevance.⁴⁵⁹ Instead, theories of secondary liability and their exemptions determine the outcome.⁴⁶⁰

This chapter will first explain the relevance of the trade mark use requirement in the context of keyword advertising. The next section will examine the Trade Mark Directive to find indications concerning the trade mark use requirement. Thereafter, the case law of the CJEU from before its keyword advertising decisions will be analysed. The next part will explore the keyword advertising decisions of the CJEU with special focus on the trade mark functions. The problems related with the CJEU’s interpretation of the infringement criteria will be pointed out and potential solutions will be put

⁴⁵⁶ See *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 55-58. It is not excluded, however, that there is a “use” in other scenarios than the typical search engine keyword advertising scenario described in this judgment. The criteria formulated by the CJEU in this decision regarding the applicability of the hosting exemption in Art 14 ECD will be elaborated later. See *infra*, section 8.3.1.1.

⁴⁵⁷ See *Google v. Louis Vuitton*, *id.* at para. 73.

⁴⁵⁸ See *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 38; and *Google v. Louis Vuitton*, *id.* at para. 79.

⁴⁵⁹ Apart from the fact that a finding of contributory liability often requires proof of primary infringement. With regard to the German doctrine of “Störerhaftung” (interferer liability), see Ahrens 2007, 1290 (thesis 21); and Leistner 2010, 20.

⁴⁶⁰ See *infra*, chapter 8.

forward. This is followed by an account of the trade mark use debates in relation to keyword advertising held among courts and commentators in the Netherlands, Germany, the UK, France and Austria in the period before the first significant CJEU case on keyword advertising, *Google v. Louis Vuitton*.⁴⁶¹ Moreover, the concept of trade mark use in Europe will be compared with the understanding of this doctrine in the US. The final section will summarise and evaluate the findings. This will show how the trade mark use requirement has developed over time and what the impact of keyword advertising has been in this respect.

3.2 *Relevance*

It may be asked why the practice of keyword advertising has caused such a heavy debate on the trade mark use requirement. Keyword advertising concerns a new and different kind of use than traditional trade mark uses, such as attaching a mark to a product. Keyword advertising involves the internal use of a trade mark in the advertising programme of a search engine in order to target a specific public by signalling consumer preferences. There are various uncertainties in this regard.

First, the keyword as such is not visible for the Internet user, who only sees on the screen his own search query, a list of search results and a section with advertisements. This raises the question whether the Internet user perceives the trade mark in the search query as distinguishing the goods or services of the allegedly infringing advertiser.

Second, the advertiser uses the trade mark keyword with the aim of attracting the consumers interested in the products of the trade mark owner. It is arguable whether this constitutes a use “for the purpose of distinguishing” goods or services.

Third, the ad is not activated until the Internet user types in a search term which corresponds with the keyword. Thus, it could be argued that it is actually the Internet user who uses the trade mark in the decisive moment.

Fourth, even if it would be accepted that it is the advertiser who uses the mark, it is questionable whether the same applies to the search engine operator. It is the advertiser that chooses a certain keyword, not the search engine. Besides, the search engine does not use the trade mark to promote its own services. It provides advertising space, the possibility to select any relevant keywords and the

⁴⁶¹ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

mechanism which triggers the ad.⁴⁶² On the other hand, the search engine earns money by allowing its advertising customers to choose third party trade marks as keywords and by displaying their competing ads.

Apart from these quite technical issues concerning the qualification of keyword use, more substantial arguments form the basis of the discussion. The targeting use of trade mark keywords presents an excellent example of the conflict between the protection of a trade mark's various functions, on the one hand, and further interests, such as the freedom of information, the encouragement of competition and e-commerce, on the other hand. These policy issues, which have been outlined in chapter 2, justify the intensive discussion on whether the use of trade mark keywords can be regarded as a trade mark use.

The finding or the denial of trade mark use determines whether harmonised trade mark law is applicable at all to the keyword uses made by the advertiser and the search engine. In addition, the trade mark use requirement may serve as a threshold for avoiding the seemingly absolute protection under Art 10(2)(a) TMD, which is often applicable in keyword cases.⁴⁶³ Related to this is the important question which functions of a trade mark are worthy of protection, and how they should be interpreted.

3.3 Indications in the Trade Mark Directive

The requirement of trade mark use does not appear in the text of the Trade Mark Directive. It is an unwritten requirement, derived from Member States' national laws and modified by the CJEU. A few indications may, however, be deduced from the Trade Mark Directive's provisions, recitals, structure, objectives and legislative history.

3.3.1 Meaning of the Term "Use"

The term "use" in Art 10 TMD is not defined. It also occurs beyond the infringement context. For instance, in some jurisdictions, trade marks cannot only be acquired through registration but also through

⁴⁶² Sometimes the search engine suggests specific keywords to the advertiser or automatically adds variations to the selected keywords. The various matching options and keyword suggestion tools, as well as their consequences for the applicability of the hosting exemption in Art 14 ECD, will be addressed in section 8.3.4.

⁴⁶³ The reason for this is that the advertiser frequently chooses the exact trade mark as a keyword to advertise identical products.

use.⁴⁶⁴ Furthermore, the trade mark owner could, *inter alia*, lose its registration if it has not genuinely used the mark within a certain period of time.⁴⁶⁵ The Trade Mark Directive does not provide any clear indications as to the meaning of the term “use” in such situations, but the relevant criteria have been developed in case law.⁴⁶⁶ However, it is doubtful whether use in the sense of acquiring rights or genuine use by the trade mark proprietor has the same meaning as infringing use by a third party.

Interestingly, this issue plays a significant role in US legal scholarship and court decisions. A “use in commerce” is a requirement for registration of a trade mark under the Lanham Act. The wording “use in commerce” is also contained in the infringement provisions to confer constitutional legitimacy based on the Commerce Clause for Congress to enact federal legislation.⁴⁶⁷ Details of the trade mark use doctrine in the US and relevant case law and literature will be discussed later on.⁴⁶⁸

3.3.2 Art 10(2) TMD: Use in Relation to Goods or Services

Art 10(2) TMD is mandatory for the EU Member States, pursuant to the wording “[...] the proprietor of that registered trade mark *shall* be entitled [...]”.⁴⁶⁹ Under Art 10(2) TMD, the general conditions for preventing third parties from using the sign without consent are that such use is made “in the course of trade” and “in relation to goods or services”. Depending on the situation, the further conditions are contained in Art 10(2)(a), (b) or (c) TMD. The requirement of a use “in relation to” goods or services delineates Art 10(2) TMD from Art 10(6) regarding use “other than use for the purposes of distinguishing” goods or services.

⁴⁶⁴ E.g., in Denmark, Italy, Germany, Sweden and Finland. The UK tort of passing off, as well as other national (unfair competition) laws, may protect unregistered marks, but they are not part of trade mark law. See MPI Trade Mark Study 2011, para. 2.26. The TMD as well as the EUTMR are concerned solely with registered marks. However, they both contain as a relative ground for refusal (or invalidity) the existence of a prior non-registered mark. See Art 4(4)(a) TMD (optional); and Art 8(4) EUTMR. The US has a system which acknowledges both registered and use based rights.

⁴⁶⁵ See Art 16 TMD; and Art 15 EUTMR (with reference to sanctions).

⁴⁶⁶ See, e.g., with regard to § 4(2) MarkenG (trade mark protection through use), Ingerl & Rohnke 2010, MarkenG § 4, para. 6-28. For case law concerning the genuine use requirement, see MPI Trade Mark Study 2011, para. 2.66-2.85; and CJEU decision *Leno v. Hagelkruis (Onel v. Omel)*, ECLI:EU:C:2012:816 (CJEU case C-149/11 Dec 19, 2012)(concerning use of a EUTM within a single Member State). It would be interesting to know whether the mere selection by a trade mark proprietor of its own trade mark as a keyword suffices to establish genuine use of the mark. This seems rather unlikely. See *Jacob LJ* in: *Reed Executive v. Reed Business Information*, [2004] EWCA (Civ) 159 (Mar 3, 2004), para. 149(a) (observing with regard to meta tag use that it would at least be odd that a wholly invisible use could defeat a non-use attack).

⁴⁶⁷ See Dinwoodie & Janis 2007a, 1610-1611. Art 1, Sec 8, Clause 3 of the US Constitution gives Congress the power “[t]o regulate commerce with foreign nations, and among the several states, and with the Indian tribes;”.

⁴⁶⁸ See *infra*, section 3.7.6.

⁴⁶⁹ Under Directive 2008/95/EC, Art 10(2)(c) TMD was an optional provision. However, nearly all the Member States had implemented it (except for Cyprus). See MPI Trade Mark Study 2011, para. 2.148. Directive (EU) 2015/2436 has brought this provision in line with the extensive protection granted to EU trade marks which have a reputation. See Recital 10 TMD.

3.3.2.1 Art 10(2)(a) TMD: Double Identity

Art 10(2)(a) TMD, also referred to as the “double identity” provision, applies where the sign is identical with the trade mark and is used in relation to goods or services which are identical with those for which the trade mark is registered.

3.3.2.1.1 Absolute Protection

According to the text of the law, the trade mark proprietor need not prove a likelihood of confusion to establish infringement under Art 10(2)(a) TMD, as opposed to Art 10(2)(b) TMD. Moreover, in contrast to Arts 10(2)(c) and 10(6) TMD, the double identity provision neither contains a due cause defence, nor does it require a specific form of harm, such as unfair advantage of, or detriment to, the mark’s distinctiveness or reputation. The limitations in Art 14 TMD and the exhaustion doctrine in Art 15 TMD are confined to specific situations. As a consequence, on the face of it, there is not much room for a balance of interests under Art 10(2)(a) TMD.⁴⁷⁰ This “absolute” protection is a particular characteristic of European trade mark law. In the US, such a provision does not exist.

A typical scenario covered by the double identity provision is the use of a trade mark on counterfeit goods.⁴⁷¹ In this situation, in which a third party marks its own product with a trade mark which is registered for identical products, the function of the mark of identifying and distinguishing the product is intensively disturbed. In addition, a difference in quality between the products impairs the communication function of the trade mark by discrediting its quality assertions and by impairing its image.⁴⁷² Art 10(2)(a) TMD makes it futile for the alleged infringer to argue that the public is not confused, for instance, because of the lower price or a clarification that the goods are not original.⁴⁷³ In

⁴⁷⁰ See *Kabel* in his case comment under *VNU v. The Monster Board*, [1999] IER 219, no. 42 (CC Kabel) (Vzr. Rb. Den Haag June 29, 1999), 222-223, para. 7; Senftleben 2011a, 14, 23; and Senftleben 2011b, 385.

⁴⁷¹ See Cohen Jehoram 2012; and *Kabel* in his case comment under *VNU v. The Monster Board*, [1999] IER 219, no. 42 (CC Kabel) (Vzr. Rb. Den Haag June 29, 1999), 222-223, para. 7.

⁴⁷² See Fezer 2009, MarkenG § 14, para. 187.

⁴⁷³ See Fezer 2009, MarkenG § 14, para. 196-197; and Ingerl & Rohnke 2010, MarkenG § 14, para. 272.

the absence of a likelihood of confusion at the point of sale,⁴⁷⁴ there may still be post sale confusion⁴⁷⁵ of people who view the product when it is in use.⁴⁷⁶

The absence of a need to prove a likelihood of confusion is also practical with regard to preventing the parallel import of original branded products from outside the EEA since the trade mark in such cases truthfully refers to the origin of the goods.⁴⁷⁷ The examples of counterfeiting and parallel import from outside the EEA illustrate that Art 10(2)(a) TMD does not concern a mere presumption of a likelihood of confusion, and that it protects more than just the origin function.

However, the absolute protection may be problematic with regard to other uses of trade marks,⁴⁷⁸ for instance, certain forms of referential use: the use of another's trade mark in order to refer to the goods or services offered by the trade mark owner itself.⁴⁷⁹ In this case, the trade mark is usually not perceived by the public as distinguishing the origin of the products of the third party, which will sell its products under its own name or mark. The same applies to keyword use, though rather than referring to the products of the trade mark owner, keyword use indicates the targeted group of consumers.⁴⁸⁰ This book therefore also designates keyword use as "targeting" use.

It has been argued though that in cases of double identity, a likelihood of confusion should merely be presumed to exist,⁴⁸¹ with or without the possibility of a rebuttal.⁴⁸² This reasoning could find support in Art 16(1) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), which reads in part:

⁴⁷⁴ Point of sale confusion concerns confusion at the moment of the transaction, which happens if a consumer erroneously believes he is buying a product of a certain brand.

⁴⁷⁵ Post sale confusion concerns confusion of other people after the transaction has taken place. See *supra*, section 2.3.5.

⁴⁷⁶ See Fezer 2009, MarkenG § 14, para. 197; Ingerl & Rohnke 2010, MarkenG § 14, para. 350-351; and *Arsenal v. Reed*, [2002] ECR I-10273 (CJEU case C-206/01 Nov 12, 2002), para. 57.

⁴⁷⁷ See Kur 2008a, 11; and Sack 1996, 664. Parallel trade from outside the EEA is infringing since the exhaustion rule in Art 15 TMD only applies to goods which have first been put on the market in the EEA. Art 10(2)(a) TMD also covers the further distribution of original goods within the EEA if there exist legitimate reasons for the trade mark proprietor to oppose further commercialisation within the meaning of Art 15(2) TMD. Such legitimate reasons may, e.g., consist of a change or impairment of the condition of the goods after they have been put on the market (see Art 15(2) TMD), or of damage done to the reputation of a trade mark (see *Dior v. Evora*, [1997] ECR I-6013 (CJEU case C-337/95 Nov 4, 1997), para. 43, confirmed in later judgments).

⁴⁷⁸ E.g., the use of trade names, decorative trade mark use or referential use. These three categories were discussed by Kur with regard to the requirement of use as a trade mark. See Kur 2008a.

⁴⁷⁹ See Kur 2008a, 2; and Ingerl & Rohnke 2010, MarkenG § 14, para. 310.

⁴⁸⁰ See also *Playboy Enterprises Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. Jan 14, 2004), 1030 (denying nominative fair use).

⁴⁸¹ See Hacker 2009, 337; Ohly 2009, 711-712; and Senftleben 2011a, 2. *Bone* explained the presumption of confusion under US law when direct competitors use identical marks on grounds of reduced (administrative and error) enforcement costs. See *Bone* 2004, 2134-2137.

⁴⁸² For references to proponents of both views, see Fezer 2009, MarkenG § 14, para. 188-189; and Ingerl & Rohnke 2010, MarkenG § 14, para. 269.

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. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. [...]

However, the protection under Art 10(2)(a) TMD is supposed to be absolute.⁴⁸³ There is nothing in the text about a likelihood of confusion. Pursuant to the 16th recital of the Trade Mark Directive:

The protection afforded by the registered trade mark, the function of which is in particular to guarantee the trade mark as an indication of origin, should be absolute in the event of there being identity between the mark and the corresponding sign and the goods or services. The protection should apply also in the case of similarity between the mark and the sign and the goods or services. [...] The likelihood of confusion, [...], should constitute the specific condition for such protection. [...]

Thus, the preamble indicates a clear distinction between the protection under Art 10(2)(b) TMD, which stipulates the existence of a likelihood of confusion, and Art 10(2)(a) TMD, which grants absolute protection.

3.3.2.1.2 *Trade mark Functions*

Although Recital 16 indicates that the function of a trade mark is “in particular” to guarantee the trade mark as an indication of origin,⁴⁸⁴ the Directive does not make clear whether, and to what extent, other functions deserve protection under Art 10(2)(a) TMD.

It could be argued that Art 3 TMD, concerning the signs of which a trade mark may consist, indicates that infringements are confined to uses as a trade mark, which jeopardise the origin function.⁴⁸⁵ Art 3(a) TMD requires that the trade mark is “capable of distinguishing the goods or services of one undertaking from those of other undertakings”. However, it is questionable whether this says anything about the kind of uses which may infringe a mark.

⁴⁸³ See Arnold 2012, 60, 62; Cohen Jehoram, Nispen, van & Huydecoper 2008, 290; and Fezer 2009, MarkenG § 14, para. 188-193.

⁴⁸⁴ The words “in particular” were incorporated into the Directive owing to the Benelux. See Furstner & Geuze 1988, 220; and Gielen 2011, 24.

⁴⁸⁵ See *Arsenal v. Reed*, [2002] ECR I-10273 (CJEU case C-206/01 Nov 12, 2002), para. 49 (emphasising that the origin function is essential). See with regard to § 1(1) WZG: Mühlberger 2008, 33 (observing that this was the prevailing opinion under the WZG).

3.3.2.2 Art 10(2)(b) TMD: Likelihood of Confusion

Art 10(2)(b) TMD is applicable where the sign is identical with, or similar to, the trade mark and is used in relation to goods or services which are identical with, or similar to, the goods or services for which the trade mark is registered, if there exists a likelihood of confusion on the part of the public. The requirement of a likelihood of confusion will be examined in chapter 4.

3.3.2.3 Art 10(2)(c) TMD: Trade Marks with a Reputation

Art 10(2)(c) TMD requires that the sign is identical with, or similar to, the trade mark irrespective of whether it is used in relation to goods or services which are identical with, similar to, or not similar to, those for which the trade mark is registered, where the latter has a reputation in the 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. These conditions will be analysed in chapter 5.

3.3.3 Art 10(3) TMD: Prohibited Uses

Art 10(3) TMD contains a list of conduct that may be prohibited by the trade mark proprietor under Art 10(2) TMD, which could be considered as an indication that the listed uses are “in relation to” goods or services. However, uses that are not listed in Art 10(3) TMD are not excluded from the scope of Art 10(2) TMD since the list is non-exhaustive.⁴⁸⁶

3.3.4 Art 10(6) TMD: Other Use

Art 10(6) TMD, beginning with “Paragraphs 1, 2, 3 and 5 *shall not affect* provisions in any Member State [...]”, is a non-harmonised provision, which is only contained in Benelux trade mark law.⁴⁸⁷ This

⁴⁸⁶ See the words “in particular” in Art 10(3) TMD.

⁴⁸⁷ See MPI Trade Mark Study 2011, para. 2.152. Despite the recommendation in the Trade Mark Study to make this provision mandatory and to include it in the Community Trade Mark Regulation as well (see p. 113, para. 2.221-2.222; p. 115-116, para. 2.225; p. 116, para. 2.229), Directive (EU) 2015/2436 leaves this situation to national law. See Recital 18 TMD. The idea of harmonising Art 5(5) of Directive 2008/95/EC (now: Art 10(6) TMD) was also proposed by Verkade & Bruining 2000, 44, para. 16. In addition, the MPI study proposed to complement the wording of this provision by declaring as inadmissible use which is likely to mislead the public about the existence of a commercial link between the proprietor of the trade mark and a third party. See MPI Trade Mark Study 2011, para. 2.222. The United Kingdom Trade Marks Act 1994 (UK TMA 1994) in

provision concerns the special case of protection against the use of a sign “other than use for the purposes of distinguishing goods or services”.⁴⁸⁸ The remaining Member States largely deal with such “other use” under their national unfair competition or tort laws.⁴⁸⁹ Art 10(6) TMD constitutes an example of a provision for which full harmonisation was not considered to be necessary at the time of drafting the Directive.⁴⁹⁰

Art 10(6) TMD originates from the Benelux.⁴⁹¹ Pursuant to the infringement provision existing at the time of negotiating the Directive, Art 13(A)(1)(1) Benelux Trade Mark Act (Benelux Merkenwet:⁴⁹² BMW), any use of the mark or of a similar sign for the goods or services for which the mark was registered or for similar goods or services could be enjoined. According to Art 13(A)(1)(2) BMW, apart from use “for goods or services”, any “other use” of the mark or of a similar sign was also infringing, provided that it was made without a due cause in the course of trade under such circumstances that detriment could be caused to the holder of the trade mark.⁴⁹³

The Dutch delegation insisted on making these infringement criteria part of the Directive. The parties reached a compromise in the form of Art 5 of Directive 2008/95/EC, including paragraph 5 concerning “other use” (now: Art 10(6) TMD).⁴⁹⁴ Under this provision, the use of the sign must take unfair advantage of, or be detrimental to, the distinctive character or the repute of the mark.⁴⁹⁵ The former Art 13(A)(1) BMW was amended in order to implement the Directive. Art 13(A)(1)(2) BMW concerning “other use” became Art 13(A)(1)(d) BMW, which has meanwhile been replaced by Art 2.20(1)(d) BVIE.

Sec 10(6) provides that use of a mark for the purpose of identifying goods or services as those of the proprietor may not be prevented, unless such use is not in accordance with honest practices in industrial or commercial matters and without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the mark.

⁴⁸⁸ The question arises whether a use “in relation to goods or services” under Art 10(2) TMD is the opposite of a use “other than use for the purposes of distinguishing goods or services” under Art 10(6) TMD. Although the language used is not identical, this question must be answered in the affirmative, which becomes clear from the structure, history and objectives of the Trade Mark Directive. See Henning-Bodewig 2008, 304 (this article provides an illuminating explanation of Art 10(6) TMD); and Kur 2008b, 165.

⁴⁸⁹ Recital 40 TMD determines that the application to trade marks of national laws on unfair competition, civil liability or consumer protection is not excluded.

⁴⁹⁰ See Henning-Bodewig 2008, 302; Conclusion of AG D.W.F. Verkade, in: *Portakabin v. Primakabin*, [2009] NJ 15 (HR Dec 12, 2008), para. 5.64; and *Robelco v. Robeco*, [2002] ECR I-10913 (CJEU case C-23/01 Nov 21, 2002), para. 30-33.

⁴⁹¹ See Cohen Jehoram, Nispen, van & Huydecoper 2008, 362; Furstner & Geuze 1988, 219; Verkade 1992, 93, para. 7; and Verkade & Bruining 2000, 43, para. 15.

⁴⁹² Also called “Eenvormige Beneluxwet op de merken”.

⁴⁹³ See Cohen Jehoram, Nispen, van & Huydecoper 2008, 279; Gielen 1992, 266; Gielen 2005, 209; Quaedvlieg 2009, 803; and Verkade & Bruining 2000, 42, para. 7.

⁴⁹⁴ See Furstner & Geuze 1988, 219; and Gielen 1992, 262, 266.

⁴⁹⁵ A fascinating question is whether the conditions of Art 10(6) TMD are only applicable if this provision has been implemented in national trade mark law or whether they also apply to “other uses” which are examined under unfair competition or tort law. See Henning-Bodewig 2008, 307.

3.4 CJEU Jurisprudence Before Keyword Advertising

The current understanding of the trade mark use requirement has mainly been established by the CJEU, which decisively interprets European trade mark law in its jurisprudence.⁴⁹⁶ Although not often applying the terminology of “use as a trade mark” or “trade mark use”, the CJEU has dealt with this condition in a series of judgments, from *BMW v. Deenik*⁴⁹⁷ in 1999 to *L’Oréal v. Bellure*⁴⁹⁸ in 2009. This was followed by several cases concerning keyword advertising, the first being *Google v. Louis Vuitton*⁴⁹⁹ in March 2010 and the latest being *Interflora v. M&S*⁵⁰⁰ in September 2011.⁵⁰¹

This section presents the CJEU case law before the decisions on keyword advertising. This examination helps to understand how the trade mark use requirement has obtained its present meaning. First, a brief summary of each judgment will be provided.⁵⁰² Thereafter, the decisions will be analysed.

3.4.1 *BMW v. Deenik*

In *BMW v. Deenik*,⁵⁰³ the CJEU clarified the distinction between uses for the purpose of “distinguishing” the origin of the goods or services, which qualify as uses under Art 10(2) TMD (formerly: Arts 5(1) and (2) TMD), and uses for “other” purposes, which come within the scope of Art 10(6) TMD (formerly: Art 5(5) TMD):

In that connection, it is true that the scope of application of Article 5(1) and (2) of the directive, on the one hand, and Article 5(5), on the other, depends on whether the trade mark is used for the purpose of distinguishing the goods or services in question as originating from a particular undertaking, that is to say, as a trade mark as such, or whether it is used for other purposes. [...]⁵⁰⁴

⁴⁹⁶ See *supra*, fn. 43.

⁴⁹⁷ [1999] ECR I-905 (CJEU case C-63/97 Feb 23, 1999).

⁴⁹⁸ ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009).

⁴⁹⁹ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

⁵⁰⁰ ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011).

⁵⁰¹ After the case *Interflora v. M&S*, the CJEU has decided one more keyword advertising case. See *Wintersteiger v. Products 4U*, ECLI:EU:C:2012:220 (CJEU case C-523/10 Apr 19, 2012). This decision did not address the infringement criteria but dealt with questions regarding the jurisdiction of a national court for a trade mark infringement on a foreign website, according to Art 7(2) (formerly: Art 5(3)) Brussels I Regulation.

⁵⁰² The decisions discussed here are also relevant with regard to other important aspects of the infringement analysis, but this chapter only addresses the considerations with regard to trade mark use.

⁵⁰³ [1999] ECR I-905 (CJEU case C-63/97 Feb 23, 1999).

⁵⁰⁴ See *BMW v. Deenik*, *id.* at para. 38.

The CJEU concluded that the use of the BMW mark by a non-official dealer in advertisements for the sale of second-hand BMW cars, as well as repair and maintenance services for BMW cars, qualified as a use under Art 10(2)(a) TMD.⁵⁰⁵ According to the CJEU, the advertiser used the BMW mark to identify the source of the goods in respect of which the services were supplied, and thus, to distinguish those goods.⁵⁰⁶

3.4.2 *Hölterhoff v. Freiesleben*

In *Hölterhoff v. Freiesleben*,⁵⁰⁷ Mr. Hölterhoff, a dealer in precious stones, had on a particular occasion during negotiations with a jeweller described the stones, which he had cut himself, by using the plaintiff's trade marks. These trade marks were associated by professionals with particular cuts of the stones. The CJEU determined that, in this situation, the use of the marks was made "in relation to" products under Arts 10(2)(a) and (b) TMD.⁵⁰⁸ However, the use did not infringe any of the interests which Arts 10(2)(a) and (b) TMD were intended to protect. The following facts were decisive: the customer was a professional jeweller; the reference to the mark was made for purely descriptive purposes, namely to describe the characteristics of the product; the customer was familiar with the characteristics of the products covered by the trade mark; and the reference to the trade mark could not be interpreted by that customer as indicating origin.⁵⁰⁹

3.4.3 *Arsenal v. Reed*

In *Arsenal v. Reed*,⁵¹⁰ the football club and trade mark holder Arsenal sued Mr. Reed, who sold in his stall close to Arsenal's stadium unofficial Arsenal scarves and other fan products. A large disclaimer was put on his stall, and it was made clear in dealings with customers that the products did not originate from Arsenal. The CJEU found this to be a use "for goods" under Art 10(2)(a) TMD (formerly: Art

⁵⁰⁵ See *BMW v. Deenik*, *id.* at para. 42.

⁵⁰⁶ See *BMW v. Deenik*, *id.* at para. 39. This held true for both the "service" of selling second-hand BMW cars and the service of repair and maintenance of BMW cars.

⁵⁰⁷ [2002] ECR I-4187 (CJEU case C-2/00 May 14, 2002).

⁵⁰⁸ See *Hölterhoff v. Freiesleben*, *id.* at para. 14.

⁵⁰⁹ See *Hölterhoff v. Freiesleben*, *id.* at para. 16.

⁵¹⁰ [2002] ECR I-10273 (CJEU case C-206/01 Nov 12, 2002).

5(1)(a) TMD).⁵¹¹ It defined that for finding an infringement the use by the third party had to be liable to affect the trade mark's functions, in particular the origin function:

[...] the exclusive right under Article 5(1)(a) of the Directive was conferred in order to enable the trade mark proprietor to protect his specific interests as proprietor, that is, to ensure that the trade mark can fulfil its functions. The exercise of that right must therefore be reserved to cases in which a third party's use of the sign affects or is liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods.⁵¹²

The CJEU explained that:

[...] the essential function of a trade mark is to guarantee the identity of origin of the marked goods or services to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the goods or services from others which have another origin. For the trade mark to be able to fulfil its essential role in the system of undistorted competition which the Treaty seeks to establish and maintain, it must offer a guarantee that all the goods or services bearing it have been manufactured or supplied under the control of a single undertaking which is responsible for their quality. [...]⁵¹³

In the circumstances of the case, the use of the Arsenal signs was liable to jeopardise the guarantee of origin.⁵¹⁴ The Court found it immaterial that the use of the signs was perceived as a badge of support for, or loyalty or affiliation to, the trade mark proprietor.⁵¹⁵ The use in question created the impression that there was a material link in the course of trade between the goods concerned and the trade mark proprietor.⁵¹⁶ The disclaimer on Mr. Reed's stall did not make a difference. There was a clear possibility that some consumers might interpret the signs as designating Arsenal as the origin of the goods, in particular, if they saw the goods after their sale and away from the stall with the notice.⁵¹⁷

⁵¹¹ See *Arsenal v. Reed, id.* at para. 41.

⁵¹² See *Arsenal v. Reed, id.* at para. 51.

⁵¹³ See *Arsenal v. Reed, id.* at para. 48.

⁵¹⁴ See *Arsenal v. Reed, id.* at para. 60.

⁵¹⁵ See *Arsenal v. Reed, id.* at para. 61.

⁵¹⁶ See *Arsenal v. Reed, id.* at para. 56.

⁵¹⁷ See *Arsenal v. Reed, id.* at para. 57.

3.4.4 *Robelco v. Robeco*

In the case *Robelco v. Robeco*,⁵¹⁸ a Belgian Court of Appeal asked the CJEU questions concerning the interpretation of Art 10(6) TMD in a dispute about the use of a trade name similar to the plaintiff's trade mark. The CJEU replied that the protection of a trade mark's distinctive character or reputation against certain uses of a sign "other than for the purpose of distinguishing goods or services" was not harmonised.⁵¹⁹ It was up to the national legislation of the Member States to determine whether, and under what conditions, a trade mark was protected against use other than for the purposes of distinguishing goods or services, where such use without due cause took unfair advantage of, or was detrimental to, the distinctive character or the repute of the trade mark.⁵²⁰ The national law could set its own conditions, for instance, that the signs be either identical or similar, or that there be some other connection between them. Member states could also decide to adopt no legislation at all in this area.⁵²¹ The CJEU assumed with the Belgium court that use as a trade name or company name was not for the purposes of distinguishing goods or services and thus fell within the scope of Art 10(6) TMD.⁵²² It did not dedicate any arguments to this issue.

3.4.5 *Anheuser-Busch v. Budějovický Budvar*

The court in *Anheuser-Busch v. Budějovický Budvar*⁵²³ asked the CJEU several questions concerning the interpretation of Art 16(1) TRIPs. Relevant here is the question whether, and on what conditions, a trade name could act as a sign "for goods or services" within the meaning of the first sentence of Art 16(1) TRIPs, which approximately corresponds with Arts 10(2)(a) and (b) TMD. The CJEU repeated its considerations from *Arsenal v. Reed*⁵²⁴ that the exclusive right under Arts 10(2)(a) and (b) TMD was intended to enable the trade mark proprietor to protect his specific interests. Therefore, it was required that the functions of the trade mark, in particular its essential origin function, were liable to be affected.⁵²⁵ The CJEU then continued:

⁵¹⁸ [2002] ECR I-10913 (CJEU case C-23/01 Nov 21, 2002).

⁵¹⁹ See *Robelco v. Robeco*, *id.* at para. 31.

⁵²⁰ See *Robelco v. Robeco*, *id.* at para. 36.

⁵²¹ See *Robelco v. Robeco*, *id.* at para. 35.

⁵²² See *Robelco v. Robeco*, *id.* at para. 34.

⁵²³ [2004] ECR I-10989 (CJEU case C-245/02 Nov 16, 2004).

⁵²⁴ [2002] ECR I-10273 (CJEU case C-206/01 Nov 12, 2002).

⁵²⁵ See *Anheuser-Busch v. Budějovický Budvar*, [2004] ECR I-10989 (CJEU case C-245/02 Nov 16, 2004), para. 59.

That is the case, in particular, where the use of that sign allegedly made by the third party is such as to create the impression that there is a material link in trade between the third party's goods and the undertaking from which those goods originate. It must be established whether the consumers targeted, including those who are confronted with the goods after they have left the third party's point of sale, are likely to interpret the sign, as it is used by the third party, as designating or tending to designate the undertaking from which the third party's goods originate. [...]⁵²⁶

The national court also needed to examine whether the use was made “in relation to goods”.⁵²⁷ The CJEU left the possibility open that the use in question would not fall within Art 10(2) TMD but rather within Art 10(6) TMD (formerly: Art 5(5) TMD):

However, where the examinations to be carried out by the national court, referred to in paragraph 60 of this judgment, show that the sign in question in the main case is used for purposes other than to distinguish the goods concerned – for example, as a trade or company name – reference must, pursuant to Article 5(5) of Directive 89/104, be made to the legal order of the Member State concerned to determine the extent and nature, if any, of the protection afforded to the trade-mark proprietor who claims to be suffering damage as a result of use of that sign as a trade name or company name (see Case C-23/01 *Robelco* [2002] ECR I-10913, paragraphs 31 and 34).⁵²⁸

Consequently, if the use of the trade name in question was found to be “for purposes other than to distinguish the goods concerned”, it had to be assessed under national legislation in accordance with Art 10(6) TMD.

3.4.6 *Adam Opel v. Autec*

The case *Adam Opel v. Autec*⁵²⁹ concerned the use of the Opel logo on toy cars produced by a third party. The trade mark was registered both for motor vehicles and for toys. The CJEU repeated, citing *Arsenal v. Reed*⁵³⁰ and *Anheuser-Busch v. Budějovický Budvar*,⁵³¹ that in view of the protection of the proprietor's specific interests, an infringement under Arts 10(2)(a) and (b) TMD implied that the use of the sign affected, or was liable to affect, the functions of the trade mark, in particular its essential

⁵²⁶ See *Anheuser-Busch v. Budějovický Budvar*, *id.* at para. 60.

⁵²⁷ See *Anheuser-Busch v. Budějovický Budvar*, *id.* at para. 62.

⁵²⁸ See *Anheuser-Busch v. Budějovický Budvar*, *id.* at para. 64.

⁵²⁹ [2007] ECR I-1017 (CJEU case C-48/05 Jan 25, 2007).

⁵³⁰ [2002] ECR I-10273 (CJEU case C-206/01 Nov 12, 2002).

⁵³¹ [2004] ECR I-10989 (CJEU case C-245/02 Nov 16, 2004).

function of origin.⁵³² The referring court had to determine whether the origin function was affected in the circumstances of the case. The answer had to be negative if:

[...] the relevant public does not perceive the sign identical to the Opel logo appearing on the scale models marketed by Autec as an indication that those products come from Adam Opel or an undertaking economically linked to it [...].⁵³³

The CJEU did not address the other trade mark functions because Adam Opel did not appear to have claimed that the use of the sign affected other functions than the essential trade mark function.⁵³⁴ Although it is not apparent that the national court had asked this, the CJEU considered as well the use of the Opel logo on toy cars by the third party in its capacity as a trade mark registered for motor vehicles, and thus, for non-identical goods. It is relevant to discuss these considerations since the CJEU clarified that the qualification of the use in the case *BMW v. Deenik*,⁵³⁵ as a use falling under Art 10(2)(a) TMD (formerly: Art 5(1)(a) TMD), had to be regarded as an exception:

In that respect, it is true that *BMW* concerned the use of a sign identical to the trade mark for services which were not identical to those for which that trade mark was registered, since the BMW trade mark, at issue in the main proceedings, was registered for vehicles but not for vehicle repair services. However, the vehicles marketed under the BMW trade mark by the proprietor of that mark constituted the subject-matter of the services – the repairing of vehicles – supplied by the third party, so that it was essential to identify the origin of the BMW cars, the subject-matter of those services. It was having regard to that specific and indissociable link between the products bearing the trade mark and the services provided by the third party that the Court of Justice held that, in the specific circumstances of the *BMW* case, use by the third party of the sign identical to the trade mark in respect of goods marketed not by the third party but by the holder of the trade mark fell within Article 5(1)(a) of the directive.⁵³⁶

Apart from that specific case of use of a trade mark by a third-party provider of services having as subject-matter the products bearing that trade mark, Article 5(1)(a) of the directive must be interpreted as covering the use of a sign identical to the trade mark in respect of goods marketed or services supplied by the third party which are identical to those in respect of which the trade mark is registered.⁵³⁷

⁵³² See *Adam Opel v. Autec*, [2007] ECR I-1017 (CJEU case C-48/05 Jan 25, 2007), para. 21.

⁵³³ See *Adam Opel v. Autec*, *id.* at para. 24.

⁵³⁴ See *Adam Opel v. Autec*, *id.* at para. 25.

⁵³⁵ [1999] ECR I-905 (CJEU case C-63/97 Feb 23, 1999).

⁵³⁶ See *Adam Opel v. Autec*, [2007] ECR I-1017 (CJEU case C-48/05 Jan 25, 2007), para. 27.

⁵³⁷ See *Adam Opel v. Autec*, *id.* at para. 28.

The CJEU concluded that there was no use of the Opel logo by Autec as a trade mark registered for motor vehicles.⁵³⁸ In order to qualify as a use as a trade mark under Art 10(2)(a) TMD, the use of a sign had to be in respect of goods marketed or services supplied “by the third party”.⁵³⁹ Only in specific circumstances, such as in *BMW v. Deenik*, where the trade marked goods constituted the subject-matter of the services, it sufficed that the use of the sign was in respect of goods marketed “by the holder of the trade mark”.⁵⁴⁰

3.4.7 *Céline SARL v. Céline SA*

In *Céline SARL v. Céline SA*,⁵⁴¹ the national court asked the CJEU whether the use of a trade mark as a company, trade or shop name, in connection with the marketing of goods identical to those for which the trade mark was registered, was a use that could be prohibited under Arts 10(2)(a) and (b) TMD. The CJEU, referring to *Arsenal v. Reed*,⁵⁴² *Anheuser-Busch v. Budějovický Budvar*⁵⁴³ and *Adam Opel v. Autec*,⁵⁴⁴ stated four conditions which had to be satisfied in order to prevent a use under Art 10(2)(a) TMD:

[...]

- that use must be in the course of trade;
- it must be without the consent of the proprietor of the mark;
- it must be in respect of goods or services which are identical to those for which the mark is registered, and
- it must affect or be liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods or services.⁵⁴⁵

With regard to the third condition, the CJEU adhered to its statement in *BMW v. Deenik*⁵⁴⁶ that a use “in relation to goods or services” within the meaning of Art 10(2) TMD was the same as a use for the

⁵³⁸ See *Adam Opel v. Autec*, *id.* at para. 30.

⁵³⁹ See *Adam Opel v. Autec*, *id.* at para. 28. The CJEU argued that this followed from the wording of Art 10(2)(a) TMD, particularly from the words “using ... in relation to goods or services”. In addition, the “goods” and “services” mentioned in Arts 14(1)(b) and (c) TMD necessarily had to originate from the third party, so that a contrary interpretation would lead to inconsistent use of the same terms. See para. 29.

⁵⁴⁰ See *Adam Opel v. Autec*, *id.* at para. 27.

⁵⁴¹ ECLI:EU:C:2007:497 (CJEU case C-17/06 Sep 11, 2007).

⁵⁴² [2002] ECR I-10273 (CJEU case C-206/01 Nov 12, 2002).

⁵⁴³ [2004] ECR I-10989 (CJEU case C-245/02 Nov 16, 2004).

⁵⁴⁴ [2007] ECR I-1017 (CJEU case C-48/05 Jan 25, 2007).

⁵⁴⁵ See *Céline SARL v. Céline SA*, ECLI:EU:C:2007:497 (CJEU case C-17/06 Sep 11, 2007), para. 16.

⁵⁴⁶ [1999] ECR I-905 (CJEU case C-63/97 Feb 23, 1999).

purpose of “distinguishing” the goods or services. On the contrary, Art 10(6) TMD was concerned with uses for purposes “other” than distinguishing goods or services.⁵⁴⁷ The CJEU left it to the referring court to decide whether the use in question constituted a use “in relation to goods” within the meaning of Arts 10(2)(a) and (b) TMD.⁵⁴⁸ The answer had to be in the negative if the use of the sign was limited to identifying a company or designating a business which was being carried on.⁵⁴⁹ However, if the sign was affixed to the goods, or if the sign was used in such a way as to establish a link with those goods, such use had to be considered as being “in relation to goods or services”.⁵⁵⁰

While repeating its statements concerning the trade mark functions from *Arsenal v. Reed*,⁵⁵¹ the CJEU let the national court determine whether the defendant’s use of the sign affected, or was liable to affect, the functions of the trade mark, particularly its essential origin function. The CJEU observed that the origin function was liable to be impaired if consumers were liable to interpret the sign as designating the origin of the goods or services in question.⁵⁵²

3.4.8 *O2 v. Hutchison*

The case *O2 v. Hutchison*⁵⁵³ concerned the use of a sign in a comparative advertisement which displayed a sign similar to O2’s figurative “bubble” marks. The CJEU determined that the use of a sign identical with, or similar to, a competitor’s trade mark in a comparative advertisement, in order to identify the trade mark owner’s goods and services, could be regarded as use for the advertiser’s “own” goods and services pursuant to Art 10(2) TMD.⁵⁵⁴ The Court had explained in *Adam Opel v. Autec*⁵⁵⁵ that the use of the sign normally had to be in respect of goods marketed or services supplied “by the third party”.⁵⁵⁶ The Court pointed out that a comparative advertisement aimed, evidently, at promoting the goods or services of the advertiser. Thus, the advertiser sought to distinguish its goods or services by comparing them with those marketed or supplied under the trade mark.⁵⁵⁷

⁵⁴⁷ See *Céline SARL v. Céline SA*, ECLI:EU:C:2007:497 (CJEU case C-17/06 Sep 11, 2007), para. 20.

⁵⁴⁸ See *Céline SARL v. Céline SA*, *id.* at para. 24.

⁵⁴⁹ See *Céline SARL v. Céline SA*, *id.* at para. 21.

⁵⁵⁰ See *Céline SARL v. Céline SA*, *id.* at para. 22-23.

⁵⁵¹ [2002] ECR I-10273 (CJEU case C-206/01 Nov 12, 2002).

⁵⁵² See *Céline SARL v. Céline SA*, ECLI:EU:C:2007:497 (CJEU case C-17/06 Sep 11, 2007), para. 26-28.

⁵⁵³ ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008).

⁵⁵⁴ See *O2 v. Hutchison*, *id.* at para. 33, 36.

⁵⁵⁵ [2007] ECR I-1017 (CJEU case C-48/05 Jan 25, 2007).

⁵⁵⁶ See *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008), para. 34.

⁵⁵⁷ See *O2 v. Hutchison*, *id.* at para. 35.

The Court then confined its answer to the application of Art 10(2)(b) TMD since the “bubbles” used by the defendant were similar, but not identical, to O2’s trade mark.⁵⁵⁸ The CJEU repeated the four conditions mentioned in *Céline SARL v. Céline SA*⁵⁵⁹ with the difference that for an infringement under Art 10(2)(b) TMD the fourth condition was that the use:

[...] must affect or be liable to affect the essential function of the trade mark, which is to guarantee to consumers the origin of the goods or services, by reason of a likelihood of confusion on the part of the public.⁵⁶⁰

Thus, Art 10(2)(b) TMD required a likelihood of confusion in order to constitute an infringement.⁵⁶¹ This was the case if the public might believe that the goods or services in question came from the same undertaking or from economically-linked undertakings. If there was a likelihood of confusion, the origin function was liable to be affected as well.⁵⁶² The CJEU determined that this condition was not satisfied in the circumstances of the case, and thus, the trade mark owner was not entitled to prevent the use of the “bubbles” in the comparative advertisement.⁵⁶³ The use of the “bubbles” did not give rise to a likelihood of confusion on the part of consumers. The advertisement, as a whole, was not misleading, and, in particular, did not suggest that there was any form of commercial link between the parties.⁵⁶⁴

3.4.9 *UDV v. Brandtraders*

The decision *UDV v. Brandtraders*⁵⁶⁵ concerned the use of trade mark by an intermediary. UDV owned the trade mark “Smirnoff Ice”. Brandtraders, a broker, had concluded a contract with a purchaser of Smirnoff Ice bottles in its own name but on behalf of a vendor. In that context, Brandtraders had used the mark in its business papers. The CJEU basically repeated the infringement conditions under Art 9(2)(a) EUTMR (Art 10(2)(a) TMD) that it had formulated in *Céline SARL v. Céline SA*,⁵⁶⁶ and it found them to be fulfilled in this case.⁵⁶⁷ Particularly, there was a use “in relation to goods” since a link was

⁵⁵⁸ See *O2 v. Hutchison, id.* at para. 52-55.

⁵⁵⁹ ECLI:EU:C:2007:497 (CJEU case C-17/06 Sep 11, 2007).

⁵⁶⁰ See *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008), para. 57.

⁵⁶¹ See *O2 v. Hutchison, id.* at para. 58.

⁵⁶² See *O2 v. Hutchison, id.* at para. 59.

⁵⁶³ See *O2 v. Hutchison, id.* at para. 68-69.

⁵⁶⁴ See *O2 v. Hutchison, id.* at para. 63.

⁵⁶⁵ ECLI:EU:C:2009:111 (CJEU case C-62/08 Feb 19, 2009).

⁵⁶⁶ ECLI:EU:C:2007:497 (CJEU case C-17/06 Sep 11, 2007).

⁵⁶⁷ See *UDV v. Brandtraders*, ECLI:EU:C:2009:111 (CJEU case C-62/08 Feb 19, 2009), para. 42-54.

established between the sign and the goods marketed.⁵⁶⁸ The public perceived the use as designating the third party as the undertaking from which the goods originated, so that the impression of a material link in trade was created.⁵⁶⁹ Therefore, the mark was clearly used “as a mark”.⁵⁷⁰ The CJEU rejected the broker’s argument that it did not “use” the mark within the meaning of Art 9(2)(a) EUTMR because it did not have title to the goods in question.⁵⁷¹

3.4.10 *L’Oréal v. Bellure*

In the case *L’Oréal v. Bellure*,⁵⁷² the defendants provided their retailers with comparison lists in which they indicated the word marks of L’Oréal’s fragrances they claimed to imitate. The CJEU repeated its statement from *O2 v. Hutchison*⁵⁷³ that the use of a sign identical with, or similar to, a competitor’s trade mark in a comparative advertisement, in order to identify the trade mark owner’s goods and services, could be regarded as use for the advertiser’s “own” goods and services within the meaning of Art 10(2) TMD.⁵⁷⁴ As opposed to the facts in *O2 v. Hutchison*, the CJEU assessed the situation in *L’Oréal v. Bellure* under Art 10(2)(a) TMD, since the exact word marks of the plaintiff were used in the comparison lists.⁵⁷⁵ The CJEU referred to its statements in *Arsenal v. Reed*⁵⁷⁶ that the use had to affect, or be liable to affect, the functions of the trade mark.⁵⁷⁷ It continued by listing the functions which were protected under Art 10(2)(a) TMD and by clarifying the difference between Arts 10(2)(a) and (b) TMD (formerly: Arts 5(1)(a) and (b) TMD):

[...] These functions include not only the essential function of the trade mark, which is to guarantee to consumers the origin of the goods or services, but also its other functions, in particular that of guaranteeing the quality of the goods or services in question and those of communication, investment or advertising.⁵⁷⁸

⁵⁶⁸ See *UDV v. Brandtraders*, *id.* at para. 47.

⁵⁶⁹ See *UDV v. Brandtraders*, *id.* at para. 49.

⁵⁷⁰ See *UDV v. Brandtraders*, *id.* at para. 51. Interestingly, in para. 42, the CJEU equated “use as a trade mark” with an effect on the trade mark functions.

⁵⁷¹ See *UDV v. Brandtraders*, *id.* at para. 37-54.

⁵⁷² ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009).

⁵⁷³ ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008).

⁵⁷⁴ See *L’Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 53.

⁵⁷⁵ See *L’Oréal v. Bellure*, *id.* at para. 55-56.

⁵⁷⁶ [2002] ECR I-10273 (CJEU case C-206/01 Nov 12, 2002).

⁵⁷⁷ See *L’Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 58.

⁵⁷⁸ *Id.*

The protection conferred by Article 5(1)(a) of Directive 89/104 is thus broader than that provided by Article 5(1)(b), the application of which requires that there be a likelihood of confusion and accordingly the possibility that the essential function of the mark may be affected. [...] ⁵⁷⁹

It was for the national court to determine whether the use made of L'Oréal's trade marks was liable to affect one of the trade mark functions, in particular, those of communication, investment or advertising. ⁵⁸⁰ The CJEU clarified that even where the use was not capable of jeopardising the essential origin function of the mark, it could still be prevented provided that one of the other functions was liable to be affected. ⁵⁸¹

3.4.11 Analysis of CJEU Jurisprudence Before Keyword Advertising

From the decisions discussed above, ⁵⁸² it becomes apparent that it took quite some time and several references from national courts for the concept of trade mark use to crystallise. It may actually be questioned whether such a concept can at all be said to exist under EU trade mark law. Whereas trade mark use was once a clear requirement under, for instance, German law, the CJEU has rather applied a combination of various requirements, for instance, "use", "in the course of trade", "in relation to goods or services", affecting, or being liable to affect, the functions of the trade mark. ⁵⁸³ This should be kept in mind when it is referred to "trade mark use" in this dissertation.

The CJEU rulings contain many inconsistencies and ambiguities. ⁵⁸⁴ This section attempts to structure and analyse these rulings with the aim of arriving at a clearer understanding of the trade mark use requirement as defined by the CJEU until the first keyword advertising judgment *Google v. Louis Vuitton*. ⁵⁸⁵

⁵⁷⁹ See *L'Oréal v. Bellure*, *id.* at para. 59.

⁵⁸⁰ See *L'Oréal v. Bellure*, *id.* at para. 63.

⁵⁸¹ See *L'Oréal v. Bellure*, *id.* at para. 65.

⁵⁸² *Kur*'s examination additionally includes the case *Gillette v. LA-Laboratories*, [2005] ECR I-2337 (CJEU case C-228/03 Mar 17, 2005). This case concerned a reference to Gillette's trade marks on packaging of compatible razor blades, which was not perceived as indicating origin. The questions asked and the answers given by the CJEU concentrated on the application of Art 14(1)(c) TMD. *Kur* noted that the CJEU did not examine the issue of use as a trade mark, although it explicitly cited Art 10(2)(a) TMD (in para. 28). See *Kur* 2008a, 8; and *Kur* 2008b, 168.

⁵⁸³ See also *Kur* 2018, 97-98 (noting that the phrase "use as a mark" was rarely used by the CJEU itself).

⁵⁸⁴ *Knaak* explained that this is a consequence of the system of preliminary rulings, in which the CJEU answers questions of national courts based on the particular dispute and on their national legal perspective. See *Knaak* 2008, 92. *Kur* noted that critical CJEU decisions frequently lack the full reasoning behind them if not all judges agree to it. See *Kur* 2008b, 154.

⁵⁸⁵ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

3.4.11.1 *Distinguishing Goods or Services*

The decisions summarised above show a tendency of the CJEU to subsume a wide variety of uses, including referential use, under the denominator of a use “in relation to goods or services” within the meaning of Art 10(2) TMD. It started with *BMW v. Deenik*,⁵⁸⁶ in which the CJEU qualified the referential use of the BMW trade mark in advertisements for second-hand BMWs, as well as for repair and maintenance services for these cars, as a use falling under Art 10(2)(a) TMD. It came to this conclusion, even though it made clear that under Art 10(2) TMD, the mark had to be used “for the purpose of distinguishing the goods or services in question as originating from a particular undertaking, that is to say, as a trade mark as such.”⁵⁸⁷ The CJEU reasoned that the BMW mark was used to identify the source of the goods “in respect of which the services [were] supplied.”⁵⁸⁸

Eight years later, in *Adam Opel v. Autec*,⁵⁸⁹ it was admitted that the classification of the use in *BMW v. Deenik* under Art 10(2)(a) TMD had to be viewed as an exception. According to the CJEU, apart from the use of a trade mark for services having the trade marked product as subject-matter, the use of the sign normally had to be in respect of goods marketed or services supplied “by the third party” in order to constitute use as a trade mark under Art 10(2)(a) TMD.⁵⁹⁰ All the more astonishing were the cases *O2 v. Hutchison*⁵⁹¹ and *L’Oréal v. Bellure*,⁵⁹² in which the Court decided that the use of a competitor’s mark in comparative advertising, in order to identify the trade mark proprietor’s goods or services, had to be regarded as a use for the advertiser’s “own” goods or services, thus falling under Art 10(2) TMD.⁵⁹³ In this way, the CJEU exceedingly stretched the concept of a use as a trade mark.⁵⁹⁴

In *Robelco v. Robeco*,⁵⁹⁵ the CJEU proceeded on the assumption of the referring court that the use of the sign in question as a trade name or company name did not qualify as a use for the purposes of

⁵⁸⁶ [1999] ECR I-905 (CJEU case C-63/97 Feb 23, 1999).

⁵⁸⁷ See *BMW v. Deenik*, *id.* at para. 38.

⁵⁸⁸ See *BMW v. Deenik*, *id.* at para. 39.

⁵⁸⁹ [2007] ECR I-1017 (CJEU case C-48/05 Jan 25, 2007).

⁵⁹⁰ See *Adam Opel v. Autec*, *id.* at para. 27-28.

⁵⁹¹ ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008).

⁵⁹² ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009).

⁵⁹³ See *L’Oréal v. Bellure*, *id.* at para. 53; and *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008), para. 35-36.

⁵⁹⁴ The Court’s determination can be explained by the need for a harmonised solution in Europe concerning the use of trade marks in comparative advertising. See Conclusion of AG D.W.F. Verkade, in: *Portakabin v. Primakabin*, [2009] NJ 15 (HR Dec 12, 2008), para. 5.60-63, 5.71.3.

⁵⁹⁵ [2002] ECR I-10913 (CJEU case C-23/01 Nov 21, 2002).

distinguishing goods or services, and thus, it fell within Art 10(6) TMD instead of Art 10(2) TMD.⁵⁹⁶ However, in *Anheuser-Busch v. Budějovický Budvar*,⁵⁹⁷ it appeared to depend on the particular case whether the use of trade or company name fell within either Art 10(2) TMD or Art 10(6) TMD.⁵⁹⁸ This was confirmed in *Céline SARL v. Céline SA*.⁵⁹⁹ When the sign merely referred to the company or the business, it was covered by Art 10(6) TMD, but when a link was established with the goods of the third party, the use had to be assessed according to Art 10(2) TMD.⁶⁰⁰ Thus, the CJEU kept a rather broad area of trade name uses under its control.⁶⁰¹

It is questionable whether Art 10(6) TMD covers purely descriptive uses as in *Hölterhoff v. Freiesleben*.⁶⁰² Interestingly, this decision itself did not classify the use in dispute under Art 10(6) TMD. In fact, the CJEU did not mention Art 10(6) TMD at all. Instead, it briefly stated that there was a use “in relation to products”.⁶⁰³ However, later CJEU judgments have interpreted the use in *Hölterhoff v. Freiesleben* as falling within Art 10(6) TMD. In *Arsenal v. Reed*,⁶⁰⁴ the CJEU stated that the use in *Hölterhoff v. Freiesleben* was “excluded from the scope” of Art 10(2) TMD because it did not affect any of the interests which that provision aimed to protect, and it did therefore not fall within the “concept of use” within the meaning of that provision.⁶⁰⁵ These phrases, in combination with the fact that the CJEU referred to the situation in *Hölterhoff v. Freiesleben* right after devoting a paragraph to Art 10(6) TMD,⁶⁰⁶ indicate that the CJEU considered this use to fall within the ambit of Art 10(6) TMD. Similar considerations can be found in *L’Oréal v. Bellure*.⁶⁰⁷ Surprisingly, the CJEU did not mention the limitation for descriptive use of a mark in Art 14(1)(b) TMD in *Hölterhoff v. Freiesleben*.⁶⁰⁸

⁵⁹⁶ See *Robelco v. Robeco, id.* at para. 34.

⁵⁹⁷ [2004] ECR I-10989 (CJEU case C-245/02 Nov 16, 2004).

⁵⁹⁸ See *Anheuser-Busch v. Budějovický Budvar, id.* at para. 60, 64.

⁵⁹⁹ ECLI:EU:C:2007:497 (CJEU case C-17/06 Sep 11, 2007).

⁶⁰⁰ See *Céline SARL v. Céline SA, id.* at para. 22-23. It has meanwhile been added in the preamble of the new TMD ((EU) 2015/2436) that the concept of infringement of a trade mark should also comprise the use of the sign as a trade name or similar designation, as long as such use is made for the purposes of distinguishing goods or services. See Recital 19 TMD. The use of the sign as a trade or company name or part of a trade or company name has also been added to the catalogue of prohibited conduct under Art 10(3)(d) TMD.

⁶⁰¹ This can again be explained by their relevance for the free movement of goods and services within the European Union. See Conclusion of AG D.W.F. Verkade, in: *Portakabin v. Primakabin*, [2009] NJ 15 (HR Dec 12, 2008), para. 5.60-63, 5.66.

⁶⁰² [2002] ECR I-4187 (CJEU case C-2/00 May 14, 2002).

⁶⁰³ See *Hölterhoff v. Freiesleben, id.* at para. 14.

⁶⁰⁴ [2002] ECR I-10273 (CJEU case C-206/01 Nov 12, 2002).

⁶⁰⁵ See *Arsenal v. Reed, id.* at para. 54-55.

⁶⁰⁶ See *Arsenal v. Reed, id.* at para. 53.

⁶⁰⁷ See *L’Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 61-62.

⁶⁰⁸ See Kur 2008a, 8; Kur 2005, 836, fn. 9; and *Jacob LJ* in: *L’Oréal v. Bellure*, [2010] EWCA (Civ) 535 (May 21, 2010), para. 26. Nor did the Court discuss the question whether the use of the trade marks in dispute constituted comparative advertising. In this regard, it is unclear where the difference lies between the situation in *Hölterhoff v. Freiesleben* and that in *L’Oréal v. Bellure*. See *Jacob LJ* in: *L’Oréal v. Bellure, id.* at para. 31. In the latter case, the trade marks were mentioned in comparison

The CJEU case law shows in any case that the requirement of a use “in relation to goods or services” under Art 10(2) TMD is rather easily fulfilled. This requirement has been stretched to such an extent that it covers more than uses which are strictly “distinguishing” goods or services of a third party.⁶⁰⁹ In *O2 v. Hutchison*, the CJEU considered it sufficient to constitute a use in relation to goods or services under Art 10(2) TMD that the use of the sign aimed at promoting the goods or services of the third party.⁶¹⁰ In *Céline SARL v. Céline SA* and in *UDV v. Brandtraders*,⁶¹¹ merely a link between the used sign and the goods or services of the third party was required.⁶¹² It seems at least clear that the public does not need to perceive the use of the sign as an indication of source in order to qualify as a use in relation to goods or services. However, the perception of the public becomes relevant with regard to the question whether the origin function is affected, which will be dealt with in the next section.

As a consequence of this jurisprudence, the scope of Art 10(6) TMD concerning uses “other than use for the purposes of distinguishing goods or services” has been reduced. The CJEU obviously wanted to keep the realm of Art 10(2) TMD broad for the sake of effective harmonisation⁶¹³ because Art 10(6) TMD has not been harmonised.⁶¹⁴ Uses falling under the latter provision are in most Member States examined under unfair competition law. Since this area of law is still, to some extent, unharmonised, the legal assessment may vary among different Member States, which may harm the EU’s objective of a well-functioning internal market.⁶¹⁵

In the Benelux, Art 2.20(1)(d) BVIE provides trade mark protection against “other” uses. Experience with this provision has shown that courts are rather generous in granting this sort of protection,⁶¹⁶ which may be detrimental to competition and to the interests of third parties and the general public in imparting and receiving information.

lists which were provided to the retailers, whereas in the former case the trade marks were orally referred to during negotiations with a jeweller. According to the CJEU in *L’Oréal v. Bellure*, the comparison lists were distributed “not for purely descriptive purposes, but for the purpose of advertising”. See *L’Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 62.

⁶⁰⁹ *Gielen* questioned the position of the CJEU that a use “in relation to” products meant a use to “distinguish” products. See *Gielen* 2009a, 7-8.

⁶¹⁰ See *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008), para. 35.

⁶¹¹ ECLI:EU:C:2009:111 (CJEU case C-62/08 Feb 19, 2009).

⁶¹² See *UDV v. Brandtraders*, ECLI:EU:C:2009:111 (CJEU case C-62/08 Feb 19, 2009), para. 47; and *Céline SARL v. Céline SA*, ECLI:EU:C:2007:497 (CJEU case C-17/06 Sep 11, 2007), para. 23.

⁶¹³ See Conclusion of AG D.W.F. Verkade, in: *Portakabin v. Primakabin*, [2009] NJ 15 (HR Dec 12, 2008), para. 5.60-63.

⁶¹⁴ See *supra*, section 3.3.4.

⁶¹⁵ See Recital 8 TMD.

⁶¹⁶ The BenGH in the case *Claeryn v. Klarein*, [1975] NJ 472 (CC Wichers Hoeth) (BenGH Mar 1, 1975), interpreted the former Art 13(A)(1)(2) BMW broadly, which was followed by lower courts. *Verkade* qualified a number of these decisions as “bad law”. See Verkade 2010; and Verkade 1992.

3.4.11.2 *Effect on Trade Mark Functions*

In *Arsenal v. Reed*,⁶¹⁷ the CJEU stipulated, for the first time, that for finding an infringement under Art 10(2)(a) TMD, the use had to be liable to affect the trade mark functions.⁶¹⁸ The CJEU placed great emphasis on the protection of the origin function, which it described as the “essential” function of a trade mark, which guaranteed the identity of origin by enabling the consumer, without any possibility of confusion, to distinguish the products.⁶¹⁹ For this function to be affected, post sale confusion was found to be sufficient.⁶²⁰ Other trade mark functions were not yet mentioned in this case, but, by using the words “functions” and “in particular”,⁶²¹ the CJEU explicitly left open the possibility of protection of other trade mark functions under Art 10(2)(a) TMD.

These findings were literally confirmed in *Anheuser-Busch v. Budějovický Budvar*.⁶²² It was repeated that an effect on the origin function existed if the consumers targeted, including those who were confronted with the goods after they have left the third party’s point of sale, perceived the use of the sign as designating or tending to designate the undertaking from which the third party’s goods originate.⁶²³ The potential relevance of other trade mark functions was not discussed.

In *Adam Opel v. Autec*,⁶²⁴ the CJEU mentioned that the plaintiff appeared not to have claimed that other functions than the origin function were affected,⁶²⁵ which could possibly be considered as an acknowledgement that other trade mark functions deserved independent protection. In *Céline SARL v. Céline SA*,⁶²⁶ the Court still spoke in the plural with regard to the trade mark functions, although it only discussed the origin function.⁶²⁷

In 2009 the CJEU finally determined in the case *L’Oréal v. Bellure*⁶²⁸ that Art 10(2)(a) TMD was not limited to the protection of the origin function. Other trade mark functions were also covered, in particular that of guaranteeing the quality of the goods or services and those of communication, investment or advertising. An effect on one of these functions sufficed for finding an infringement under

⁶¹⁷ [2002] ECR I-10273 (CJEU case C-206/01 Nov 12, 2002).

⁶¹⁸ See *Arsenal v. Reed*, *id.* at para. 51.

⁶¹⁹ See *Arsenal v. Reed*, *id.* at para. 48.

⁶²⁰ See *Arsenal v. Reed*, *id.* at para. 57. For the concept of post sale confusion, see *supra*, section 2.3.5.

⁶²¹ See *Arsenal v. Reed*, *id.* at para. 51.

⁶²² See *Anheuser-Busch v. Budějovický Budvar*, [2004] ECR I-10989 (CJEU case C-245/02 Nov 16, 2004), para. 59-60.

⁶²³ See *Anheuser-Busch v. Budějovický Budvar*, *id.* at para. 60.

⁶²⁴ [2007] ECR I-1017 (CJEU case C-48/05 Jan 25, 2007).

⁶²⁵ See *Adam Opel v. Autec*, *id.* at para. 25.

⁶²⁶ ECLI:EU:C:2007:497 (CJEU case C-17/06 Sep 11, 2007).

⁶²⁷ See *Céline SARL v. Céline SA*, *id.* at para. 16, 26-28.

⁶²⁸ ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009).

Art 10(2)(a) TMD.⁶²⁹ However, the decision did not provide any guidance as to when these other functions were supposed to be affected. How the CJEU has dealt with these other functions in a series of keyword advertising disputes will be examined below.⁶³⁰

3.4.11.3 *Use Listed in Art 10(3) TMD*

The CJEU has often invoked the fact that a certain use was listed in Art 10(3) TMD as an argument for finding that use to be “in relation to goods or services”.⁶³¹

3.5 *CJEU Jurisprudence Since Keyword Advertising*

This section will summarise and analyse the keyword advertising decisions of the CJEU with respect to the trade mark use requirement with special attention to the trade mark functions.⁶³²

3.5.1 *Google v. Louis Vuitton*

The first preliminary questions concerning keyword advertising were answered by the CJEU in March 2010 in the case *Google v. Louis Vuitton*.⁶³³ The reference came from the French Supreme Court (Cour de cassation) in a dispute between Google, on the one side, and Louis Vuitton and other trade mark owners, on the other side. Imitators of Louis Vuitton products had selected trade marks of Louis Vuitton as keywords in order to display their ads with Google’s AdWords programme. The trade marks of the other trade mark owners had been bought as keywords by their competitors.

The Cour de cassation asked whether the trade mark owners could prevent the search engine under Art 10(2)(a) and (b) TMD from selling such keywords. In addition, it was asked whether an advertiser,

⁶²⁹ See *L’Oréal v. Bellure*, *id.* at para. 58.

⁶³⁰ See *infra*, section 3.5.

⁶³¹ See, e.g., *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008), para. 32; *Adam Opel v. Autec*, [2007] ECR I-1017 (CJEU case C-48/05 Jan 25, 2007), para. 20; and *Arsenal v. Reed*, [2002] ECR I-10273 (CJEU case C-206/01 Nov 12, 2002), para. 41. In *BMW v. Deenik*, [1999] ECR I-905 (CJEU case C-63/97 Feb 23, 1999), para. 41, the CJEU asserted the same argument but there to justify a use “in the course of trade” under Art 10(2) TMD.

⁶³² See the words “in particular” in Art 10(3) TMD.

⁶³³ The last keyword advertising case before the CJEU is not covered by this overview since questions relating to trade mark use were not asked. The case concerned the interpretation of Art 7(2) (formerly: Art 5(3)) of the Brussels I Regulation. See *Wintersteiger v. Products 4U*, ECLI:EU:C:2012:220 (CJEU case C-523/10 Apr 19, 2012).

⁶³⁴ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

by buying a trade mark keyword, infringed that mark pursuant to Art 10 TMD. As in *Céline SARL v. Céline SA*,⁶³⁴ the CJEU summed up the requirements under Art 10(2)(a) TMD (formerly: Art 5(1)(a) TMD):⁶³⁵

By application of Article 5(1)(a) of Directive 89/104 [...], the proprietor of a trade mark is entitled to prohibit a third party from using, without the proprietor's consent, a sign identical with that trade mark when that use is in the course of trade, is in relation to goods or services which are identical with, or similar to, those for which that trade mark is registered, and affects, or is liable to affect, the functions of the trade mark [...].⁶³⁶

The CJEU qualified the selection of a trade mark keyword by the advertiser as a use “in the course of trade” because it had the object and effect of displaying an ad linking to a website on which the advertiser offered goods or services for sale. Thus, the use took place in the context of commercial activity and not as a private matter.⁶³⁷

According to the CJEU, Google operated in the course of trade as well since it carried out a commercial activity with view to economic advantage when it allowed the selection of trade mark keywords, stored them and displayed the corresponding ads.⁶³⁸ However, this did not mean that Google also “used” those signs within the terms of Art 10 TMD:⁶³⁹

In that regard, suffice it to note that the use, by a third party, of a sign identical with, or similar to, the proprietor's trade mark implies, at the very least, that that third party uses the sign in its own commercial communication. A referencing service provider allows its clients to use signs, which are identical with, or similar to, trade marks, without itself using those signs.⁶⁴⁰

Google merely provided technical facilities to its advertising clients in exchange of a payment. The CJEU suggested that this was not a matter for trade mark law but rather for national rules on liability of

⁶³⁴ ECLI:EU:C:2007:497 (CJEU case C-17/06 Sep 11, 2007), para. 16.

⁶³⁵ The Cour de cassation had asked for the interpretation of Arts 10(1)(a) and (b) TMD. The CJEU noted that the disputes concerned identical goods or services. Accordingly, it examined the question principally from the angle of Art 10(2)(a) TMD and only incidentally from the angle of Art 10(2)(b) TMD. See *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 46-47. It can be assumed that the CJEU's discussion of the requirements for infringing trade mark use only apply to Art 10(2)(a) TMD, whereas the determination that Google does not use a mark in the course of trade holds true for both paragraphs.

⁶³⁶ See *Google v. Louis Vuitton*, *id.* at para. 49. The words “or similar to” must be a mistake since Art 10(2)(a) TMD only applies in the case of identical goods or services.

⁶³⁷ See *Google v. Louis Vuitton*, *id.* at para. 50-52.

⁶³⁸ See *Google v. Louis Vuitton*, *id.* at para. 53-55.

⁶³⁹ See *Google v. Louis Vuitton*, *id.* at para. 55.

⁶⁴⁰ See *Google v. Louis Vuitton*, *id.* at para. 56.

intermediaries in conjunction with the liability exemptions in the E-Commerce Directive.⁶⁴¹ As a result, the requirement of use in the course of trade was not met with regard to Google.⁶⁴²

The Court then examined whether the advertiser, by selecting a trade mark as a keyword, used that sign “in relation to goods or services”. Referring to *O2 v. Hutchison*⁶⁴³ and *Adam Opel v. Autec*,⁶⁴⁴ the Court observed that this expression related, in principle, to goods or services of “third parties”.⁶⁴⁵ Citing *UDV v. Brandtraders*,⁶⁴⁶ the Court acknowledged that, as appropriate, it could also refer to goods or services of another person on whose behalf the third party was acting.⁶⁴⁷

According to the Court, the uses listed in Art 10(3) TMD constituted use in relation to goods or services.⁶⁴⁸ The Court pointed out that this list was non-exhaustive, and that it was drafted before the full emergence of e-commerce and online advertising. Therefore, the use of a trade mark as a keyword, without mentioning it in the ad itself, was not excluded from the concept of use in relation to goods or services.⁶⁴⁹

The CJEU determined that, when a competitor selected a trade mark keyword with the aim of offering an alternative to the trade mark owner’s products, there was use of that sign in relation to the goods or services of that competitor.⁶⁵⁰ In this regard, the CJEU mentioned its finding in *O2 v. Hutchison* and *L’Oréal v. Bellure*⁶⁵¹ that the use of a trade mark in comparative advertising was a use in relation to goods or services.⁶⁵² However, the CJEU did not find it necessary to examine whether or not keyword advertising constituted a form of comparative advertising.⁶⁵³ The CJEU explained, in addition, that even in cases in which the advertiser did not seek to present an alternative but tried to mislead as to the origin of its products, there was use in relation to goods or services. Such use existed in any event when a link was established between the sign and the products of the advertiser.⁶⁵⁴ The Court concluded that the

⁶⁴¹ See *Google v. Louis Vuitton*, *id.* at para. 57.

⁶⁴² See *Google v. Louis Vuitton*, *id.* at para. 58.

⁶⁴³ ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008).

⁶⁴⁴ [2007] ECR I-1017 (CJEU case C-48/05 Jan 25, 2007).

⁶⁴⁵ See *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 60.

⁶⁴⁶ ECLI:EU:C:2009:111 (CJEU case C-62/08 Feb 19, 2009).

⁶⁴⁷ See *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 60.

⁶⁴⁸ See *Google v. Louis Vuitton*, *id.* at para. 61.

⁶⁴⁹ See *Google v. Louis Vuitton*, *id.* at para. 65-66.

⁶⁵⁰ See *Google v. Louis Vuitton*, *id.* at para. 69.

⁶⁵¹ ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009).

⁶⁵² See *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 70.

⁶⁵³ See *Google v. Louis Vuitton*, *id.* at para. 71.

⁶⁵⁴ See *Google v. Louis Vuitton*, *id.* at para. 72.

advertiser, by selecting a trade mark as a keyword, used that sign in relation to goods or services within the meaning of Art 10(2)(a) TMD.⁶⁵⁵

Next, the Court analysed the requirement under Art 10(2)(a) TMD that the use of the mark by the third party had to affect, or be liable to affect, the trade mark functions. It reconfirmed its statements from *L'Oréal v. Bellure* that Art 10(2)(a) TMD conferred a more extensive protection than Art 10(2)(b) TMD, and that it was sufficient if there was detriment to one of the functions. These functions were, in particular, the essential function of indicating origin, the function of guaranteeing the quality of the goods or services, and the functions of communication, investment or advertising.⁶⁵⁶ The Court clarified that in order to prohibit the use of the sign, it had to be liable to have an “adverse” effect on one the trade mark functions.⁶⁵⁷

The CJEU considered it relevant to examine, in the present case, the potential adverse effects of the use of trade mark keywords on the origin function and on the advertising function.⁶⁵⁸ The Court explained under which circumstances keyword use adversely affected the origin function of a mark, which depended in particular on the manner in which the disputed ad was presented.⁶⁵⁹

The function of indicating the origin of the mark is adversely affected if the ad does not enable normally informed and reasonably attentive internet users, or enables them only with difficulty, to ascertain whether the goods or services referred to by the ad originate from the proprietor of the trade mark or an undertaking economically connected to it or, on the contrary, originate from a third party [...].⁶⁶⁰

The Court pointed out that the use of another’s trade mark as a keyword could create the impression of a link with the trade mark proprietor. In this regard, it attached importance to the circumstances that the ad appears immediately after a search for the trade mark, and that the search term remains visible on the screen.⁶⁶¹ The Court noted the need for transparency in the field of online advertising. It referred to Recital 29 and Art 6 of the E-Commerce Directive, which require, in the interests of consumer protection and fair trading, that in advertising on the Internet the advertiser shall be clearly identifiable.⁶⁶²

⁶⁵⁵ See *Google v. Louis Vuitton*, *id.* at para. 73.

⁶⁵⁶ See *Google v. Louis Vuitton*, *id.* at para. 76-78.

⁶⁵⁷ See *Google v. Louis Vuitton*, *id.* at para. 79.

⁶⁵⁸ See *Google v. Louis Vuitton*, *id.* at para. 81.

⁶⁵⁹ See *Google v. Louis Vuitton*, *id.* at para. 83.

⁶⁶⁰ See *Google v. Louis Vuitton*, *id.* at para. 84.

⁶⁶¹ See *Google v. Louis Vuitton*, *id.* at para. 85.

⁶⁶² See *Google v. Louis Vuitton*, *id.* at para. 86.

It was for the national court to assess whether the particular ad adversely affected the origin function.⁶⁶³ If it suggested an economic link between the advertiser and the trade mark owner, this question had to be answered in the affirmative.⁶⁶⁴ But even when an economic link was not suggested, there was also an adverse effect on the origin function when the ad was vague to such an extent on the origin of the goods or services at issue that normally informed and reasonably attentive Internet users were unable to determine, on the basis of the advertising link and the commercial message attached thereto, whether the advertiser was a third party vis-à-vis the proprietor of the trade mark or, on the contrary, economically linked to that proprietor.⁶⁶⁵

Whereas the CJEU provided a yardstick to the national courts to determine the potential adverse effect on the origin function, it decided the question of an adverse effect on the advertising function by itself. The CJEU admitted that the use of another's trade mark as a keyword could have certain repercussions on the trade mark owner's advertising use of the mark and on its commercial strategy.⁶⁶⁶ For instance, if the trade mark owner participated in keyword advertising itself, it would have to pay relatively high costs per click in order to have its own ad displayed in a higher position than the ads of third parties. And yet, that higher position could not be guaranteed, as the ranking of the ads also depended on other factors.⁶⁶⁷

Nevertheless, the Court ruled that there was no adverse effect on the advertising function.⁶⁶⁸ The CJEU reasoned that, when an Internet user typed in the trade mark in the search field, the website of the trade mark owner was displayed among the algorithmic results, free of charge, and usually in one of the highest positions. This ensured the visibility to Internet users of the trade mark owner's products.⁶⁶⁹

3.5.2 *Bergspechte v. trekking.at*

*Bergspechte v. trekking.at*⁶⁷⁰ was the second keyword advertising case decided by the CJEU two days after *Google v. Louis Vuitton*.⁶⁷¹ The Austrian Supreme Court (Oberster Gerichtshof: OGH) had asked

⁶⁶³ See *Google v. Louis Vuitton*, *id.* at para. 88.

⁶⁶⁴ See *Google v. Louis Vuitton*, *id.* at para. 89.

⁶⁶⁵ See *Google v. Louis Vuitton*, *id.* at para. 90.

⁶⁶⁶ See *Google v. Louis Vuitton*, *id.* at para. 93.

⁶⁶⁷ See *Google v. Louis Vuitton*, *id.* at para. 94. See *supra*, section 1.2 and fn. 15 for the ranking of the ads.

⁶⁶⁸ See *Google v. Louis Vuitton*, *id.* at para. 95, 98.

⁶⁶⁹ See *Google v. Louis Vuitton*, *id.* at para. 97.

⁶⁷⁰ ECLI:EU:C:2010:163 (CJEU case C-278/08 Mar 25, 2010).

⁶⁷¹ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

questions concerning the liability of the advertiser. The CJEU repeated its considerations in *Google v. Louis Vuitton* regarding the requirements of a use in the course of trade in relation to goods or services and an adverse effect on the trade mark functions. In addition, the assessment of keyword use under Art 10(2)(b) TMD was relevant in this case. In this respect, the CJEU adopted exactly the same test for determining the likelihood of confusion as it had formulated in *Google v. Louis Vuitton* for assessing an adverse effect on the origin function.⁶⁷²

3.5.3 *Eis.de v. BBY*

One day later, the CJEU delivered its order in the keyword advertising case *Eis.de v. BBY*.⁶⁷³ The German Federal Supreme Court (Bundesgerichtshof: BGH) had referred to the CJEU the question whether there was a use by the advertiser for the purposes of Art 10(2)(a) TMD. Since the CJEU had already answered a nearly identical question in its judgment *Google v. Louis Vuitton*,⁶⁷⁴ it ordered that its interpretation in that case also held true for the BGH's question in *Eis.de v. BBY*.⁶⁷⁵

3.5.4 *Portakabin v. Primakabin*

The Dutch Supreme Court (Hoge Raad) had referred several questions to the CJEU in the keyword advertising dispute *Portakabin v. Primakabin*.⁶⁷⁶ The CJEU repeated its interpretation of the infringement criteria under Arts 10(2)(a) and (b) TMD from *Google v. Louis Vuitton*⁶⁷⁷ and *Bergspechte v. trekking.at*.⁶⁷⁸ With regard to the issues of a use in relation to goods or services and an adverse effect on the trade mark functions, the Court clarified that it was not relevant whether the goods or services were offered for sale directly in the ad text or rather on the advertiser's linked website.⁶⁷⁹

⁶⁷² See *Bergspechte v. trekking.at*, ECLI:EU:C:2010:163 (CJEU case C-278/08 Mar 25, 2010), para. 39-41.

⁶⁷³ ECLI:EU:C:2010:174 (CJEU case C-91/09 Mar 26, 2010).

⁶⁷⁴ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

⁶⁷⁵ See *Eis.de v. BBY*, ECLI:EU:C:2010:174 (CJEU case C-91/09 Mar 26, 2010), para. 15-16.

⁶⁷⁶ ECLI:EU:C:2010:416 (CJEU case C-558/08 July 8, 2010).

⁶⁷⁷ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

⁶⁷⁸ ECLI:EU:C:2010:163 (CJEU case C-278/08 Mar 25, 2010).

⁶⁷⁹ See *Portakabin v. Primakabin*, ECLI:EU:C:2010:416 (CJEU case C-558/08 July 8, 2010), para. 42-44.

3.5.5 *L'Oréal v. eBay*

The case *L'Oréal v. eBay*⁶⁸⁰ before the UK High Court was an enormously complicated case, containing various legal issues with regard to trade mark infringements by sellers on the online marketplace eBay. Relevant here is the selection by eBay of keywords corresponding to L'Oréal's trade marks and the display of these trade marks in the text of the ads to announce that the branded products could be bought through its website from third party sellers.

Besides confirming its findings from the earlier keyword advertising cases regarding Art 10(2)(a) TMD, the CJEU determined that by advertising the offers for sale of its customer-sellers, eBay used L'Oréal's trade marks in relation to goods identical to those for which those trade marks were registered.⁶⁸¹ The use did not need to be in relation to goods or services of the third party using the sign but could also be in relation to goods or services of other persons. It did not matter that eBay did not own the goods.⁶⁸² The Court merely required a link between the sign corresponding to the trade mark and the service, eBay's marketplace.⁶⁸³ This requirement was fulfilled.⁶⁸⁴

The Court recalled its test for assessing whether there was an adverse effect on the origin function.⁶⁸⁵ It again stressed the need for transparency and a clear identification of the advertiser.⁶⁸⁶ In this regard, the Court added that the search engine ads of the operator of an online marketplace had to disclose both its own identity and the fact that the advertised branded goods were available on its marketplace.⁶⁸⁷

3.5.6 *Interflora v. M&S*

In its most recent keyword advertising case, *Interflora v. M&S*,⁶⁸⁸ the CJEU elaborated a number of its earlier findings relating to the interpretation of an adverse effect on the trade mark functions. Interflora, the claimant, operated a flower delivery network of florists who traded under their own name in combination with the Interflora trade mark. Flowers could, *inter alia*, be ordered online via Interflora's

⁶⁸⁰ ECLI:EU:C:2011:474 (CJEU case C-324/09 July 12, 2011).

⁶⁸¹ The Court noted that the selection of L'Oréal's trade marks as keywords merely to promote eBay's own service did not constitute a use in relation to identical or similar goods or services under Art 10(2)(a) and (b) TMD. It could thus at the most be considered under Art 10(2)(c) TMD. See *L'Oréal v. eBay, id.* at para. 89-90.

⁶⁸² See *L'Oréal v. eBay, id.* at para. 91.

⁶⁸³ See *L'Oréal v. eBay, id.* at para. 92.

⁶⁸⁴ See *L'Oréal v. eBay, id.* at para. 93.

⁶⁸⁵ See *L'Oréal v. eBay, id.* at para. 94.

⁶⁸⁶ See *L'Oréal v. eBay, id.* at para. 95.

⁶⁸⁷ See *L'Oréal v. eBay, id.* at para. 96.

⁶⁸⁸ ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011).

website. The defendant, Marks & Spencer (M&S), one of Britain's largest retailers, offered through its website flower delivery as well, but it was not a member of the Interflora network. The dispute concerned the fact that M&S had advertised its own flower delivery service on Google by use of the trade mark Interflora and variants thereof as keywords.

The CJEU first restated the criteria to be fulfilled under Art 10(2)(a) TMD from its previous case law. It then clarified that a trade mark was always deemed to fulfil its origin function, whereas it performed the other trade mark functions only to the extent that the trade mark owner used the mark for that purpose, in particular, advertising or investment. If this was the case, Art 10(2)(a) TMD protected the trade mark against adverse effects on those functions. The Court also made clear that not only trade marks with a reputation were able to perform functions beyond the origin function.⁶⁸⁹

The CJEU added some considerations regarding the assessment of an adverse effect on the origin function. It observed in general that since the yardstick consisted of reasonably well-informed and reasonably observant Internet users, it was not sufficient for finding an adverse effect on the origin function that some internet users did not understand that M&S' service was independent from that of Interflora.⁶⁹⁰ In view of the specific situation in dispute, the CJEU suggested that the referring court could first assess whether the reasonably well-informed and reasonably observant Internet user was supposed to be aware, on the basis of general knowledge of the market, that M & S's flower-delivery service was not part of the Interflora network but was, on the contrary, in competition with it. In lack of such general market knowledge, it could be determined whether the advertisement in question made clear that M&S' service did not belong to the Interflora network.⁶⁹¹ In the Court's view, this could be particularly difficult in the circumstances of the case without any indication from the advertiser because Interflora's network consisted of a large number of retailers which varied greatly in terms of size and commercial profile.⁶⁹² The referring court thus needed to assess whether the words "M&S Flowers" in its ad sufficed to enable a reasonably well-informed and reasonably observant internet user to tell that M&S' service did not originate from Interflora.⁶⁹³

With regard to the advertising function, the CJEU followed its previous judgments with some additions. It stated that the mere fact that the third party use of the trade mark keyword obliged the trade

⁶⁸⁹ See *Interflora v. M&S*, *id.* at para. 40.

⁶⁹⁰ See *Interflora v. M&S*, *id.* at para. 50.

⁶⁹¹ See *Interflora v. M&S*, *id.* at para. 51.

⁶⁹² See *Interflora v. M&S*, *id.* at para. 52.

⁶⁹³ See *Interflora v. M&S*, *id.* at para. 53.

mark proprietor to intensify its own advertising in order to maintain or enhance its profile with consumers did not “in every case” imply an adverse effect on the advertising function. The Court stressed that the purpose of a trade mark was not to protect its proprietor against practices inherent in competition.⁶⁹⁴ The use of trade marks as keywords concerned a practice inherent in competition since its aim, “as a general rule”, was merely to offer alternatives to the trade mark proprietor’s products.⁶⁹⁵ The Court added that the selection of a trade mark keyword by a third party did not deprive the trade mark owner of the opportunity of using its mark effectively to inform and win over consumers.⁶⁹⁶

In *Interflora v. M&S*, the Court, for the first time, provided guidance regarding the investment function. The investment function was adversely affected where the third party’s use of the sign “substantially” interfered with the proprietor’s use of its trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty.⁶⁹⁷ If the trade mark already enjoyed a reputation, the investment function was adversely affected where the use of the sign by the third party affected that reputation and thereby jeopardised its maintenance.⁶⁹⁸ However, in conditions of fair competition that respected the origin function, the trade mark proprietor could not prevent a competitor from using the sign if the only consequence of that use was to oblige the trade mark proprietor to adapt its efforts to acquire or preserve a reputation. Nor could the trade mark proprietor rely on the fact that the use could cause some consumers to switch to a competitor.⁶⁹⁹ The referring court had to determine whether the keyword use by M&S jeopardised the maintenance by Interflora of a reputation capable of attracting consumers and retaining their loyalty.⁷⁰⁰

3.5.7 Analysis of CJEU Jurisprudence Since Keyword Advertising

This section examines the different components of the trade mark use requirement as it is currently understood on the basis of the CJEU’s decisions on keyword advertising.

⁶⁹⁴ See *Interflora v. M&S*, *id.* at para. 57.

⁶⁹⁵ See *Interflora v. M&S*, *id.* at para. 58.

⁶⁹⁶ See *Interflora v. M&S*, *id.* at para. 59.

⁶⁹⁷ See *Interflora v. M&S*, *id.* at para. 62, 66.

⁶⁹⁸ See *Interflora v. M&S*, *id.* at para. 63. In this regard, the CJEU referred to a consideration concerning the removal of packaging from resale goods in *L’Oréal v. eBay*, ECLI:EU:C:2011:474 (CJEU case C-324/09 July 12, 2011), para. 83.

⁶⁹⁹ See *Interflora v. M&S*, *id.* at para. 64.

⁷⁰⁰ See *Interflora v. M&S*, *id.* at para. 65.

3.5.7.1 Use in the Course of Trade

The requirement of a use “in the course of trade” is usually unproblematic.⁷⁰¹ The Court has found this requirement to be met in all the keyword advertising cases before it since keyword use takes place in the context of commercial activity with a view to economic advantage and not as a private matter.⁷⁰²

3.5.7.2 Use in Own Commercial Communication

Particularly remarkable is the new condition formulated by the CJEU that the sign must be used in the third party’s “own commercial communication” in order to constitute a “use” within the terms of Art 10 TMD.⁷⁰³ The reasoning seems to be that Google merely uses trade mark keywords for the functioning of its advertising programme, but it does not use them for promoting its own services. The CJEU obviously viewed Google’s role in the potential trade mark infringements as secondary to that of the advertisers. It is noted that the Court chose to deny any “use” within the terms of Art 10 TMD, instead of merely negating a use “in relation to goods or services”. As a consequence, Art 10(6) TMD concerning use “other than use for the purposes of distinguishing goods or services” does not seem to apply to Google’s AdWords activity either. The Court thereby unambiguously denied Google’s primary liability for trade mark infringement.⁷⁰⁴

⁷⁰¹ The CJEU has interpreted this condition broadly. According to the CJEU, a use in the course of trade “takes place in the context of commercial activity with a view to economic advantage and not as a private matter.” See *Arsenal v. Reed*, [2002] ECR I-10273 (CJEU case C-206/01 Nov 12, 2002), para. 40. This formula has been repeated and cited by the CJEU in its later judgments. See, e.g., *UDV v. Brandtraders*, ECLI:EU:C:2009:111 (CJEU case C-62/08 Feb 19, 2009), para. 44; *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008), para. 60; *Céline SARL v. Céline SA*, ECLI:EU:C:2007:497 (CJEU case C-17/06 Sep 11, 2007), para. 17; and *Adam Opel v. Autec*, [2007] ECR I-1017 (CJEU case C-48/05 Jan 25, 2007), para. 18. See for an analysis of this infringement condition, Cohen Jehoram, Nispen, van & Huydecoper 2008, 303-305; Ingerl & Rohnke 2010, MarkenG § 14, para. 66-92; and Kur 2011.

⁷⁰² See *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 30; *L’Oréal v. eBay*, ECLI:EU:C:2011:474 (CJEU case C-324/09 July 12, 2011), para. 87; *Portakabin v. Primakabin*, ECLI:EU:C:2010:416 (CJEU case C-558/08 July 8, 2010), para. 27; *Eis.de v. BBY*, ECLI:EU:C:2010:174 (CJEU case C-91/09 Mar 26, 2010), para. 17; *Bergspechte v. trekking.at*, ECLI:EU:C:2010:163 (CJEU case C-278/08 Mar 25, 2010), para. 18; and *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 50-52.

⁷⁰³ It was doubtful whether this newly introduced requirement could be applied beyond the context of keyword advertising. See Becker 2010, 2-3. See, however, later applications of this criterion by the CJEU in the case *L’Oréal v. eBay*, ECLI:EU:C:2011:474 (CJEU case C-324/09 July 12, 2011), para. 102-103 (concluding that the “use” within the meaning of Art 10 TMD of trade marks in offers for sale on an online marketplace was made by the sellers, and not by the operator of the marketplace itself); and *Frisdranken Industrie Winters v. Red Bull*, ECLI:EU:C:2011:837 (CJEU case C-119/10 Dec 15, 2011), para. 30 (without explicitly invoking the condition of a use in the third party’s own commercial communication, stating that a company which merely filled under an order from, and on the instructions of, another person cans already bearing signs similar to the disputed trade marks did not itself “use” those signs).

⁷⁰⁴ Some commentators were critical about the exclusion of search engines’ keyword practices from trade mark law. See, e.g., Kur 2011, 475. Chapter 8 of this book deals with the liability of the search engine.

3.5.7.3 Use in Relation to Goods or Services

The CJEU has qualified keyword use as a use “in relation to goods or services” covered by Art 10(2) TMD.⁷⁰⁵ The Court has thus continued its line of broadly interpreting this requirement.⁷⁰⁶ The keyword advertising jurisprudence of the CJEU confirms the assumption made above that the public does not need to perceive the use of the trade mark as distinguishing the origin of the products.⁷⁰⁷ It suffices if the third party intends to promote its own products by offering them as an alternative to the trade marked products, for instance, by way of a comparative advertisement or through keyword advertising.⁷⁰⁸ At the minimum, a use in relation to goods or services requires the existence of a link between the sign used and the products of the third party.⁷⁰⁹

A use in relation to goods or services relates, in principle, to goods or services of the third party that uses the sign.⁷¹⁰ However, the use of the sign can also be made by an intermediary acting on behalf of others.⁷¹¹

Whereas the Court previously attached importance to whether a certain use was listed in Art 10(3) TMD,⁷¹² it emphasised in the keyword advertising context that this list was non-exhaustive and could not have anticipated the kind of uses made of trade marks in electronic commerce and online advertising.⁷¹³

As with comparative advertising, the CJEU had a reasonable ground for bringing keyword use within the scope of the harmonised provisions of the Trade Mark Directive. One of the European Union’s main

⁷⁰⁵ See *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 31; *L’Oréal v. eBay*, ECLI:EU:C:2011:474 (CJEU case C-324/09 July 12, 2011), para. 91-93; *Portakabin v. Primakabin*, ECLI:EU:C:2010:416 (CJEU case C-558/08 July 8, 2010), para. 28; *Eis.de v. BBY*, ECLI:EU:C:2010:174 (CJEU case C-91/09 Mar 26, 2010), para. 18; *Bergspechte v. trekking.at*, ECLI:EU:C:2010:163 (CJEU case C-278/08 Mar 25, 2010), para. 19; and *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 73.

⁷⁰⁶ See *supra*, section 3.4.11.1.

⁷⁰⁷ *Id. Knaak & Venohr* criticised the Court’s judgment in this regard. See Knaak & Venohr 2010, 396. See also already Knaak 2009, 555

⁷⁰⁸ *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 69-70 (referring to *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008) and *L’Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009)).

⁷⁰⁹ See *L’Oréal v. eBay*, ECLI:EU:C:2011:474 (CJEU case C-324/09 July 12, 2011), para. 91; and *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 72 (referring to *Céline SARL v. Céline SA*, ECLI:EU:C:2007:497 (CJEU case C-17/06 Sep 11, 2007) and *UDV v. Brandtraders*, ECLI:EU:C:2009:111 (CJEU case C-62/08 Feb 19, 2009)).

⁷¹⁰ See *Google v. Louis Vuitton*, *id.* at para. 60.

⁷¹¹ See *Id.* and *L’Oréal v. eBay*, ECLI:EU:C:2011:474 (CJEU case C-324/09 July 12, 2011), para. 91 (referring to *UDV v. Brandtraders*, ECLI:EU:C:2009:111 (CJEU case C-62/08 Feb 19, 2009)).

⁷¹² See *supra*, section 3.4.11.3.

⁷¹³ See *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 65-66.

objectives, the proper functioning of the internal market, would be jeopardised by applying different national laws to keyword use, a commercial practice with a considerable economic impact on the European market.⁷¹⁴ Divergent legal assessments in the Member States would be highly detrimental to the legal certainty of the market players involved in keyword advertising. They would not be able to rely on a single law to clarify their rights and duties. Rather, they would have to examine the state of the law in each Member State in which they operate. Trade mark owners would be induced to go forum shopping. Search engines could be prompted to adopt different trade mark policies in different countries. Advertisers would be precluded from conducting a uniform marketing campaign in the entire European Union. These circumstances would impair competition and the free movement of goods and services within the common market, contrary to the aim of the Trade Mark Directive.⁷¹⁵ For this reason, the CJEU did not attach much importance to the text and structure of Art 10 TMD and expanded the scope of the harmonised Art 10(2) TMD to include keyword use.

Including such untypical uses of trade marks within the classical scheme of the trade mark infringement criteria leads to several problems. The conditions established under Art 10(2) TMD do not take account of the various interests that need to be balanced with regard to such uses. Thus, this dissertation will make suggestions for an appropriate interpretation of the infringement criteria in the case of competitive keyword use. An unharmonised solution, leaving the national courts to judge the issue under national unfair competition laws, is not preferred. Such a solution would result in the problems indicated in the previous paragraph. It would moreover not guarantee the right outcome.

3.5.7.4 Adverse Effect on Trade Mark Functions

While the Court had already explicitly acknowledged the relevance under Art 10(2)(a) TMD of certain trade mark functions beyond the origin function in *L'Oréal v. Bellure*,⁷¹⁶ its keyword advertising decisions for the first time provide guidance as to the interpretation thereof. Owing to the large number of referrals in this area, the CJEU was able to explore the trade mark functions in quite some depth.

To be sure, the CJEU has confirmed that the protection of the various trade mark functions under Art 10(2)(a) TMD is not limited to trade marks with a reputation. Functions beyond the origin function are

⁷¹⁴ See *supra*, section 2.2.

⁷¹⁵ See *supra*, section 2.6.4.

⁷¹⁶ ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009).

protected to the extent to which the trade mark owner uses the mark for other purposes, such as advertising or investment.⁷¹⁷

3.5.7.5 Adverse Effect on Origin Function

In its judgment in the case *Google v. Louis Vuitton*,⁷¹⁸ the CJEU provided the national court with a test to assess a potential adverse effect on the origin function under Art 10(2)(a) TMD.⁷¹⁹ According to this test, the presentation of the ad is decisive.⁷²⁰ The fact that the ads are marked as “Advertisements” or “Ads” and that they appear in a separate advertising block is not enough to exclude an adverse effect on the origin function or a likelihood of confusion.⁷²¹ The ad should be sufficiently clear to enable normally informed and reasonably attentive Internet users to determine whether the advertiser is a third party or (economically linked to) the trade mark owner.⁷²² This test has been confirmed in later keyword advertising decisions.⁷²³ The same test applies for examining the likelihood of confusion under Art 10(2)(b) TMD.⁷²⁴

The CJEU requires the ad itself to reveal the origin of the goods or services without having to visit the linked website.⁷²⁵ The CJEU has stressed the need for transparency in the display of advertisements on the Internet, referring to Recital 29 and Art 6 of the E-Commerce Directive.⁷²⁶ By formulating this

⁷¹⁷ See *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 40.

⁷¹⁸ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

⁷¹⁹ See *supra*, section 3.5.1.

⁷²⁰ See *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 83.

⁷²¹ Question 2 in *Bergspechte v. trekking.at* and question 1(b) in *Portakabin v. Primakabin* concerned the relevance of the labelling and separation of the ads. The CJEU found it unnecessary to answer these questions due to the fact that the ads in dispute in any case appeared in the “sponsored links” section. See *Bergspechte v. trekking.at*, ECLI:EU:C:2010:163 (CJEU case C-278/08 Mar 25, 2010), 42-44; and *Portakabin v. Primakabin*, ECLI:EU:C:2010:416 (CJEU case C-558/08 July 8, 2010), para. 37-39.

⁷²² See *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 84, 89-90.

⁷²³ See *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 44-45; *L'Oréal v. eBay*, ECLI:EU:C:2011:474 (CJEU case C-324/09 July 12, 2011), para. 94; *Portakabin v. Primakabin*, ECLI:EU:C:2010:416 (CJEU case C-558/08 July 8, 2010), para. 34-35; *Eis.de v. BBY*, ECLI:EU:C:2010:174 (CJEU case C-91/09 Mar 26, 2010), para. 24-28; and *Bergspechte v. trekking.at*, ECLI:EU:C:2010:163 (CJEU case C-278/08 Mar 25, 2010), para. 35-36.

⁷²⁴ See *Bergspechte v. trekking.at*, *id.* at para. 39-41. This was confirmed in *Portakabin v. Primakabin*, *id.* at para. 52-54.

⁷²⁵ The CJEU requires the identity of the advertiser to be ascertainable “on the basis of the advertising link and the commercial message attached thereto”. See *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 90.

⁷²⁶ See *Google v. Louis Vuitton*, *id.* at para. 86. This was confirmed in *L'Oréal v. eBay*, ECLI:EU:C:2011:474 (CJEU case C-324/09 July 12, 2011), para. 95.

transparency requirement for keyword advertising,⁷²⁷ the Court has integrated rules from the areas of unfair competition and consumer protection law into trade mark law.⁷²⁸

Special circumstances received attention in *L'Oréal v. eBay*.⁷²⁹ The CJEU required the ads to disclose both eBay's identity and the fact that the advertised trade marked goods were sold by third party sellers on eBay.⁷³⁰ This additional condition to indicate that products under the trade mark are available for sale on the advertiser's website seems to be specifically tailored to the situation in which the trade mark is explicitly mentioned in the ad or in which the advertiser acts as an intermediary.

In *Interflora v. M&S*,⁷³¹ the Court pointed out the relevance of general market knowledge. Since M&S was a famous retail company, the public possibly knew that it was not part of the Interflora network.⁷³² The fact that the advertiser is known among the public as a competitor of the trade mark owner could thus prevent a finding of an adverse effect on the origin function.

In the absence of such general market knowledge, the national court needed to analyse the ad.⁷³³ In view of the specific circumstance that many different retailers were members of Interflora's network, it could be particularly difficult to determine whether the advertiser was part of the network without an indication in the ad.⁷³⁴ This suggests that in the case of a network of connected enterprises, the ad needs to be specifically clear about its origin. Nonetheless, the Court also noted in *Interflora v. M&S* that it was not sufficient for finding an adverse effect on the origin function that some Internet users had problems realising that M&S' service was independent from that of Interflora. In this regard, the Court emphasised that the relevant public was composed of reasonably well-informed and reasonably observant Internet users.⁷³⁵

While providing suggestions, the CJEU left it to the national courts to determine whether the origin function had been adversely affected or a likelihood of confusion had been established in the cases before them.⁷³⁶ The CJEU thus appears to acknowledge that national courts are in a better position to

⁷²⁷ See Ohly 2010a, 780.

⁷²⁸ See Henning-Bodewig 2011, 596; and Ohly 2010a, 780 (pointing out the tendency of the CJEU to align the likelihood of confusion standard in trade mark law with the concept of deception in unfair competition law). *Bednarz* criticised the CJEU's view that the transparency rule is relevant for the assessment of keyword ads under trade mark law. See *Bednarz* 2011, 661.

⁷²⁹ ECLI:EU:C:2011:474 (CJEU case C-324/09 July 12, 2011).

⁷³⁰ See *L'Oréal v. eBay*, *id.* at para. 96.

⁷³¹ ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011).

⁷³² See *Interflora v. M&S*, *id.* at para. 51.

⁷³³ *Id.*

⁷³⁴ See *Interflora v. M&S*, *id.* at para. 52.

⁷³⁵ See *Interflora v. M&S*, *id.* at para. 50.

⁷³⁶ See *Interflora v. M&S*, *id.* at para. 51 ("In carrying out its examination of the facts, the referring court may choose to assess [...]"), para. 52 ("In particular, the referring court may take into account that [...]"), para. 53 ("Having regard to that situation and to the other matters that it may consider relevant, the referring court [...]"); *Eis.de v. BBY*, ECLI:EU:C:2010:174 (CJEU

assess the factual situation and to take account of exceptional circumstances.⁷³⁷ It will be seen in the next chapter that diverging interpretations of the CJEU's guidance in this regard exist among national courts. Proposals for an adequate and uniform interpretation will be put forward to achieve better harmonisation.

3.5.7.6 Adverse Effect on Advertising Function

The CJEU explicitly denied an adverse effect on the advertising function in *Google v. Louis Vuitton*,⁷³⁸ which has been confirmed in the subsequent keyword advertising decisions.⁷³⁹ The requirements for finding an adverse effect on this function appear to be rather strict.⁷⁴⁰ The CJEU requires an “adverse” effect on the advertising function, not just any effect.⁷⁴¹

It seems insufficient that third parties profit from the advertising value of the trade mark or that the trade mark owner is forced to increase its own advertising expenses.⁷⁴² The advertising function is therefore not protected against mere free-riding under Art 10(2)(a) TMD. Rather, it appears to be required that the trade mark owner is hindered from advertising itself.⁷⁴³ In this regard, the Court finds it relevant that the trade mark owner receives free advertising space within Google's algorithmic search results.⁷⁴⁴

The CJEU's refusal to acknowledge an adverse effect on the advertising function in keyword cases was surprising because it can hardly be denied that the use of a trade mark as a keyword by a competitor

case C-91/09 Mar 26, 2010), para. 25; *Bergspechte v. trekking.at*, ECLI:EU:C:2010:163 (CJEU case C-278/08 Mar 25, 2010), para. 37; and *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 88 (“It is for the national court to assess, on a case-by-case basis, whether the facts of the dispute before it [...]”).

⁷³⁷ For several reasons, *Dinwoodie* advocated greater involvement of the national courts in Europe, instead of immediately asking the CJEU for a “European answer”. See *Dinwoodie* 2010.

⁷³⁸ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 98.

⁷³⁹ See *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 54; *Portakabin v. Primakabin*, ECLI:EU:C:2010:416 (CJEU case C-558/08 July 8, 2010), para. 32; *Eis.de v. BBY*, ECLI:EU:C:2010:174 (CJEU case C-91/09 Mar 26, 2010), para. 22; and *Bergspechte v. trekking.at*, ECLI:EU:C:2010:163 (CJEU case C-278/08 Mar 25, 2010), para. 33. Note that by use of the terms “in every case” and “as a general rule”, the Court in *Interflora v. M&S* may have left some room for determining an adverse effect on the advertising function in situations in which the advertiser does not offer an alternative to the trade marked products. See *Interflora v. M&S*, *id.* at para. 57-58.

⁷⁴⁰ Even though the Court spoke of “liable” to have an adverse effect on the advertising function. See *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 98.

⁷⁴¹ See Ohly 2010a, 781.

⁷⁴² See *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 57; and *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 94-95.

⁷⁴³ See *Interflora v. M&S*, *id.* at para. 59; and *Google v. Louis Vuitton*, *id.* at para. 97. This reminds of the unfair competition cause of action referred to as “obstruction”. See, e.g., § 4(4) UWG.

⁷⁴⁴ This could also be of importance for (future) ways of advertising beyond the context of a search engine.

has an impact on the advertising function of the mark.⁷⁴⁵ In fact, the CJEU appears to balance interests within its assessment of an adverse effect on the advertising function.⁷⁴⁶ In this regard, it explicitly mentioned the interest of competition, which is served by offering alternatives to consumers.⁷⁴⁷

Apparently, the CJEU did not want to leave it to the national courts to determine the existence of an adverse effect on the advertising function. It may have been concerned about too broad protection against competitive practices.⁷⁴⁸

3.5.7.7 Adverse Effect on the Investment Function

The investment function was only discussed by the CJEU in *Interflora v. M&S*.⁷⁴⁹ As with the advertising function, the CJEU imposes strict conditions for finding an adverse effect. It even requires “substantial” interference with the proprietor’s use of its trade mark to acquire or preserve a reputation.⁷⁵⁰

It is neither sufficient that the trade mark owner has to make more efforts to win or secure a reputation, nor that it loses customers, as a consequence of the third party use.⁷⁵¹ A purely competitive, non-confusing use does not adversely affect the investment function.⁷⁵² Hence, the mere exploitation of the reputation of another’s trade mark by choosing it as a keyword is not infringing under Art 10(2)(a) TMD. Rather, it appears to be necessary to show that the keyword use results in damage to the reputation of the mark.⁷⁵³

The CJEU in *Interflora v. M&S* again balanced interests within its assessment of the adverse effect on the trade mark functions. Nevertheless, this time, it did not expressly negate an adverse effect on the

⁷⁴⁵ National courts and commentators before *Google v. Louis Vuitton* considered keyword advertising to cause detriment to the advertising function if it were independently protected. See, e.g., *Bananabay*, [2009] GRUR 498 (BGH Jan 22, 2009), para. 17; *Bergspechte*, [2009] GRUR Int 446 (OGH May 20, 2008), 448, para. VI.11-12; *L’Oréal v. Bellure*, [2010] EWCA (Civ) 535 (May 21, 2010), para. 30; and Steinberg 2009, 191-193. Note that they did not agree on whether the advertising function deserved independent protection. See also Ohly 2010b, 880 (observing that the advertising and investment functions seemed to be affected).

⁷⁴⁶ See Ohly 2010b, 881 (“[...] In *Google France* the CJEU seems to apply a normative concept of “adverse effect”: adverse effects which are outweighed by other considerations will more or less tacitly be left out of account. [...]).

⁷⁴⁷ See *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 57-58.

⁷⁴⁸ *Id.*

⁷⁴⁹ ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011).

⁷⁵⁰ See *Interflora v. M&S*, *id.* at para. 62, 66.

⁷⁵¹ See *Interflora v. M&S*, *id.* at para. 64.

⁷⁵² *Id.* (“[...] in conditions of fair competition that respect the trade mark’s function as an indication of origin [...]).

⁷⁵³ See *Interflora v. M&S*, *id.* at para. 63 (“[...] affects that reputation and thereby jeopardises its maintenance. [...]).

investment function, as it had done with regard to the advertising function. It will be interesting to see in which situations national courts consider the investment function to be adversely affected.

3.5.7.8 Rejection of Functional Approach

The Court's interpretation of the requirement of an adverse effect on one of the trade mark functions under Art 10(2)(a) TMD enables the national courts to reach fair outcomes by balancing the different interests involved. However, this functional approach has also some major drawbacks. It does not find support in the Trade Mark Directive, results in an inconsistent system of infringement criteria, and it is detrimental to legal certainty.⁷⁵⁴

Neither the Trade Mark Directive's provisions, nor the preamble, mention the requirement of an adverse effect on one of the trade mark functions. This has not changed since the most recent reform of the European trade mark system. Instead, the protection under the double identity provision, Art 10(2)(a) TMD, is meant to be absolute, without the need to prove a likelihood of confusion or any other form of detriment. Imposing the requirement of an adverse effect on the trade mark functions in cases of counterfeit or parallel trade from outside the EEA jeopardises the very purpose of the absolute protection under Art 10(2)(a) TMD to alleviate the burden of proof of the trade mark owner.⁷⁵⁵

Though understandable from the point of view of harmonisation,⁷⁵⁶ the logic of the system is undermined by the classification of keyword use as a use "in relation to" goods or services, thus falling under Art 10(2) TMD. In accordance with the prevailing opinion in the Netherlands pre-*Google v. Louis Vuitton*,⁷⁵⁷ keywords are not used as a trade mark to distinguish the origin of the advertiser's products. Such use is rather "other than use for the purposes of distinguishing" goods or services within the

⁷⁵⁴ This approach was also criticised by the European Commission (reported by Ohly 2010a, 778, fn. 15); Hacker 2009, 337; *Jacob LJ* in: *L'Oréal v. Bellure*, [2010] EWCA (Civ) 535 (May 21, 2010), para. 30; Ohly 2010a, 782; Senftleben 2011a, 12-14, 28; Senftleben 2011b, 385; Senftleben 2010a, 349-350; and Hacker in: Hacker 2018, MarkenG § 14, para. 105-106. The MPI study stated that it should be accepted as a principle for the future practice that the additional trade mark functions would not play an autonomous role in defining the scope of protection under the former Art 5(1)(a) (now: 10(2)(a)) TMD. The focus on the trade mark functions was said to have blurred the picture. See MPI Trade Mark Study 2011, para. 2.179, 2.184. However, there are also proponents of the functional approach. See, e.g., Sack 2010 (arguing that the functional approach is necessary and sufficient and suggesting to abandon the requirement of a use as a trade mark).

⁷⁵⁵ See *supra*, section 3.3.2.1.1. *Cohen Jehoram* even regarded the requirement of an adverse effect on the trade mark functions as a violation of Art 16 TRIPs, which states that in cases of double identity, a likelihood of confusion shall be presumed. He also noted that in the case of parallel trade from outside the EEA, there is no adverse effect on a trade mark function. See *Cohen Jehoram* 2012.

⁷⁵⁶ See *supra*, fn. 613.

⁷⁵⁷ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

meaning of Art 10(6) TMD.⁷⁵⁸ As a consequence of the CJEU's classification of keyword use and other non-source identifying uses under Art 10(2) TMD,⁷⁵⁹ in double identity scenarios such uses must be assessed under the same conditions as the use of a trade mark on counterfeit products. In the absence of a suitable limitation for keyword use, the CJEU mitigated the inevitable absolute protection by flexibly applying the requirement of an adverse effect on one of the trade mark functions to restrict the scope of protection under Art 10(2)(a) TMD.⁷⁶⁰

It is questionable what role remains for Art 10(6) TMD. As a result of the CJEU's jurisprudence, its ambit seems to be restricted to, for instance, certain purely descriptive uses (but not to all) and to certain uses of trade names (but not to all).⁷⁶¹

A further difficulty is caused by the protection of various trade mark functions under Art 10(2)(a) TMD without the additional conditions contained in Arts 10(2)(b) and (c) TMD, such as the existence of a likelihood of confusion, a reputation, unfair advantage of, or detriment to, the distinctive character or the repute, and the absence of a due cause.⁷⁶²

Also inconsistent are the CJEU's different ways of balancing interests in trade mark infringement cases. This is sometimes done on the basis of the limitations in Art 14 TMD or the exhaustion rule in Art 15 TMD. With regard to comparative advertisements, the CJEU had to establish an additional, extra-statutory limitation, based on Art 4 of the Directive concerning Misleading and Comparative Advertising.⁷⁶³ Yet in keyword cases, the CJEU balances interests by giving a flexible interpretation to its requirement of an adverse effect on a trade mark function.⁷⁶⁴

The CJEU's functional approach moreover results in legal uncertainty.⁷⁶⁵ Several national courts and commentators thought that keyword advertising impaired at least the advertising function of the mark.⁷⁶⁶

⁷⁵⁸ See *infra*, section 3.7.1.

⁷⁵⁹ See *supra*, sections 3.4.11.1 and 3.5.7.3.

⁷⁶⁰ See *supra*, sections 3.5.7.4-3.5.7.7. See also Cohen Jehoram 2012.

⁷⁶¹ See *supra*, section 3.4.11.1.

⁷⁶² See Ohly 2010a, 782; Senftleben 2011a, 6, 14; Senftleben 2011b, 385; and Senftleben 2010a, 349-350. See also Hacker 2009, 337, as well as Hacker in: Hacker 2018, MarkenG § 14, para. 105-106 (criticising the CJEU's recognition of multiple trade mark functions under Art 10(2)(a) TMD since this provision merely concerns a presumed likelihood of confusion, i.e., a special case of Art 10(2)(b) TMD and noting the inconsistency of the partial overlap between Art 10(2)(a) TMD and Art 10(2)(c) TMD).

⁷⁶³ See *L'Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 54; and *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008), para. 45, 51. This limitation is meanwhile included in Art 10(3)(f) TMD. See *infra*, section 6.2.1.3.1.

⁷⁶⁴ Ohly criticised the CJEU's methodology because the balancing criteria are concealed in the assessment of an adverse effect. For instance, insignificant detriment to the advertising function must, apparently, be accepted where there are good reasons for the use of the mark. See Ohly 2010a, 782.

⁷⁶⁵ See Ohly 2010a, 782.

⁷⁶⁶ See *supra*, fn. 745.

However, the CJEU determined that the use of a trade mark keyword did not cause an adverse effect on the advertising function.⁷⁶⁷ It left the assessment of an adverse effect on the origin and investment functions to the national courts.⁷⁶⁸ It has not been decided whether the quality, communication or other trade mark functions are also relevant in keyword cases. Finally, it is unclear how the requirement of an adverse effect on the trade mark functions must be interpreted in other cases than keyword advertising cases.⁷⁶⁹ This also causes uncertainty with regard to use made of third party trade marks where important interests, such a free expression or competition, are at stake.

3.6 *Ideas for Improvement*

Within the process of reforming the European trade mark system, several proposals were put forward to address the problems with the infringement criteria.⁷⁷⁰ Only some of these ideas were finally adopted. This section will point out the most convincing suggestions for a harmonised trade mark infringement system that is flexible and balanced, yet logical and predictable, and fit for the future.⁷⁷¹ The proposed legislative changes must be combined with a proper interpretation of the infringement criteria and limitations. The following chapters will provide recommendations for such interpretation in the context of keyword use.

3.6.1 *Introduce Additional Limitations*

The introduction of new limitations to the rights of the trade mark holder was proposed by, for instance, *Kur* and *Senfleben* as well as by the Max Planck Institute in its Study on the Overall Functioning of the European Trade Mark System.

In the case that Art 5(1)(a) TMD 2008 (now: Art 10(2)(a) TMD) would not require a use as a mark, *Kur* suggested to amend the Art 6 TMD 2008 (now: Art 14 TMD) in order to take account of all the

⁷⁶⁷ See *supra*, section 3.5.7.6.

⁷⁶⁸ See *supra*, sections 3.5.7.5 and 3.5.7.7.

⁷⁶⁹ See Ohly 2010a, 782.

⁷⁷⁰ See, e.g., Paulus 2014, 248 et seq. for an in-depth analysis of these proposals.

⁷⁷¹ The proposals with regard to the TMD apply *mutatis mutandis* to the EUTMR. The European Commission's proposal concerning the CTMR/EUTMR is not separately discussed either since the relevant amendments are the same under both proposals. See European Commission 2013a and European Commission 2013b.

interests involved, including those of competitors and society at large.⁷⁷² She discussed two possibilities in this regard. The first one would be to open the closed catalogue of limitations by turning it into an exemplary, non-conclusive list. The second, less “revolutionary” solution would be to add a proviso to Art 6 TMD 2008, such as “use in commercial speech relating to the mark, in particular in order to identify goods or services as that of the proprietor, or in order to make a statement relating to those goods or services”.⁷⁷³

Similarly, *Senftleben* proposed a new limitation infrastructure to re-establish a proper balance between rights and freedoms after the CJEU’s expansion of the scope of trade mark protection, due to its broad concept of trade mark use and its continuous relaxation of infringement requirements.⁷⁷⁴ He suggested, *inter alia*, specific defences to internalise the freedom of expression in trade mark law.⁷⁷⁵ *Senftleben* moreover considered it advisable to provide for a general due cause clause that could be invoked in the case of new, unforeseen developments that required additional balancing tools, such as keyword advertising and other new technologies.⁷⁷⁶

The study by the Max Planck Institute recommended the introduction of an “honest referential use” provision, which would apply to use of the trade mark as a reference to the trade mark proprietor’s goods or services.⁷⁷⁷ This provision was meant as an alternative to the CJEU’s requirement of an adverse effect on the trade mark functions, in order to counterbalance the absolute protection granted under Art 5(1)(a) TMD 2008.⁷⁷⁸ The “honest referential use” provision would include a list of examples.⁷⁷⁹

Another idea put forward in the Max Planck Institute’s study concerned the introduction of a general “fair use” clause, which would allow for flexibility in new situations, such as the emergence of new business models, particularly on the Internet. The general fair use exception could be accompanied by a list of specific examples.⁷⁸⁰

⁷⁷² See Kur 2008b, 169. See also Kur 2008a, 12-13 (recommending, moreover, a broad, liberal application of the limitations and to not principally prioritise the property interests of the trade mark holder, unless the essential function of a trade mark is impaired, namely to achieve a transparent market).

⁷⁷³ As an example of such a rule, *Kur* referred to Sec 10(6) UK TMA 1994. See Kur 2008b, 170.

⁷⁷⁴ See *Senftleben* 2011a, 22-28.

⁷⁷⁵ See *Senftleben* 2011a, 25-26. See also *McGeeveran* 2008b, 98, 119.

⁷⁷⁶ See *Senftleben* 2011a, 26-27. According to *Senftleben*, such an open-ended fair use provision would not contravene Art 17 TRIPS, which reads: “Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties.” See *Senftleben* 2010b, 24.

⁷⁷⁷ See MPI Trade Mark Study 2011, para. 2.260-2.262.

⁷⁷⁸ See MPI Trade Mark Study 2011, para. 2.260-2.261.

⁷⁷⁹ See MPI Trade Mark Study 2011, para. 2.262.

⁷⁸⁰ See MPI Trade Mark Study 2011, para. 2.266.

The proposal of the European Commission as well as the final text of the new Directive adopted a referential use limitation, according to which the trade mark may be used “for the purpose of identifying or referring to goods or services as those of the proprietor of that trade mark, in particular, where the use of the trade mark is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts.”⁷⁸¹

With regard to keyword advertising, it is arguable whether the adopted referential use limitation is relevant. It could be held that keyword use does not identify or refer to the products as those of the trade mark owner but rather indicates the targeted public. On the other hand, it could be reasoned that the selection of another’s trade mark as a keyword constitutes an indirect reference to the trade mark owner.

The relevance of the new referential use provision in the context of keyword advertising will be discussed further below.⁷⁸² The same applies to the broadened descriptive use limitation to which the use of non-distinctive signs has been added during the reform.⁷⁸³

In any case, in order to be on the safe side, a broader fair use provision, perhaps accompanied by a list of examples, appears more useful in the case of keyword advertising. This could also provide a solution for potential future types of uses of trade marks.

A considerable advantage of such a general fair use provision would be that the assessment of the various interests involved in a particular use of a trade mark would become transparent since an explicit balance of interests would need to be performed.⁷⁸⁴ The problematic condition of an adverse effect on the trade mark functions under Art 10(2)(a) TMD would become redundant. In addition, the inclusion of various kinds of use in the scope of harmonised trade mark protection would be justified.⁷⁸⁵

A disadvantage of the proposal to establish new limitations (or reliance on the existing limitations) is that due to the defendant’s burden of proof the impression could arise that making use of another’s trade

⁷⁸¹ See European Commission 2013a, 21-22; and Art 14(1)(c) TMD. The European Parliament at first reading included a non-exhaustive list of referential uses, which also contained use of a trade mark made to put forward a legitimate alternative to the goods or services of the proprietor of the trade mark. See European Parliament 2014, Art 14(1)(c)(iv). This was rejected by the Council.

⁷⁸² See *infra*, section 6.2.1.3.2.

⁷⁸³ See *infra*, section 6.2.1.2.

⁷⁸⁴ With regard to all the limitations covered by Art 14(1) TMD, it must be assessed whether the use is “in accordance with honest practices in industrial or commercial matters.”

⁷⁸⁵ See Gielen 2009a, 8-9 (defending the opinion that every use in the course of trade which might cause a risk of confusion or dilution should fall within the scope of the harmonised provisions of trade mark law, provided that there is an appropriate fair use provision).

mark is principally infringing unless the defendant is able to demonstrate that a limitation applies.⁷⁸⁶ A related problem is that limitations tend to be narrowly interpreted.⁷⁸⁷ Also in the context of keyword advertising, both the CJEU and the US courts have applied the limitations and fair use defences, respectively, in a restrictive manner.⁷⁸⁸

3.6.2 Distinguish between Source-Identifying and Other Use

Another solution could be to create a clear distinction within the infringement provision between typical trade mark use, including counterfeiting, and non-source identifying use, such as referential and keyword use. This would reflect the substantially different kinds of use that can be made of third party trade marks, requiring different legal assessments.

Such a distinction actually already exists due to the two categories of a use “in relation to goods or services” under Art 10(2) TMD, on the one hand, and a use “other than use for the purposes of distinguishing goods or services” under Art 10(6) TMD, on the other hand. However, as seen above, the CJEU has subsumed a wide range of uses, including referential and keyword use, under Art 10(2) TMD.⁷⁸⁹ This could be reversed by turning Art 10(6) TMD into a mandatory provision to ensure a harmonised approach.

The use of trade mark keywords does not distinguish the commercial origin of the advertiser’s goods or services and would thus fall within Art 10(6) TMD.⁷⁹⁰ This provision requires the third party use to be “without due cause”, which could ensure an appropriate balance of the trade mark proprietor’s interests with the interests of the advertiser, consumers and society at large. The CJEU’s problematic functional approach under Art 10(2)(a) TMD could hence be avoided.

In view of the broad protection offered by the Benelux implementation of Art 10(6) TMD,⁷⁹¹ it is of utmost importance to clearly define the scope and boundaries of such a provision, for instance, in the preamble or by creating additional limitations for clarification and as a safeguard.⁷⁹² In this regard,

⁷⁸⁶ See Goldman 2008, 427 (observing that the US trade mark fair use defences are often unhelpful, *inter alia*, since defendants must carry the burden). See also Barrett 2006, 433. For a thorough examination of the burden of proof in German unfair competition cases, see Kur 1981.

⁷⁸⁷ See, e.g., with regard to the CJEU’s interpretation of Art 14(1)(b) TMD, fn. 1553. For US law, see Goldman 2008, 427 (noting that US trade mark fair use defences are narrow in scope). See also Dreyfuss 2008, 280.

⁷⁸⁸ See *infra*, chapter 6.

⁷⁸⁹ See *supra*, sections 3.4.11.1 and 3.5.7.3.

⁷⁹⁰ See *infra*, section 3.7.1 (prevailing opinion in the Netherlands before the CJEU keyword advertising jurisprudence).

⁷⁹¹ See *supra*, section 3.3.4.

⁷⁹² See also MPI Trade Mark Study 2011, para. 2.221, 2.261, 2.263.

harmonisation of the infringement provision regarding “other use” could also be seen as a chance to restrict its scope on the European level.⁷⁹³

With regard to future, unforeseen types of use, it could be challenging to determine under which category they fall. For this purpose, the preamble could contain examples of the classification of already existing uses. It would need to be evaluated to which category a new use comes closest and whether or not a balance of interests is appropriate. In any case, political choices seem unavoidable.

Similarly, the Max Planck Institute’s report suggested turning Art 5(5) TMD 2008 (now: Art 10(6) TMD) into a mandatory provision and including it in the CTMR (now: EUTMR).⁷⁹⁴ The report seemed to regard the use of trade mark keywords as an “other use”, falling under the proposed mandatory Art 5(5) TMD 2008.⁷⁹⁵ The report stressed that the aim of making this provision mandatory was:

[...] to enhance the level of harmonisation and transparency, and not to expand the general level of trade mark protection [...]. For finding an infringement, it will regularly have to be shown that the interests of the proprietor are seriously affected, and that the use is not justified for any reason. Regarding the latter aspect, the limitations set out in Article 6 TMD and Article 12 CTMR may serve as a guideline, but do not confine the breadth of arguments which can be considered in the evaluation.⁷⁹⁶

An infringement under the proposed Art 5(5) TMD 2008 would require use without due cause and in addition “contrary to honest practices in industrial and commercial matters”.⁷⁹⁷

According to the proposal, referential use, such as the mentioning of a competitor’s mark in a comparative advertisement, would remain to be assessed under Arts 5(1) and (2) TMD 2008 (now: Art 10(2) TMD).⁷⁹⁸ In accordance with the interpretation by the CJEU, these provisions would comprise

⁷⁹³ For this reason, the idea of harmonising Art 10(6) TMD was also proposed by Verkade & Bruining 2000, 44, para. 16.

⁷⁹⁴ See MPI Trade Mark Study 2011, para. 2.221-2.222, 2.225, 2.229. In addition, the study proposed to complement the wording of Art 5(5) Trade Mark Directive 2008/95/EC by declaring as inadmissible use which is likely to mislead the public about the existence of a commercial link between the proprietor of the trade mark and a third party. See MPI Trade Mark Study 2011, para. 2.222.

⁷⁹⁵ Keywords are presumably not perceived by the public as identifying or distinguishing the commercial origin of the goods or services. See MPI Trade Mark Study 2011, para. 2.189, 2.208, 2.229, 2.257. Furthermore, the use of marks in the digital environment was mentioned as an example of a use falling within the scope of Art 5(5) Trade Mark Directive 2008/95/EC. See MPI Trade Mark Study 2011, para. 61.

⁷⁹⁶ See MPI Trade Mark Study 2011, para. 2.221.

⁷⁹⁷ See MPI Trade Mark Study 2011, para. 2.211, 2.257.

⁷⁹⁸ See MPI Trade Mark Study 2011, para. 2.209. In order to ensure a balance of interests under Art 5(1)(a) TMD 2008, as a substitute for the CJEU’s functional approach, the Max Planck Institute suggested introducing an “honest referential use” provision. See MPI Trade Mark Study 2011, para. 2.260-2.262. See also *supra*, section 3.6.1.

both use of the sign in respect of the alleged infringer's own goods or services and use of the sign to designate the goods or services of the trade mark proprietor.⁷⁹⁹

By continuing to qualify referential use under Art 10(2) TMD, the Max Planck Institute's proposal did not radically depart from the existing case law of the CJEU. This could be seen as a missed opportunity to achieve more systematic infringement criteria which match the fundamentally different types of use that can be made of trade marks.

Regrettably, the proposal to reinforce a clear distinction between source-identifying and other use was not taken up by the European Commission and did not find its way into the new TMD. However, also by broadening the scope of the limitations, a flexible instrument for balancing the interests involved in cases of non-source identifying use can be achieved.

3.6.3 Restrict Art 10(2)(a) TMD to Source-Identifying Use

The final proposal to be discussed here concerns the reintroduction of a strict trade mark use requirement exclusively with regard to Art 10(2)(a) TMD. The following phrase could, for instance, be added to Art 10(2)(a) TMD:

provided that the sign is perceived by the relevant public as a trade mark, that is, as designating the commercial origin of the third party's goods or services

As a result, the absolute protection conferred by Art 10(2)(a) TMD would be restricted to typical trade mark uses and would not be applicable in the case of referential or targeting use. Cases in which there is no use as a trade mark, or in which the signs and products are not identical, would be evaluated under Art 10(2)(b) or (c) TMD, if applicable.

This solution has the merit of simplicity. It would restore the trade mark infringement scheme of core protection against confusing uses, absolute protection against counterfeit products and parallel import from non-EEA countries, and extended protection for trade marks with a reputation against specified forms of harm on a balance of interests.

It seems reasonable to principally prohibit the source-identifying use of a sign identical to a trade mark for identical products. The proposed restriction of the scope of Art 10(2)(a) TMD would eliminate the need for requiring an adverse effect on the trade mark functions as a balancing instrument.

⁷⁹⁹ See MPI Trade Mark Study 2011, para. 2.261 (with regard to Art 5(1)(a) TMD 2008).

A difficulty arising from this proposal may consist in determining when a sign is perceived by the relevant public as a trade mark, that is, as designating the commercial origin of the third party's goods or services, thus falling under Art 10(2)(a) TMD. For this purpose, the preamble of the Trade Mark Directive could provide examples of uses which fall under Art 10(2)(a) TMD, on the one hand, and uses which fall outside its ambit, on the other hand.

In a slightly different way, the European Commission proposed to restrict the scope of 5(1)(a) TMD 2008 (now: Art 10(2)(a) TMD). It stated that "in cases of both double identity under Article 5(1)(a) and similarity under Article 5(1)(b) it is only the origin function which matters."⁸⁰⁰ Accordingly, the proposed Art 10(2)(a) TMD would add the requirement that "such use affects or is liable to affect the function of the trade mark to guarantee to consumers the origin of the goods or services." The new Recital 19 would read:⁸⁰¹

In order to ensure legal certainty and clarity, it is necessary to clarify that not only in the case of similarity but also in case of an identical sign being used for identical goods or services, protection should be granted to a trade mark only if and to the extent that the main function of the trade mark, which is to guarantee the commercial origin of the goods or services, is adversely affected.

This proposal would rightly abandon the CJEU's functional approach. In cases of double identity, keyword and referential use would be liberated from the absolute protection owing to the requirement of adverse effect on the origin function. However, the Commission's proposal could turn out to contradict the original purpose of Art 10(2)(a) TMD to alleviate the trade mark owner's burden of proof in classical double identity cases.⁸⁰²

This proposal of the European Commission was not adopted. The European Parliament at first reading deleted the requirement of an effect on the origin function from Art 10(2)(a) TMD.⁸⁰³ Under the new Trade Mark Directive, the absolute protection conferred by Art 10(2)(a) TMD is maintained.⁸⁰⁴ The

⁸⁰⁰ See European Commission 2013a, 6. The MPI study stated that it should be accepted as a principle for the future practice that the additional trade mark functions would not play an autonomous role in defining the scope of protection under the former Art 5(1)(a) (now: 10(2)(a)) TMD. The focus on the trade mark functions was said to have blurred the picture. See MPI Trade Mark Study 2011, para. 2.179, 2.184.

⁸⁰¹ Remarkably, there was no suggestion to change Recital 11 (renumbered: Recital 16) concerning the absolute protection in cases of double identity.

⁸⁰² See *supra*, section 3.3.2.1.1.

⁸⁰³ See European Parliament 2014, Art 10(2)(a).

⁸⁰⁴ See Recital 16 TMD.

CJEU's jurisprudence with regard to the requirement of the adverse effect on the trade mark functions, as well as its classification of keyword and other types of use, are still valid.

3.6.4 *Preliminary Conclusion*

This section has set out three suitable proposals to address the existing problems with the CJEU's functional approach.⁸⁰⁵ These proposals aim to achieve a more consistent system, which offers both flexibility and legal certainty and enables weighing the various interests in cases concerning non-source identifying use.

At this stage, the proposal to expand the scope of the limitations seems the most feasible. In fact, this expansion has already begun. The new non-distinctive and referential use provisions might already accommodate a number of problematic situations, arguably including comparative and keyword advertising. This will be discussed in more detail in the relevant chapter.⁸⁰⁶ Further broadening the scope of the limitations is still recommendable, as argued above.⁸⁰⁷ An additional advantage of reliance on the limitations in comparison with the other two mentioned proposals is that this avoids having to draw a line between classical trade mark use cases and cases in which the use does not distinguish the source of the products.

3.7 *National Debates*

This section will provide a summary of the arguments put forward in national jurisprudence and commentary on the trade mark use requirement in keyword disputes pre-*Google v. Louis Vuitton*⁸⁰⁸ in the Netherlands, Germany, the UK, France and Austria. The conflicting views will demonstrate the reasons for the referrals to the CJEU and for the need to arrive at a coherent understanding of the trade mark use requirement and a harmonised approach towards keyword advertising. The opinions advanced during the discussion on the national level make clear that it was a difficult task to reach a compromise. Additionally, US case law and literature will be analysed with the aim of comparing the purposes and consequences of applying the trade mark use requirement in keyword cases under European and US law. Many of the arguments discussed in this section remain valid.

⁸⁰⁵ See *supra*, section 3.5.7.8.

⁸⁰⁶ See *infra*, section 6.2.1.

⁸⁰⁷ See *supra*, section 3.6.1

⁸⁰⁸ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

3.7.1 Trade Mark Use in the Netherlands

The prevailing view among Dutch judges, scholars and lawyers before the CJEU's judgments was that the use of a trade mark keyword by an advertiser had to be evaluated under Art 2.20(1)(d) BVIE, the implementation of Art 10(6) TMD. This was in line with the Benelux tradition to qualify the referential use of someone else's trade mark as "other use" within the meaning of Art 2.20(1)(d) BVIE (or its predecessors Art 13(A)(1)(d) BMW and Art 13(A)(1)(2) BMW).⁸⁰⁹

3.7.1.1 Dutch Jurisprudence

An overview of the pre-*Google v. Louis Vuitton*⁸¹⁰ court decisions regarding keyword advertising can be found in the attached table (see figure 4 in annex).⁸¹¹ This table indicates whether the courts qualified the use as falling either under Arts 2.20(1)(a), (b) or (c) BVIE (Art 10(2) TMD) or under Art Art 2.20(1)(d) BVIE (Art 10(6) TMD). It also shows that many courts left this issue undetermined, even though it has important consequences regarding the infringement criteria to be applied. Also in the decisions that did decide on the qualification, explicit reasons are mostly sought in vain.⁸¹²

The table further points out whether and why the courts found the keyword use permissible or infringing. In most cases no infringement was found, either because the trade mark in question had a descriptive character, or because the advertiser lawfully sold products under the trade mark.

3.7.1.1.1 *Farmdate v. Google Netherlands (Vzr. Rb. Amsterdam 2006)*

In the Netherlands, only one decision in preliminary proceedings, *Farmdate v. Google Netherlands*,⁸¹³ concerned the liability of the search engine. The issue of trade mark use was not examined in this decision since the Amsterdam court found the keyword to be descriptive.⁸¹⁴

⁸⁰⁹ See Cohen Jehoram, Nispen, van & Huydecoper 2008, 295 (with references in fn. 80 to case law of the BenGH); and Senftleben 2011a, 23 (arguing that referential and decorative use were intended to fall under Art 10(6) TMD instead of under the harmonised rights).

⁸¹⁰ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

⁸¹¹ See also the outline of decisions provided by AG D.W.F. Verkade in his conclusion in the case *Portakabin v. Primakabin*, [2009] NJ 15 (HR Dec 12, 2008), para. 5.17-22.

⁸¹² This provision applied by the courts was often the one invoked by the claimant.

⁸¹³ [2006] ECLI:NL:RBAMS:2006:AZ4735 (Vzr. Rb. Amsterdam Aug 24, 2006).

⁸¹⁴ See *Farmdate v. Google Netherlands*, *id.* at para. 7.

3.7.1.1.2 *Portakabin v. Primakabin (HR 2008)*

In 2008, the keyword advertising case *Portakabin v. Primakabin*⁸¹⁵ reached the Dutch Supreme Court (Hoge Raad), which gave Advocate General Verkade the chance to elaborate the issue of trade mark use in great depth. *Verkade* found it hard to imagine that the CJEU would determine that the use of keywords did not fall under Art 10(2) TMD. He expected that the CJEU wanted to keep control over the use of trade mark keywords, which he considered to be the right decision concerning the European, and even worldwide, impact of Internet search engines.⁸¹⁶ Nevertheless, he suggested to ask questions to the CJEU because it was not an *acte éclairé*, let alone an *acte clair*.⁸¹⁷ This suggestion was followed by the Hoge Raad.⁸¹⁸

3.7.1.2 Dutch Literature

Dutch legal commentators generally qualified keyword use as “other use” within the meaning of Art 2.20(1)(d) BVIE. This opinion was, for instance, advanced by *Cohen Jehoram, Van Nispen & Huydecoper* in 2008 with regard to the advertiser’s use of the mark.⁸¹⁹ Concerning the activities of the search engine operator, it was unclear whether they sufficed to qualify as such since the search engine did not use the trade mark itself but facilitated the use of the mark by others.⁸²⁰

In a frequently cited article from 2006, *Van Daalen & Groen* rejected the argument that the public did not see the trade mark. The central question was whether the public assumed a link between the advertiser and the trade mark (with the result that the trade mark was viewed as an indication of origin).⁸²¹ *Van Daalen & Groen* presumed that the public did not normally assume such a link because the ads were shown in a separate frame, and the public expected the advertising space to be “for sale”. Only when, for instance, the advertiser suggested in its ad, or on its website, that there was a link with the trade mark owner, it could be held that the advertiser used the mark in order to “distinguish” its own goods or services.⁸²² *Van Daalen & Groen* thought that in most cases there was an infringement under

⁸¹⁵ [2009] NJ 15 (HR Dec 12, 2008).

⁸¹⁶ See Conclusion of AG D.W.F. Verkade, in: *Portakabin v. Primakabin*, *id.* at para. 5.73.1.

⁸¹⁷ See Conclusion of AG D.W.F. Verkade, in: *Portakabin v. Primakabin*, *id.* at para. 5.74.

⁸¹⁸ See *Portakabin v. Primakabin*, ECLI:EU:C:2010:416 (CJEU case C-558/08 July 8, 2010), para. 21.

⁸¹⁹ See Cohen Jehoram, Nispen, van & Huydecoper 2008, 384.

⁸²⁰ See Cohen Jehoram, Nispen, van & Huydecoper 2008, 385.

⁸²¹ See Daalen, van & Groen 2006, 108, fn. 10 (referring to the CJEU’s criterion of the impression of a material link in *Arsenal v. Reed*, [2002] ECR I-10273 (CJEU case C-206/01 Nov 12, 2002), para. 56).

⁸²² See Daalen, van & Groen 2006, 108.

Art 2.20(1)(d) BVIE because the advertiser derived an unfair competitive advantage from the mark's reputation, except if there was an objective justification for using the trade mark. It could also be argued that the use of a trade mark in keyword advertising caused detriment to the distinctiveness (and possibly the reputation) of the mark.⁸²³

In an instructive article from 2008,⁸²⁴ *Gielen* argued that the visibility issue was not decisive and that there was “use” of the trade mark by both the advertiser and the search engine operator.⁸²⁵ He observed that keyword use was not made for the purpose of distinguishing the goods or services of the advertiser, who would, after all, use its own trade mark in the sponsored link for that purpose. Hence, keyword use had to fall within Art 2.20(1)(d) BVIE.⁸²⁶ *Gielen* considered that the advantage taken was not to be regarded as unfair, unless confusion was created. Confusion would normally not arise, owing to the positioning of the ads in special sections, to which Internet users had become accustomed. In *Gielen*'s opinion, it was not so much the use of the keyword but rather the layout of the advertisement which could possibly create confusion. Furthermore, *Gielen* thought that there was an unfair advantage where the ad linked to a website on which fakes or counterfeits of the trade marked product were offered for sale.⁸²⁷ With these remarks, *Gielen* accurately predicted the outcome of the CJEU judgments.

Kabel in his case comment from 1999 on *VNU v. The Monster Board*⁸²⁸ criticised the decision of the interim Judge Du Pon of the District Court in The Hague, who had determined the use of the trade mark keyword in dispute to be infringing under Art 13(A)(1)(a) BMW (Art 10(2)(a) TMD). According to *Kabel*, this provision had clearly been drafted for cases of counterfeiting and piracy. In his opinion, the judicial assessment of new techniques, such as keyword advertising, required a return to the roots of intellectual property law, which were grounded in the law on unfair competition. When assessing the potential unfairness, a broad spectrum of interests had to be involved: those of the functioning of the new medium, as well as those of the users, competitors and trade mark owners. The trade mark in dispute

⁸²³ See Daalen, van & Groen 2006, 108.

⁸²⁴ See *Gielen* 2008. See for an English version of this article, *Gielen* 2009b.

⁸²⁵ See *Gielen* 2009b, 367; and *Gielen* 2008, 103-104.

⁸²⁶ See *Gielen* 2009b, 368-369; and *Gielen* 2008, 104-105. At the time of his 2008 article, *Gielen* could not know the judgments *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008); and *L'Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009). In a footnote in his 2009 article, *Gielen* referred to *O2 v. Hutchison* and argued that the CJEU's conclusion that the use was for the advertiser's own goods or services was not very convincing, in particular, because the UK High Court had established that the trade marks used by the advertiser were clearly perceived as referring to the trade mark owner. See *Gielen* 2009b, 369, fn. 9.

⁸²⁷ See *Gielen* 2009b, 374; and *Gielen* 2008, 109. In this regard, *Gielen* referred to Art 4(g) MCAD, according to which comparative advertising is not permitted if it presents goods or services as imitations or replicas of goods or services bearing a protected trade mark or trade name.

⁸²⁸ [1999] IER 42 (CC Kabel), [1999] Mediaforum 45 (CC Visser) (Vzr. Rb. Den Haag June 29, 1999) (reversed on appeal).

had not been used to distinguish the defendant's own service but in order to reach a target group. In *Kabel's* view, this qualified as a use pursuant to Art 13(A)(1)(d) BMW (Art 10(6) TMD), which offered the possibility to balance interests.⁸²⁹

Visser also remarked with regard to *VNU v. The Monster Board* that Art 13(A)(1)(d) BMW concerning "other use" should have been applied. In *Visser's* opinion, the Internet user would not think that the trade mark was used by the advertiser as a trade mark for its own services. He would probably think: "Hey, an advertisement of another job-related website, let's take a look there (as well)." Nevertheless, *Visser* agreed with the judge's conclusion that there was a trade mark infringement. The advertiser had used the trade mark without due cause in such a way that an unfair advantage was derived from the distinctiveness or reputation of the trade mark.⁸³⁰

Overdijk commented in 2001 on the same case on appeal.⁸³¹ In his view, the Internet user was probably not at all aware of a link between the selected search term and the ad. For this reason, there could only be "other use" according to Art 13(A)(1)(d) BMW.⁸³²

In conclusion, whereas Dutch commentators agreed on assessing the use of trade mark keywords under Art 2.20(1)(d) BVIE, they were divided with regard to the question whether it constituted an infringement, and, in particular, whether an unfair advantage of the mark's repute or distinctiveness was taken by the advertiser.

3.7.2 Trade Mark Use in Germany

In Germany, courts and commentators were divided with regard to the question whether keyword use had to be assessed under trade mark law, constituting a use as a trade mark, or only under unfair competition law.

3.7.2.1 German Jurisprudence

The Courts of Appeal in Berlin, Cologne (Köln) and Frankfurt am Main denied a trade mark use, whereas those in Braunschweig, Dresden, Munich (München) and Stuttgart found this requirement to

⁸²⁹ See *VNU v. The Monster Board*, [1999] IER 42 (CC Kabel) (Vzr. Rb. Den Haag June 29, 1999) (reversed on appeal), 222-223, CC para. 7.

⁸³⁰ *Visser* seemed to regard mere competitive keyword use without a due cause such as the freedom of expression to be unfair. See *VNU v. The Monster Board*, [1999] Mediaforum 45 (CC Visser) (Vzr. Rb. Den Haag June 29, 1999), 258.

⁸³¹ See *The Monster Board v. VNU*, [2001] Mediaforum 25 (CC Overdijk) (Hof Den Haag Mar 8, 2001).

⁸³² See *The Monster Board v. VNU*, *id.* at 176, CC para. 4.

be satisfied in keyword advertising cases. The Court of Appeal (Oberlandesgericht: OLG) Dresden in an earlier decision and the OLG Düsseldorf left this issue open. These decisions are listed in the attached table (see figure 5 in annex), which demonstrates that nearly all the courts which confirmed a trade mark use also found an infringement. Furthermore, all the courts denying a trade mark use rejected claims based on unfair competition law as well. The two decisions which did not state an opinion on the issue of trade mark use could omit this because they negated an infringement on other grounds. The central question in all these cases was whether the decision of the German Federal Supreme Court (Bundesgerichtshof: BGH) in the *Impuls*⁸³³ case that meta tag⁸³⁴ use constituted use as a mark could be transferred to the situation of keyword use.

3.7.2.1.1 No Use as a Mark

The courts negating the applicability of the *Impuls*⁸³⁵ decision provided a number of arguments for differentiating keyword advertising from the use of meta tags. Firstly, the courts emphasised that the ads were separated from the list of search results under a clarifying heading.⁸³⁶ Secondly, as opposed to the search results, which the Internet user assumed to be linked to the search term, the ads seemed to appear randomly to the Internet user.⁸³⁷ Thirdly, the average Internet user knew from his experience with the use of search engines that the ads had no connection with the company or trade mark unless the ads explicitly referred to them. Fourthly, the average Internet user was aware of the fact that the search engine covered its costs by selling advertising space. Thus, he did not expect the ads to relate to the company or product he searched for. In fact, it were precisely the competitors of the requested company which would advertise in order to gain attention for their competing product.⁸³⁸ Fifthly, there were

⁸³³ [2007] GRUR 65 (BGH May 18, 2006).

⁸³⁴ Meta tags written in the source code of a website used to be considered by search engines. Third party trade marks were sometimes applied as meta tags in order to have the website indexed by the search engine and to reach a high position in the algorithmic results when an Internet user searched for the mark.

⁸³⁵ [2007] GRUR 65 (BGH May 18, 2006).

⁸³⁶ See *Europa Möbel*, [2008] BeckRS 23351 (KG Sep 26, 2008), headnote 1, para. B.I.2.b), B.II.2.; *Antiquarische Bücher*, [2009] GRUR-RR 61 (KG Sep 9, 2008), 63 (concerning a company name); *Probiotische Mikroorganismen*, [2008] K&R 309 (CC Mann) (OLG Frankfurt a.M. Feb 26, 2008), 310; and *FunFactory*, [2008] GRUR-RR 160 (OLG Köln Aug 31, 2007), 161. The OLG Düsseldorf invoked the same argument to deny a likelihood of confusion. See *Beta Layout*, [2007] MMR 247 (CC Hüsch) (OLG Düsseldorf Jan 23, 2007), 248 (concerning a company name; confirmed by BGH).

⁸³⁷ See *Europa Möbel*, *id.* at para. B.I.2.b)aa), B.II.2.; *Antiquarische Bücher*, *id.* at 63 (concerning a company name); and *FunFactory*, *id.* at 161.

⁸³⁸ See *Europa Möbel*, *id.* at para. B.I.2.b)aa), B.II.2.; and *Antiquarische Bücher*, *id.* at 63 (concerning a company name). The OLG Düsseldorf invoked the same arguments to deny a likelihood of confusion. See *Beta Layout*, [2007] MMR 247 (CC Hüsch) (OLG Düsseldorf Jan 23, 2007), 248 (concerning a company name; confirmed by BGH).

normally several ads which all originated from different companies.⁸³⁹ Sixthly, the company name or trade mark of the advertiser itself was often clearly indicated in the ad, usually in the form of an Internet address.⁸⁴⁰ Finally, it might have played a role in many of these cases that the selected keywords were partly descriptive.⁸⁴¹

For all these reasons, the courts concluded that the disputed trade mark or company name was not perceived by the public as identifying the origin of the own products of the advertiser and was thus not used as a mark.⁸⁴² The OLG Köln expressly stated that the opposite view would not lead to satisfactory results. It observed that in cases of double identity, § 14(2)(1) MarkenG (Art 10(2)(a) TMD) would apply with the consequence that the use of trade mark keywords could also be enjoined in the absence of a likelihood of confusion.⁸⁴³

3.7.2.1.2 Use as a Mark

The courts which regarded the trade mark use requirement to be fulfilled in keyword cases argued on the basis of the *Impuls*⁸⁴⁴ decision of the BGH concerning meta tags that it was irrelevant for the question of trade mark use that the keyword could not be perceived by the Internet user. Decisive was the fact that the advertiser utilised the navigation function of the mark, which consisted of the targeted direction to the own goods or services among a large supply.⁸⁴⁵ The advertiser intended to reach the Internet users who were searching for the products of the trade mark owner, so that the keyword also served to

⁸³⁹ See *Europa Möbel*, *id.* at para. B.I.2.d), B.II.2.; and *Antiquarische Bücher*, *id.* at 63 (concerning a company name). The OLG Düsseldorf invoked the same argument to deny a likelihood of confusion. See *Beta Layout*, *id.* at 248 (concerning a company name; confirmed by BGH).

⁸⁴⁰ See *Europa Möbel*, *id.* at para. B.I.2.d), B.II.2.; *Antiquarische Bücher*, *id.* at 63 (concerning a company name); and *Probiotische Mikroorganismen*, [2008] K&R 309 (CC Mann) (OLG Frankfurt a.M. Feb 26, 2008), 310. The OLG Düsseldorf invoked the same argument to deny a likelihood of confusion. See *Beta Layout*, *id.* at 248 (concerning a company name; confirmed by BGH).

⁸⁴¹ See for a judgment which explicitly acknowledged this fact, *Europa Möbel*, *id.* at para. B.I.2.c), B.II.2.

⁸⁴² See *Europa Möbel*, *id.* at para. B.I.2.b), B.II.2.; *Antiquarische Bücher*, [2009] GRUR-RR 61 (KG Sep 9, 2008), 63 (concerning a company name); *Probiotische Mikroorganismen*, [2008] K&R 309 (CC Mann) (OLG Frankfurt a.M. Feb 26, 2008), 310; and *FunFactory*, [2008] GRUR-RR 160 (OLG Köln Aug 31, 2007), 161.

⁸⁴³ See *FunFactory*, *id.* at 161.

⁸⁴⁴ [2007] GRUR 65 (BGH May 18, 2006).

⁸⁴⁵ See *Impuls*, [2008] MMR 334 (OLG München Dec 6, 2007), 335 (repealed by BGH); *Bananabay*, [2007] MMR 789 (OLG Braunschweig July 12, 2007), 790 (repealed by BGH); *deejay*, [2007] K&R 269 (OLG Dresden Jan 9, 2007), para. II.2.a)aa); *Jette*, [2007] GRUR-RR 71 (OLG Braunschweig Dec 11, 2006), 72; and *Impuls*, [2007] MMR 110 (CC Terhaag) (OLG Braunschweig Dec 5, 2006), 110.

distinguish the advertiser and its products.⁸⁴⁶ The question whether the ad was located in a separate section under a heading like “Ads” was therefore irrelevant for the assessment of the trade mark use requirement.⁸⁴⁷ The keyword use, just like the use of meta tags, influenced the results of the selection process.⁸⁴⁸ In both cases, the Internet user typing in a trade mark as a search term expected to find products offered under that mark,⁸⁴⁹ either from the trade mark owner itself or from an authorised dealer, or information from third parties regarding the product.⁸⁵⁰ The fact that it concerned an advertisement only revealed that the advertiser had paid for it.⁸⁵¹

3.7.2.1.3 *Bananabay (BGH 2009)*

On January 22, 2009, the BGH tried to resolve the split among the Courts of Appeal by deciding three keyword advertising cases on the same day: *Bananabay*,⁸⁵² *Beta Layout*⁸⁵³ and *pcb*.⁸⁵⁴ In the first case, the BGH, referring to its own jurisprudence concerning meta tags,⁸⁵⁵ considered that a use as a mark could not be denied with the reasoning that the search word was not perceivable for the average Internet user. Rather, it was decisive whether the disputed sign was used according to its function.⁸⁵⁶ The court was not sure whether it was sufficient for finding a use as a trade mark that the advertising function was impaired, even if the origin function was not affected. It assumed that, in the present case, the advertising

⁸⁴⁶ See *Impuls*, [2008] MMR 334 (OLG München Dec 6, 2007), 335 (repealed by BGH); *PCB-Pool*, [2007] MMR 649 (OLG Stuttgart Aug 9, 2007), 650 (repealed by BGH); *Bananabay*, *id.* at 789-790 (repealed by BGH); *Jette*, *id.* at 72; and *Impuls*, [2007] MMR 110 (CC Terhaag) (OLG Braunschweig Dec 5, 2006), 110.

⁸⁴⁷ See *Impuls*, [2008] MMR 334 (OLG München Dec 6, 2007), 335 (repealed by BGH); *PCB-Pool*, *id.* at 650 (repealed by BGH); and *Bananabay*, *id.* at 789 (repealed by BGH). See with regard to the denial of a likelihood of confusion, *Jette*, *id.* at 72; and *Impuls*, [2007] MMR 110 (CC Terhaag) (OLG Braunschweig Dec 5, 2006), 110. Also for another reason did the OLG München not accept this argument. In the particular case, the ad appeared above the search results instead of on the right side with the result that the advertiser positioned itself in between the trade mark owner and its customers. See *Impuls*, [2008] MMR 334 (OLG München Dec 6, 2007), 335 (repealed by BGH).

⁸⁴⁸ See *PCB-Pool*, *id.* at 650 (repealed by BGH); *Bananabay*, *id.* at 790 (repealed by BGH); *Jette*, *id.* at 72; and *Impuls*, [2007] MMR 110 (CC Terhaag) (OLG Braunschweig Dec 5, 2006), 110.

⁸⁴⁹ See *Bananabay*, *id.* at 790 (repealed by BGH).

⁸⁵⁰ See with regard to the denial of a likelihood of confusion, *PCB-Pool*, [2007] MMR 649 (OLG Stuttgart Aug 9, 2007), 651 (repealed by BGH); *Jette*, [2007] GRUR-RR 71 (OLG Braunschweig Dec 11, 2006), 72; and *Impuls*, [2007] MMR 110 (CC Terhaag) (OLG Braunschweig Dec 5, 2006), 110.

⁸⁵¹ See with regard to the denial of a likelihood of confusion, *PCB-Pool*, *id.* at 651 (repealed by BGH); *Bananabay*, [2007] MMR 789 (OLG Braunschweig July 12, 2007), 791 (repealed by BGH); *Jette*, *id.* at 72; and *Impuls*, [2007] MMR 110 (CC Terhaag) (OLG Braunschweig Dec 5, 2006), 110.

⁸⁵² [2009] GRUR 498 (BGH Jan 22, 2009).

⁸⁵³ [2009] GRUR 500 (BGH Jan 22, 2009).

⁸⁵⁴ [2009] GRUR 502 (BGH Jan 22, 2009).

⁸⁵⁵ *AIDOL*, [2007] GRUR 784 (BGH Feb 8, 2007), para. 18; and *Impuls*, [2007] GRUR 65 (BGH May 18, 2006), para. 17.

⁸⁵⁶ See *Bananabay*, [2009] GRUR 498 (BGH Jan 22, 2009), para. 15.

function was impaired because the competitor's advertisement appeared on the search screen after a search for the trade mark "Bananabay" with the result that the advertising power of the mark was weakened.⁸⁵⁷

Concerning the origin function, the BGH posed the question whether the fact that the advertiser used the trade mark as a keyword with the aim of promoting the sale of its own products sufficed for this function to be impaired.⁸⁵⁸ It could also be maintained that an impairment of the origin function required that the use of the sign conferred the impression of a connection in the course of trade between the products in question and the trade mark owner. In the latter case, the court found it unlikely that the Internet user would establish a connection between his search term and the advertisement, and that he would perceive the sign resembling the search term as a reference to the origin of the advertised products. The court reasoned that the advertisement was positioned in a clearly separated special advertising section, which was labelled with the heading "Anzeigen" (advertisements), without any reference to the trade mark.⁸⁵⁹ The court referred to the CJEU the question whether in the described situation there was a use for the purposes of Art 10(2)(a) TMD.⁸⁶⁰

3.7.2.1.4 *Beta Layout (BGH 2009)*

In the two other BGH cases, *Beta Layout*⁸⁶¹ and *pcb*,⁸⁶² no questions were asked to the CJEU. In the case *Beta Layout*, the question whether the keyword use qualified as a use as a mark was not relevant because the case could be decided on the ground of the absence of a likelihood of confusion.⁸⁶³ The BGH also determined that *Beta Layout*'s unfair competition claims had rightly been rejected.⁸⁶⁴

⁸⁵⁷ See *Bananabay*, *id.* at para. 17.

⁸⁵⁸ See *Bananabay*, *id.* at para. 18.

⁸⁵⁹ See *Bananabay*, *id.* at para. 19.

⁸⁶⁰ See *Eis.de v. BBY*, ECLI:EU:C:2010:174 (CJEU case C-91/09 Mar 26, 2010), para. 13.

⁸⁶¹ [2009] GRUR 500 (BGH Jan 22, 2009).

⁸⁶² [2009] GRUR 502 (BGH Jan 22, 2009).

⁸⁶³ See *Beta Layout*, [2009] GRUR 500 (BGH Jan 22, 2009), para. 14, 16-19, 25. A likelihood of confusion is required under § 15(2) MarkenG, which deals with the protection of company names. Under German law, the concept of likelihood of confusion must principally be interpreted uniformly with regard to trade marks and company names. See Ingerl & Rohnke 2010, MarkenG § 15, para. 45.

⁸⁶⁴ See *Beta Layout*, *id.* at para. 20-23.

3.7.2.1.5 *pcb (BGH 2009)*

In the case *pcb*,⁸⁶⁵ the BGH decided that the keyword use in question did not concern a use as a trade mark but a use of a descriptive indication, falling under the limitation of § 23(2) MarkenG (Art 14(1)(b) TMD).⁸⁶⁶ For this reason, the BGH did not consider it necessary to decide whether the use of trade mark keywords in general constituted use as a trade mark.⁸⁶⁷ Nor did it need to ask the CJEU for guidance.⁸⁶⁸

3.7.2.1.6 *Liability of the Search Engine*

In Germany, only a few cases were brought against the search engine.⁸⁶⁹ The courts in these cases did not deal with the issue of use as a trade mark because they considered the sale of trade mark keywords by the search engine as a question of secondary liability.

3.7.2.2 *German Literature*

Diverging views with regard to the use of trade marks in keyword advertising were also advanced by legal commentators. There were roughly two approaches. According to the first approach, it was found to be principally allowed to use third parties' trade marks as keywords, provided that the trade mark was not mentioned in the ad text itself, and that the ads were clearly separated from the search results. This approach emphasised the benefits of keyword advertising for competition and consumer information. Keyword advertising was seen as an innovative business model, which should be able to develop and function effectively without being hindered by unreasonably restrictive regulation. Proponents of this

⁸⁶⁵ [2009] GRUR 502 (BGH Jan 22, 2009).

⁸⁶⁶ See *pcb*, [2009] GRUR 502 (BGH Jan 22, 2009), para. 25, 27, 29.

⁸⁶⁷ See *pcb*, *id.* at para. 27, 29.

⁸⁶⁸ See *pcb*, *id.* at para. 29.

⁸⁶⁹ See *Preispiraten v. Google Deutschland*, [2007] GRUR 241 (OLG Hamburg May 4, 2006); and *Nemetschek v. Google*, [2004] MMR 261 (CC Bahr) (LG München Dec 2, 2003).

approach⁸⁷⁰ mostly argued that keyword use did not constitute use as a trade mark.⁸⁷¹ They regarded the origin function as the only function worthy of protection, at least in the context of keyword advertising.

For instance, *Ohly* argued that the use of a trade mark as a keyword should only fall within the scope of § 14(2)(1) and (2) MarkenG (Art 10(2)(a) and (b) TMD) in exceptional cases.⁸⁷² In his opinion, these provisions had to be limited to the protection of the “classical” origin function, as opposed to the CJEU’s decision in *L’Oréal v. Bellure*.⁸⁷³ On the contrary, § 14(2)(3) MarkenG (Art 10(2)(c) TMD) aimed at protecting the mark’s goodwill as the result of successful investments in quality and advertising.⁸⁷⁴ According to *Ohly*, the reasonably attentive and informed Internet user would normally not assume an economic connection between the trade mark owner and the advertiser. *Ohly* qualified this statement by emphasising that the likelihood of confusion always had to be assessed according to the specific circumstances of the case. If the ads would not be clearly labelled and separated from the search results, a likelihood of confusion could exist.⁸⁷⁵

On the contrary, proponents of the second approach generally considered a trade mark to confer a comprehensive right, which protected the other functions of a trade mark as well, such as the advertising

⁸⁷⁰ This approach was in general supported by the following commentators, although their opinions varied on specific aspects: Bernreuther 2008, 1065-1066, 1068; Eichhammer 2008, 210-212; Hüsch 2006a, 153-158; Hüsch 2006b, 224; Hüsch 2006c, 358-359; Hüsch in case comments on *Plakat 24*, [2006] MMR 326 (OLG Dresden Aug 30, 2005), 328 and *Beta Layout*, [2007] MMR 247 (OLG Düsseldorf Jan 23, 2007), 249 (agreeing with denial of likelihood of confusion); Kleinmanns 2008, 204 (denying a trade mark infringement if the ad text makes clear that there is no connection with the trade mark owner, but otherwise finding an infringement); Knaak 2009, 555-556 (more in general concerned about a uniform concept of use, and noting that protection of the essential function of guaranteeing origin constitutes the core of trade mark protection); Mann in case comment on *Probiotische Mikroorganismen*, [2008] K&R 309 (OLG Frankfurt a.M. Feb 26, 2008), 312; Meyer 2006, 561; Ott in case comment on *Bananabay*, [2007] MMR 121 (LG Braunschweig Nov 15, 2006); Pierson 2006, 548-549; Schaefer 2005, 808-809; Schubert & Ott 2009, 342-343, 347; Sosnitza 2009, 37; Stögmüller 2007, 452-453; Tietge 2007, 504-505; and Ullmann 2007, 638.

⁸⁷¹ Use as a trade mark was denied by: Bernreuther 2008, 1065-1066, 1068; Eichhammer 2008, 210-212; Engels 2009, 292-293 (at least regarding descriptive terms, but finding a misuse of the “broad match” option to constitute acts of unfair competition by reason of misappropriation of reputation and possibly misleading advertising); Ernst 2006, 59 (but finding the use of trade mark keywords to constitute acts of unfair competition by reason of diversion of customers and misappropriation of reputation); Hüsch 2006a, 75-76, 154; Hüsch 2006b, 224; Hüsch 2006c, 358-359; Illmer 2007, 400-404 (but finding the use of trade mark keywords to constitute an act of unfair competition by reason of diversion of customers. See p. 405-406); Klett 2009 (agreeing with the BGH’s *pcb*-decision ([2009] GRUR 502 (BGH Jan 22, 2009)) that the particular keyword use in that case did not qualify as a trade mark use); Knaak 2009, 555 (suggesting that the question of trade mark use depends on whether the average Internet user perceives the use of the keyword as causing the specific ad to appear and as indicating the commercial origin of the advertised products, and regarding this as a question of fact to be decided by the national courts.); Mann in case comment on *Probiotische Mikroorganismen*, [2008] K&R 309 (OLG Frankfurt a.M. Feb 26, 2008), 312; Renner 2007, 53-54 (but finding the use of trade mark keywords to constitute an act of unfair competition by reason of diversion of customers); Pierson 2006, 548-549; Schaefer 2005, 808-809; Sosnitza 2009, 37; Stögmüller 2007, 452; Tietge 2007, 504-505; and Ullmann 2007, 638.

⁸⁷² See *Ohly* 2009, 712.

⁸⁷³ ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009). See *Ohly* 2009, 711-712.

⁸⁷⁴ See *Ohly* 2009, 712.

⁸⁷⁵ See *Ohly* 2009, 713.

and goodwill functions. These commentators viewed the use of other companies' trade marks as keywords as unlawful free-riding on their goodwill. In their opinion, the use of a trade mark keyword had to be regarded as use as a trade mark, thus falling within the scope of harmonised trade mark law.⁸⁷⁶ As a consequence, in cases of double identity, the keyword use would automatically be prohibited. In addition, they advocated a broad understanding of a likelihood of confusion, which included initial interest confusion⁸⁷⁷ based on the mere fact that the ad was displayed after a search for the trade mark.

This approach was, amongst others,⁸⁷⁸ advocated by *Steinberg*, who favoured independent protection of the advertising function, at least in cases such as *Bananabay*,⁸⁷⁹ in which the advertiser was "sailing in the direct wake of its competitor" ("im direkten Kielwasser seines Konkurrenten segelnd"). According to *Steinberg*, the trade mark owner had to be able to prevent this kind of exploitation and weakening of the advertising power of its trade mark by free-riders ("Trittbrettfahrer").⁸⁸⁰

3.7.3 Trade Mark Use in the UK

In the UK, four court decisions were delivered pre-*Google v. Louis Vuitton*⁸⁸¹ regarding the use of trade mark keywords, two of which resulted in preliminary questions to the CJEU.⁸⁸²

⁸⁷⁶ Use as a trade mark was found by: Dietrich 2006, 72-74; Dörre & Jüngst 2007, 242-243; Eichelberger in case comment on *Impuls*, [2007] MarkenR 82 (OLG Braunschweig Dec 5, 2006), 84; Geiseler-Bonse 2003, 154-156; Hartl 2006, 386-388; Horak 2007, 242-245; Jaeschke 2008, 378 (presuming a trade mark use in a first step, while in a second step examining whether specific circumstances exclude associations concerning origin); Mühlberger 2008, 172 (principally regarding keyword use as impairing the origin function, unless, in exceptional cases, the content of the ad excludes a perception of origin); Schmelz 2008, 198 (although assuming that a likelihood of confusion still needs to be established); Seichter 2006, 379; Steinberg 2009, 191-193; Terhaag in case comment on *Impuls*, [2007] MMR 110 (OLG Braunschweig Dec 5, 2006), 111; and Ziegenaus 2011, 85.

⁸⁷⁷ Initial interest confusion means confusion at an initial stage but not anymore at the point of sale. This concept will be intensively examined in section 4.5.

⁸⁷⁸ This approach was in general supported by the following commentators, although their opinions varied on specific aspects: Dietrich 2006, 72-74; Dörre & Jüngst 2007, 242-244; Eichelberger in case comment on *Impuls*, [2007] MarkenR 82 (OLG Braunschweig Dec 5, 2006), 84; Geiseler-Bonse 2003, 154-159 (also finding the use of trade mark keywords to constitute an act of unfair competition by misappropriation of reputation); Hartl 2006, 386-388; Horak 2007, 242-245; Jaeschke 2008, 378 (see *supra*, fn. 876; also finding the use of trade mark keywords to constitute an act of unfair competition, at least by reason of diversion of customers, and finding the search engine to be liable for trade mark infringement as well); Mühlberger 2008, 124-125, 180-181; Steinberg 2009, 191-193; Terhaag in case comment on *Impuls*, [2007] MMR 110 (OLG Braunschweig Dec 5, 2006), 111; and Ziegenaus 2011, 147-161, 190.

⁸⁷⁹ [2009] GRUR 498 (BGH Jan 22, 2009).

⁸⁸⁰ See Steinberg 2009, 191-193.

⁸⁸¹ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

⁸⁸² See for comparative analyses concerning keyword advertising, including UK law, Daly 2006; Shemtov 2009; and Shemtov 2008.

3.7.3.1 *Reed Executive v. Reed Business Information* (CA 2004)

The 2004 case *Reed Executive v. Reed Business Information*⁸⁸³ before the Court of Appeal concerned keyword use which triggered a banner ad on Yahoo! instead of the standard advertising link. *Jacob LJ*, with whom *Auld* and *Rix LJ* agreed, did not need to examine the issue of trade mark use since he could decide the case by negating a likelihood of confusion under Art 10(2)(b) TMD. Nonetheless, it is interesting to see that the decision reveals a tendency of allowing the use of competitors' trade marks as keywords, as well as a preference for denying a classification of keyword use as trade mark use. *Jacob LJ* reserved his opinion with regard to the trade mark use issue under Art 10(2)(a) TMD,⁸⁸⁴ but he noted:

[...] It may be that an invisible use of this sort is not use at all for the purposes of this trade mark legislation - the computers who "read" sets of letters merely "look for" patterns of 0s and 1s - there is no meaning being conveyed to anyone - no "sign".⁸⁸⁵

According to *Jacob LJ*, neither likelihood of confusion within the terms of Art 10(2)(b) TMD, nor passing off by substitution had been established:

I am unable to agree with this. The banner ad itself referred only to totaljobs - there was no visible appearance of the word Reed at all. Whether the use as a reserved word can fairly be regarded as "use in the course of trade" or not (as to which I express no opinion), I cannot see that causing the unarguably inoffensive-in-itself banner to appear on a search under the name "Reed" or "Reed jobs" can amount to an Art.5.1.(b) infringement. The web-using member of the public knows that all sorts of banners appear when he or she does a search and they are or may be triggered by something in the search. He or she also knows that searches produce fuzzy results - results with much rubbish thrown in. The idea that a search under the name Reed would make anyone think there was a trade connection between a totaljobs banner making no reference to the word "Reed" and Reed Employment is fanciful. No likelihood of confusion was established.⁸⁸⁶

[...] Passing off by substitution is where a trader having accepted an order for brand X supplies brand Y in such circumstances that the customer is unlikely to notice the substitution and is thus misled, [...]. That is a hundred miles from a consumer conducting a search under the name Reed and finding a banner which on its face has no connection with his search term. [...]⁸⁸⁷

⁸⁸³ [2004] EWCA (Civ) 159 (Mar 3, 2004).

⁸⁸⁴ Art 10(2)(a) TMD was not applicable in the present case.

⁸⁸⁵ See *Reed Executive v. Reed Business Information*, [2004] EWCA (Civ) 159 (Mar 3, 2004), para. 142.

⁸⁸⁶ See *Reed Executive v. Reed Business Information*, *id.* at para. 140.

⁸⁸⁷ See *Reed Executive v. Reed Business Information*, *id.* at para. 143.

3.7.3.2 *Wilson (Mr. Spicy) v. Yahoo! (HC 2008)*

In the case *Wilson (Mr. Spicy) v. Yahoo!*⁸⁸⁸ from 2008, trade mark use by the search advertising operators was expressly negated by the High Court. The evidence showed that the advertisers, Sainsbury's and Pricegrabber, had not selected the trade mark "Mr. Spicy" as a keyword. They had only booked the generic term "spicy". As a result of the algorithmic technology used, the ads also appeared after a search query for "Mr. Spicy".⁸⁸⁹ In *Morgan J*'s opinion, there was no use of the trade mark by the search advertising operators. The only one using the mark was the search engine user, who typed in the mark. According to *Morgan J*, even if one were to hold that there was use by the operators, this use did not concern the trade mark "Mr. Spicy" but only the English word "spicy".⁸⁹⁰ And even if there was also use of the trade mark by the operators, then still they were not using it as a trade mark as explained in *Arsenal v. Reed*,⁸⁹¹ since the use in question could not affect Mr. Wilson's interest as proprietor of the mark, having regard to its functions.⁸⁹² *Morgan J* observed:

I remind myself of what actually appears on the search results, or what did at the relevant time appear, if one typed in the words "Mr. Spicy". There is a reference to Sainsbury's. It does not say that all the food sold at Sainsbury's has Mr. Wilson's trade or business as an origin. It is not pretending that Sainsbury's food all comes from Mr. Wilson's trade or business, MR. SPICY. It does not even say that Sainsbury's, amongst the many brands they stock, stock Mr. Wilson's foods under the brand name "Mr. Spicy" or under the trade mark MR. SPICY. I do not begin to see how what is described in the search response with reference to Sainsbury's has any impact of an adverse character on Mr. Wilson's rights as proprietor of the Community Trade Mark. The same comments apply to the reference to Pricegrabber.⁸⁹³

3.7.3.3 *L'Oréal v. eBay (HC 2009)*

On May 22, 2009, the High Court issued a decision in the case *L'Oréal v. eBay*.⁸⁹⁴ eBay had chosen L'Oréal's trade marks as keywords for advertising the fact that products under those marks were available on its online market place. The trade marks were explicitly mentioned in the ads. *Arnold J* discussed, *inter alia*, the question whether there was "use" by eBay of the signs in question falling under

⁸⁸⁸ [2008] EWHC 361 (Ch) (Feb 20, 2008).

⁸⁸⁹ For more information about the various matching options used by search advertising providers, see *infra*, section 8.3.4.

⁸⁹⁰ See *Wilson (Mr. Spicy) v. Yahoo!*, [2008] EWHC 361 (Ch) (Feb 20, 2008), para. 64.

⁸⁹¹ [2002] ECR I-10273 (CJEU case C-206/01 Nov 12, 2002).

⁸⁹² See *Wilson (Mr. Spicy) v. Yahoo!*, [2008] EWHC 361 (Ch) (Feb 20, 2008), para. 65.

⁸⁹³ See *Wilson (Mr. Spicy) v. Yahoo!*, *id.* at para. 66.

⁸⁹⁴ [2009] EWHC 1094 (Ch) (May 22, 2009).

Art 10(2)(a) TMD. He distinguished this case from *Wilson (Mr. Spicy) v. Yahoo!*,⁸⁹⁵ in that here the signs were identical to the relevant trade marks. Furthermore, Mr. Wilson had sued the search engine, while in the present case the advertiser itself, eBay, was alleged to infringe the trade marks.⁸⁹⁶ In *Arnold J*'s opinion, the display of the sponsored links to users constituted “use” of the signs in question by eBay. But in view of the current uncertainty over this and related questions discussed in his judgment in *Interflora v. M&S*⁸⁹⁷ (see below), he did not feel able to say that this was an *acte clair*.⁸⁹⁸ Therefore, he referred questions to the CJEU.⁸⁹⁹

It is interesting to note that *Arnold J* did not separately examine the requirement of an effect on the functions of the trade mark with regard to the use of L'Oréal's trade marks in eBay's ads. In his opinion, CJEU case law showed that this requirement added nothing to the requirement that the use of the sign had to be “in relation to” goods or services.⁹⁰⁰ He suggested dropping the condition of an effect on the trade mark functions and focusing instead on an appropriate interpretation of the statutory limitations and the exhaustion doctrine.⁹⁰¹

3.7.3.4 *Interflora v. M&S (HC 2009)*

The last pre-*Google v. Louis Vuitton*⁹⁰² decision from the UK concerning trade mark keywords was delivered on the same day and by the same judge as *L'Oréal v. eBay*.⁹⁰³ In *Interflora v. M&S*,⁹⁰⁴ *Arnold J* neither presented his opinion on the trade mark use condition, nor on any other elements of the infringement question. Instead, he decided to refer, *inter alia*, the questions to the CJEU whether the keyword use in question constituted a “use” within the meaning of Art 10(2)(a) TMD, which was “in relation to” identical goods or services, and whether this use fell within Art 10(2)(a) TMD and/or Art 10(2)(c) TMD.⁹⁰⁵

⁸⁹⁵ [2008] EWHC 361 (Ch) (Feb 20, 2008).

⁸⁹⁶ See *L'Oréal v. eBay*, [2009] EWHC 1094 (Ch) (May 22, 2009), para. 391.

⁸⁹⁷ [2009] EWHC 1095 (Ch) (May 22, 2009).

⁸⁹⁸ See *L'Oréal v. eBay*, [2009] EWHC 1094 (Ch) (May 22, 2009), para. 391.

⁸⁹⁹ See *L'Oréal v. eBay*, ECLI:EU:C:2011:474 (CJEU case C-324/09 July 12, 2011), para. 50.

⁹⁰⁰ See *L'Oréal v. eBay*, [2009] EWHC 1094 (Ch) (May 22, 2009), para. 302. Worth reading is *Arnold J*'s analysis of the CJEU decisions, in particular, his critical view on *Adam Opel v. Autec*, [2007] ECR I-1017 (CJEU case C-48/05 Jan 25, 2007). See para. 294-306, in particular, para. 295.

⁹⁰¹ See *L'Oréal v. eBay*, *id.* at para. 306.

⁹⁰² ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

⁹⁰³ [2009] EWHC 1094 (Ch) (May 22, 2009).

⁹⁰⁴ [2009] EWHC 1095 (Ch) (May 22, 2009).

⁹⁰⁵ See *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 20.

3.7.4 Trade Mark Use in France

In France, numerous keyword advertising law suits were brought against advertisers and search engines. French courts generally found the advertisers liable for trade mark infringement.⁹⁰⁶ The requirement of use as a trade mark was rarely discussed.⁹⁰⁷ Most cases in France concerned the liability of the search engine.⁹⁰⁸ These cases were vastly won by the trade mark owners, often on the basis of trade mark infringement or otherwise under unfair competition law, the law on misleading advertising or general tort law.⁹⁰⁹ One of the decisive circumstances for finding the search engine liable was, in many cases, the suggestion of the trade mark as a keyword by a so-called “Keyword Tool”.⁹¹⁰

A difficulty concerning liability of the search engine for trade mark infringement constituted the requirement that the use of the sign had to be in relation to goods or services which were identical with, or similar to, those for which the trade mark was registered. This is referred to in French doctrine as the *règle de spécialité* (specialty principle). The services offered by the search engine were usually not identical or similar to the goods or services of the trade mark owner. Most courts, however, circumvented this requirement by taking the view that, although the search engine was not active in the product sector for which the trade mark was registered, it sold the trade mark as a keyword to advertising customers which were offering the goods or services for which the mark was registered, and thus, the search engine also used the trade mark for those goods or services.⁹¹¹

3.7.4.1 *Google v. Louis Vuitton* (Cass. 2008)

In 2008, the French Supreme Court (Cour de cassation) decided to ask the CJEU for guidance on the requirements for trade mark infringement in the cases *Google v. Louis Vuitton*,⁹¹² *Google v. Viaticum*

⁹⁰⁶ See Bednarz & Waelde 2009, 284-285; and Denis-Leroy 2007, 66-67.

⁹⁰⁷ See Bednarz & Waelde 2009, 288-289.

⁹⁰⁸ See Bednarz & Waelde 2009, 285; Denis-Leroy 2007, 65-66; and Well-Szönyi 2009, 557-562.

⁹⁰⁹ See Bednarz & Waelde 2009, 285-287; Denis-Leroy 2007, 65-66; and Well-Szönyi 2009, 557-562.

⁹¹⁰ See Bednarz & Waelde 2009, 286; Denis-Leroy 2007, 65; and Well-Szönyi 2009, 557-562. Search engines offer this tool within their advertising programmes. The tool suggests a list of relevant keywords to the advertiser, which sometimes includes trade marks of third parties. The keyword suggestion tools and their consequences for the applicability of the hosting exemption in Art 14 ECD will be addressed in section 8.3.4.

⁹¹¹ See Bednarz & Waelde 2009, 286-287.

⁹¹² Case No. 06-20.230 (Cass. Comm. May 20, 2008).

and *Luteciel*⁹¹³ and *Google v. CNRRH*,⁹¹⁴ which were joined and discussed by the CJEU in its first keyword advertising judgment, *Google v. Louis Vuitton*.⁹¹⁵

3.7.5 Trade Mark Use in Austria

Austrian keyword advertising disputes have, on quite a few occasions, reached the level of the Supreme Court (Oberster Gerichtshof: OGH).

3.7.5.1 *Glucoschondrin* (OGH 2005)

In 2005, the first keyword case, *Glucoschondrin*,⁹¹⁶ came before the OGH. The owner of the trade mark “Glucoschondrin” had sued Google as an accessory (“Gehilfe”) for facilitating trade mark infringements and acts of unfair competition by advertisers which had chosen the keyword “Glucoschondrin”. The judgment did not deal with the trade mark use requirement but focused on the conditions for secondary liability of the search engine. The search engine was not held liable because it had not willfully encouraged the alleged trade mark and unfair competition law violations.⁹¹⁷

3.7.5.2 *Wein & Co* (OGH 2007)

In 2007, the OGH decided its second keyword case, *Wein & Co*,⁹¹⁸ in which the trade mark of a competitor was used as a keyword and in the text of the ad. The OGH found an infringement under the Austrian provision corresponding with Art 10(2)(b) TMD. The trade mark use requirement was not explicitly discussed. The court merely stated that the defendant used a sign similar to the trade mark as a search term and also in order to “denote its own products”. The court found a likelihood of confusion evident where the heading of the ad consisted of the trade mark. But the likelihood of confusion was also established by the facts that the reference to the website of the advertiser was displayed even above that of the trade mark owner or that the advertiser’s reference was particularly highlighted. According

⁹¹³ Case No. 05-14.331 (Cass. Comm. May 20, 2008).

⁹¹⁴ Case No. 06-15.136 (Cass. Comm. May 20, 2008).

⁹¹⁵ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

⁹¹⁶ [2006] GRUR Int 955 (OGH Dec 19, 2005).

⁹¹⁷ See *Glucoschondrin*, *id.* at 956.

⁹¹⁸ [2007] MMR 497 (CC Anderl) (OGH Mar 20, 2007).

to the Austrian court, this created the impression of a special connection between the search term and the products of the advertiser, which, in turn, created the impression of economic or organisational relations between the trade mark owner and advertiser.⁹¹⁹

3.7.5.3 *Bergspechte* (OGH 2008)

One year later, the OGH was again confronted with a keyword advertising dispute, *Bergspechte*.⁹²⁰ The OGH observed that its decision in *Wein & Co*⁹²¹ had been partly rejected in literature. Furthermore, the jurisprudence in the Member States was not uniform, and there was no prevailing opinion in literature. For these reasons, the OGH decided to ask the CJEU this time for clarification with regard to the question whether the use of a trade mark as a keyword was reserved to the trade mark owner.⁹²² The court was of the opinion that the trade mark was used “for goods or services”,⁹²³ but it was not sure how the requirement of an effect on the trade mark functions had to be interpreted.⁹²⁴ The OGH regarded the design and positioning of the ad to be relevant for the assessment of a likelihood of confusion under Art 10(2)(b) TMD. In contrast, under Art 10(2)(a) TMD a mental association sufficed for an effect on the origin function, which was at least not excluded with regard to keyword use.⁹²⁵ The court seemed to be in favour of recognising independent protection of the communication and advertising functions, as it advanced the arguments that Art 10(3)(e) TMD expressly reserved the use of the trade mark in advertising to the trade mark owner, and that market transparency would be impaired by the use of the trade mark in advertising for products which were in competition with those of the trade mark owner.⁹²⁶ Should the CJEU acknowledge independent protection of the communication and advertising functions, the OGH advocated the view that at least the advertising function was affected by the keyword use, and thus, that there was a trade mark use.⁹²⁷

⁹¹⁹ See *Wein & Co, id.* at para. 3.5.

⁹²⁰ [2009] GRUR Int 446 (OGH May 20, 2008).

⁹²¹ [2007] MMR 497 (CC Anderl) (OGH Mar 20, 2007).

⁹²² See *Bergspechte*, [2009] GRUR Int 446 (OGH May 20, 2008), 448, para. VII; and *Bergspechte v. trekking.at*, ECLI:EU:C:2010:163 (CJEU case C-278/08 Mar 25, 2010), para. 15.

⁹²³ See *Bergspechte, id.* at 447-448, para. VI.4.

⁹²⁴ See *Bergspechte, id.* at 448, para. VI.6.

⁹²⁵ See *Bergspechte, id.* at 448, para. VI.8-10.

⁹²⁶ See *Bergspechte, id.* at 448, para. VI.11.

⁹²⁷ See *Bergspechte, id.* at 448, para. VI.12.

3.7.6 Trade Mark Use in the US

In American legal commentary, as well as in court decisions, the trade mark use doctrine in the context of keyword advertising has been intensively debated. Even though the trade mark laws and the entire legal systems in Europe and in the US differ significantly, the debate held in the US may contribute interesting views for the legal assessment of keyword use.

Traditionally, the trade mark use doctrine has not played a major role in the US. US trade mark law does not contain a provision like Art 10(2)(a) TMD, which grants absolute protection in double identity cases. In US doctrine, the likelihood of confusion is the central criterion for finding an infringement.⁹²⁸ However, with the rise of the Internet, the trade mark use requirement has gained importance in the US as well.

As in Europe, the statute does not explicitly mention the trade mark use requirement. However, supporters of the trade mark use doctrine have invoked the phrases “use in commerce” and “on or in connection with” (goods or services) in the infringement provisions of Lanham Act⁹²⁹ in order to impose such a requirement. A definition of the term “use in commerce” is contained in § 45 Lanham Act, 15 U.S.C. § 1127:

The term “use in commerce” means the *bona fide* use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce—

(1) on goods when—

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

⁹²⁸ See § 32 Lanham Act, 15 U.S.C. § 1114, and § 43(a) Lanham Act, 15 U.S.C. § 1125(a), which require proof of a likelihood of confusion. The exception is anti-dilution law. See § 43(c) Lanham Act, 15 U.S.C. § 1125(c). In *McCarthy*'s view, trade mark use is not a separate requirement but implicit in the likelihood of confusion requirement. See McCarthy 2019, § 23:11.50.

⁹²⁹ See § 32 Lanham Act, 15 U.S.C. § 1114 (concerning registered rights) and § 43(a) Lanham Act, 15 U.S.C. § 1125(a) (concerning registered and non-registered rights).

3.7.6.1 US Jurisprudence

3.7.6.1.1 Other Forms of Online Advertising

In the US, some famous cases which are often discussed with regard to keyword advertising actually considered different methods of online advertising. Often cited is, for instance, the meta tag case *Brookfield Communications Inc. v. West Coast Entertainment Corp.*,⁹³⁰ in which the Court of Appeals for the Ninth Circuit found a likelihood of initial interest confusion.⁹³¹ The trade mark use requirement was not dealt with. The Second Circuit decided in *1-800 Contacts Inc. v. WhenU.Com Inc. and Vision Direct Inc.*⁹³² that the Internet advertising company's use of the mark for pop-up ads was not a "use" in terms of the Lanham Act.⁹³³ In *Playboy Enterprises Inc. v. Netscape Communications Corp.*,⁹³⁴ the Ninth Circuit held the search engines liable without examining the requirement of a "use in commerce". It merely stated that defendants used the marks in commerce,⁹³⁵ and it then continued straight with the likelihood of confusion analysis.⁹³⁶ Only in a footnote, the court illuminated that "commerce" referred to the federal jurisdiction over trade mark cases, which rested on the Commerce Clause in the US Constitution, thus granting Congress the power to enact federal trade mark law.⁹³⁷ According to the court, the definition of a "use in commerce" in § 45 Lanham Act, 15 U.S.C. § 1127, merely applied to the acquisition of trade mark rights.⁹³⁸

⁹³⁰ 174 F.3d 1036 (9th Cir. Apr 22, 1999). This decision was adopted by the Seventh Circuit in *Promatek Industries Ltd. v. Equitrac Corp.*, 300 F.3d 808 (7th Cir. Aug 13, 2002). In another meta tag case, *Horphag Research Ltd. v. Pellegrini*, 337 F.3d 1036 (9th Cir. July 29, 2003), the Ninth Circuit mentioned *Brookfield* and then continued straight to examining whether the meta tag user could rely on a defence, which it could not.

⁹³¹ See *infra*, section 4.7.1.

⁹³² 414 F.3d 400 (2d Cir. June 27, 2005).

⁹³³ See *1-800 Contacts Inc. v. WhenU.Com Inc. and Vision Direct Inc.*, *id.* at 412. WhenU.com offered free software to Internet users in combination with a so-called "SaveNow" programme which monitored users' Internet activity. The SaveNow software employed an internal directory comprising an extensive list of search terms and website addresses that correlated with particular consumer interests. If an Internet user typed such a term into a web browser or search engine, or if the term appeared within the Internet sites visited by the user, the SaveNow software would randomly select an advertisement from the corresponding product or service category and deliver it to the user's computer screen in the form of a pop-up advertisement. It could thus happen that when an Internet user visited a certain website, a competitor's ad would pop up within a few seconds.

⁹³⁴ 354 F.3d 1020 (9th Cir. Jan 14, 2004). Netscape and Excite offered a kind of "keying" that obliged advertisers to accept a fixed list of keywords relevant to a certain business category. Among many other terms, the list contained the disputed trade marks.

⁹³⁵ See *Playboy Enterprises Inc. v. Netscape Communications Corp.*, *id.* at 1024.

⁹³⁶ See *infra*, section 4.7.2.

⁹³⁷ See *Playboy Enterprises Inc. v. Netscape Communications Corp.*, *id.* at 1024, fn. 11. Art 1, Sec 8, Clause 3 of the US Constitution gives Congress the power "[t]o regulate commerce with foreign nations, and among the several states, and with the Indian tribes;"

⁹³⁸ See *Playboy Enterprises Inc. v. Netscape Communications Corp.*, *id.* at 1024, fn. 11.

3.7.6.1.2 *Rescuecom Corp. v. Google Inc. (Second Circuit 2009)*

Within the Second Circuit, the district courts initially denied “use” by the search engine and advertisers in keyword advertising cases, based on the precedent in *I-800*. This changed in 2009, when the Second Circuit decided the case *Rescuecom Corp. v. Google Inc.*⁹³⁹ In this case, Rescuecom, a computer services franchising company, brought action against Google for allowing competitors to buy Rescuecom’s trade mark as a keyword. The district court dismissed this action because it reasoned, on the basis of the Second Circuit’s decision in *I-800 Contacts Inc. v. WhenU.Com Inc. and Vision Direct Inc.*,⁹⁴⁰ that Google’s use of the mark was not a “use in commerce”. The Second Circuit vacated the district court’s judgment and remanded for further proceedings. It distinguished the *Rescuecom* case from *I-800* and determined that Google made a “use in commerce”.⁹⁴¹

The Court mentioned two significant aspects that would make the cases materially different. The first aspect concerned the fact that in *I-800* only the website address of the plaintiff was used to trigger the pop-up ad, not the trade mark. Thus, the mark had not been used by WhenU.com at all.⁹⁴² Secondly, according to WhenU.com’s business model, the advertisers were not able to select a particular keyword. Instead, the display of a certain ad, as a response to the input of I-800’s website address, was based on an association with a certain product category (e.g., “eye care”). WhenU.com did not sell or recommend particular trade marks as keywords.⁹⁴³ This last fact appeared to be the decisive difference. Google had not only displayed, offered and sold Rescuecom’s trade mark to its advertising customers, it had even encouraged the purchase of the mark through its “Keyword Suggestion Tool”.⁹⁴⁴

The Second Circuit referred to several decisions of district courts within its Circuit which had held that the inclusion of a trade mark in an internal computer directory could not constitute trade mark use. According to the Second Circuit, Google’s recommendation and sale of the trade mark were not to be regarded as internal uses. However, the court also clarified that the internal use of a trade mark in a software programme’s directory was not immune from qualifying as an actionable trade mark use.⁹⁴⁵

⁹³⁹ 562 F.3d 123 (2d Cir. Apr 3, 2009).

⁹⁴⁰ 414 F.3d 400 (2d Cir. June 27, 2005).

⁹⁴¹ See *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. Apr 3, 2009), 127.

⁹⁴² See *Rescuecom Corp. v. Google Inc.*, *id.* at 128.

⁹⁴³ See *Rescuecom Corp. v. Google Inc.*, *id.* at 129.

⁹⁴⁴ See *Rescuecom Corp. v. Google Inc.*, *id.* at 129. This tool suggests a list of relevant keywords to the advertiser, which may sometimes include trade marks of third parties. For more information, see *infra*, section 8.3.4.

⁹⁴⁵ See *Rescuecom Corp. v. Google Inc.*, *id.* at 129-130.

Furthermore, the court discussed the argument that was often raised in favour of keyword advertising, namely that it was comparable with the lawful practice of “product placement”.⁹⁴⁶ Pursuant to the Second Circuit, product placement was allowed when it did not cause a likelihood of confusion, but it was still considered to be a use in commerce.⁹⁴⁷

The court remanded the case for further proceedings in order to determine whether Google’s use of the mark constituted a likelihood of confusion.⁹⁴⁸ This issue has, unfortunately, not been decided because Rescuecom withdrew its claims.⁹⁴⁹

The *Rescuecom* decision included as *obiter dicta* an interesting appendix concerning the question whether the definition of “use in commerce” in § 45 Lanham Act, 15 U.S.C. § 1127, applied in the infringement context. Arguing on the basis of the statutory text of the Lanham Act and its logical construction and legislative history, the Second Circuit came to the conclusion that Congress intended the definition in § 45 to only apply to the qualification for registration but not to be an essential element for liability of the defendant.⁹⁵⁰ However, while not applying the first sentence of § 45 in the infringement context (concerning the *bona fide* use, which had been introduced in 1988), the Second Circuit continued to apply the second sentence (concerning the placement of the marks on goods etc.).⁹⁵¹

3.7.6.1.3 *Network Automation Inc. v. Advanced Systems Concepts Inc. (Ninth Circuit 2011)*

The Ninth Circuit in its 2011 decision *Network Automation Inc. v. Advanced Systems Concepts Inc.*,⁹⁵² developed a special test for the likelihood of confusion in keyword advertising cases after expressly agreeing with the Second Circuit in *Rescuecom* that the use of a trade mark as a search engine keyword that triggered the display of a competitor’s advertisement was a “use in commerce” under the Lanham Act.⁹⁵³

⁹⁴⁶ This refers to a common method of promoting new or generic products by placing them close to popular branded products on the shelves in a supermarket or other shop. If a competitor wants to achieve such a placement, it will need to specify the brand of the popular product to the retailer, which will receive a payment for the requested placement.

⁹⁴⁷ See *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. Apr 3, 2009), 130.

⁹⁴⁸ See *Rescuecom Corp. v. Google Inc.*, *id.* at 131.

⁹⁴⁹ Presumably, the reason for dropping the law suit was that Rescuecom got sued itself for using Best Buy’s trade mark “Geek Squad” as a keyword. See IP Kat 2010.

⁹⁵⁰ See *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. Apr 3, 2009), 131-139.

⁹⁵¹ See *Rescuecom Corp. v. Google Inc.*, *id.* at 139-140.

⁹⁵² 638 F.3d 1137 (9th Cir. Mar 8, 2011).

⁹⁵³ See *Network Automation Inc. v. Advanced Systems Concepts Inc.*, *id.* at 3233.

3.7.6.1.4 *Rosetta Stone Ltd. v. Google Inc. (Fourth Circuit 2012)*

The keyword advertising decision *Rosetta Stone Ltd. v. Google Inc.*⁹⁵⁴ from April 7, 2012, did not deal with the trade mark use requirement. Rosetta Stone had sued Google for allowing advertisers to select its trade marks as keywords and to use these marks in the text of their ads. The Court of Appeals for the Fourth Circuit assumed, for the purposes of this appeal, that Google’s policy permitting these uses constituted an unauthorised use “in commerce” and “in connection with the sale, offering for sale, distribution, or advertising of any goods or services” within the meaning of § 32(1)(a) Lanham Act, 15 U.S.C. § 1114(1)(a). It did not express an opinion as to whether Google “used” the marks as contemplated by the Lanham Act since this was not an issue on appeal.⁹⁵⁵ The Fourth Circuit vacated the district court’s order granting summary judgment against Rosetta Stone with respect to the claims of direct infringement, contributory infringement and dilution, and it remanded these claims for further proceedings.⁹⁵⁶ These issues could not be resolved since the parties reached a settlement.⁹⁵⁷

3.7.6.1.5 *1-800 Contacts Inc. v. Lens.com Inc. (Tenth Circuit 2013)*

In 2013, the Court of Appeals for the Tenth Circuit in the case *1-800 Contacts Inc. v. Lens.com Inc.*⁹⁵⁸ assumed without deciding the premise of the district court that the keyword selection of 1-800’s trade marks by a competitor fulfilled the “use-in-commerce” requirement.⁹⁵⁹ The only issue on appeal was the likelihood of confusion, which the Tenth Circuit did not find to be established.

3.7.6.2 *US Literature*

Among legal scholars, the existence and meaning of the trade mark use doctrine has been passionately discussed, particularly in the Internet context and, more specifically, with regard to keyword use. A fascinating exchange took place between *Dinwoodie & Janis*,⁹⁶⁰ who rejected the doctrine, and *Dogan*

⁹⁵⁴ 676 F.3d 144 (4th Cir. Apr 9, 2012).

⁹⁵⁵ See *Rosetta Stone Ltd. v. Google Inc.*, *id.* at 152-153, fn. 4.

⁹⁵⁶ See *Rosetta Stone Ltd. v. Google Inc.*, *id.* at 149-150, 173.

⁹⁵⁷ See Reuters 2012.

⁹⁵⁸ 722 F.3d 1229 (10th Cir. July 16, 2013).

⁹⁵⁹ See *1-800 Contacts Inc. v. Lens.com Inc.*, *id.* at 1242.

⁹⁶⁰ See *Dinwoodie & Janis* 2007a. In a second article, *Dinwoodie & Janis* 2007b, they replied to *Dogan & Lemley* 2007.

& Lemley,⁹⁶¹ defending it. Although many other American scholars have also substantially contributed to the trade mark use discussion,⁹⁶² this section will mainly outline the arguments put forward by the authors mentioned above, which should provide a fair impression of the two opposing approaches.

Dinwoodie & Janis explained that the trade mark use theory was not supported by statutory language. They rejected arguments adduced by other scholars in this regard, for instance, that the theory was supported by the phrase “use in commerce” in the infringement provisions of the Lanham Act. In *Dinwoodie & Janis*’ opinion, the definition of “use in commerce” in § 45 Lanham Act, 15 U.S.C. § 1127, was only relevant for the acquisition of rights but not for infringement liability.⁹⁶³ The phrase merely appeared in the infringement provisions to confer constitutional legitimacy since federal trade mark law was based on the Commerce Clause.⁹⁶⁴ *Dinwoodie & Janis* also seemed to deny that trade mark use had long been an essential principle of the common law, as argued by some scholars. Even supposed that the theory would have existed under the common law, *Dinwoodie & Janis* argued that it had been countermanded by later legislation, in particular by § 33(b)(4) Lanham Act, 15 U.S.C. § 1115(b)(4). This section contains a so-called “descriptive” (or “classical”) fair use defence, which requires that the use is “otherwise than as a mark”.⁹⁶⁵ According to *Dinwoodie & Janis*, section 33(b)(4) would become superfluous if “use as a mark” would be a threshold condition for trade mark infringement.⁹⁶⁶

Furthermore, *Dinwoodie & Janis* criticised the revisionist claim of the trade mark use proponents who argued that trade mark law allowed a wide range of uses owing to the trade mark use theory. According to *Dinwoodie & Janis*, virtually none of the cases which permitted use of another’s mark rested on the trade mark use rationale. Rather, the reasons for allowing certain uses were based on the absence of

⁹⁶¹ See Dogan & Lemley 2007.

⁹⁶² See, e.g., Barrett 2006 (in favour of applying the trade mark use doctrine. *Barrett* employed the following definition of trade mark use: “trademark use entails application of a mark in a manner that invites consumers to associate the mark with goods or services that the user is offering for sale or distribution and to rely on it for information about the source, sponsorship, or affiliation of those goods or services.” See p. 374 et seq.); and Goldman 2008, 414-424 (arguing that there is only use in commerce when the defendant uses the plaintiff’s trade mark to designate the source of the defendant’s goods or services). See for further references, Goldman 2009, 408, fn. 130.

⁹⁶³ See also McCarthy 2019, § 23:11.50.

⁹⁶⁴ See *Dinwoodie & Janis* 2007a, 1609-1616 (also rejecting the affixation requirement and the phrase “in connection with the sale ... of goods or services” as supporting the trade mark use theory). Art 1, Sec 8, Clause 3 of the US Constitution gives Congress the power “[t]o regulate commerce with foreign nations, and among the several states, and with the Indian tribes;”.

⁹⁶⁵ § 33(b)(4) Lanham Act, 15 U.S.C. § 1115(b)(4) reads: “[...] That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party’s individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin; [...]”.

⁹⁶⁶ See *Dinwoodie & Janis* 2007a, 1616-1618.

consumer confusion or on a balance of interests in favour of the defendant, which required a contextual analysis.⁹⁶⁷

In *Dinwoodie & Janis*' opinion, uses other than as a mark could also constitute confusion and, thus, increase search costs.⁹⁶⁸ In their view, trade mark law had a role to play in policing new information markets, which would be prevented by adopting the trade mark use doctrine. In particular, trade mark law could address the problem of information overload.⁹⁶⁹ With regard to keyword advertising, *Dinwoodie & Janis* argued that immunising search engines from trade mark liability would not encourage them to organise their advertising programs in a non-confusing way, for instance by clearly differentiating between organic and sponsored links.⁹⁷⁰ It was still an open question whether keyword based ads confused consumers, but the trade mark use theory prevented examining this question.⁹⁷¹

Dinwoodie & Janis questioned the adequacy of the search costs theory as providing a comprehensive explanation of, or prescriptive basis for, trade mark law. In their opinion, trade mark policy possibly had to take into account broader social values than economic efficiency. For instance, apparent enhancements of consumer choice by search engines could be illusory, reflecting not the capacity for autonomous action by individuals but simply obedience to third party insinuations. The trade mark use doctrine precluded consideration of other values than a reduction of search costs.⁹⁷²

Dinwoodie & Janis furthermore explained that the trade mark use doctrine did not provide more certainty, and that it often operated as a proxy for other analyses, such as distinctiveness, functionality or confusion. Moreover, the assessment of trade mark use would ultimately incorporate an analysis of consumer association or likely confusion.⁹⁷³

Another concern addressed by *Dinwoodie & Janis* was the definition of "use as a mark". If this was meant to be restricted to source-identifying uses, it would be inconsistent with the modern view of trade marks, and it would jeopardise the existing merchandising and product design industries.⁹⁷⁴

⁹⁶⁷ See *Dinwoodie & Janis* 2007a, 1619-1621.

⁹⁶⁸ See *Dinwoodie & Janis* 2007a, 1625-1628.

⁹⁶⁹ *Dinwoodie & Janis* questioned whether more information always reduced consumer search costs, particularly online. See *Dinwoodie & Janis* 2007a, 1629-1632.

⁹⁷⁰ See *Dinwoodie & Janis* 2007a, 1633-1636.

⁹⁷¹ See *Dinwoodie & Janis* 2007a, 1636-1638.

⁹⁷² See *Dinwoodie & Janis* 2007a, 1638-1641. *Dinwoodie & Janis* referred, e.g., to scholarly literature that had expressed concern regarding the utility of validating consumerist and materialist impulses.

⁹⁷³ See *Dinwoodie & Janis* 2007a, 1641-1650 (demonstrating the lack of legal certainty and the functioning of trade mark use as a proxy for other doctrines with examples of court decisions on actual use, and illustrating the intermingling of trade mark use with consumer association or likely confusion questions with international and US infringement decisions).

⁹⁷⁴ See *Dinwoodie & Janis* 2007a, 1650-1657.

Instead of relying on the formalistic trade mark use doctrine, *Dinwoodie & Janis* suggested a contextual approach, which would be better suitable to take account of the multitude of roles trade marks served in contemporary society and the full range of values at play in trade mark law debates. A contextual approach would make the development of trade mark law more transparent, whereas adopting the trade mark use requirement would impoverish the policy debate. For instance, a contextual approach would distinguish between the different social effects and values involved in different advertising techniques, such as meta tagging, sponsored links or pop-up ads.⁹⁷⁵

Dinwoodie & Janis advocated retaining the dominant role for confusion in determining infringement. In addition, they suggested developing specific defences and limitations for certain situations in which competing rationales prevailed. Under the contextual approach, courts would analyze the manner in which search engines sold advertising and the manner in which they presented the search results. Courts would be free to balance the extent of any likely confusion against countervailing values, and they would be free to apply a defence. This approach would preserve the possibility of legal evolution as consumer attitudes, advertising techniques and relevant technologies evolved. However, *Dinwoodie & Janis* also acknowledged that the drawback of their flexible approach was that it did not provide legal certainty. Therefore, they contemplated, for instance, a safe harbour for search engines under certain conditions, such as the clear differentiation between organic and sponsored search results. These conditions would further the purposes of trade mark law by increasing the transparency of the search process, ensuring that consumers would be better informed, making the search results more reliable, and reducing search costs.⁹⁷⁶

Contrary to *Dinwoodie & Janis*, the trade mark use doctrine was advocated by *Dogan & Lemley* as a means to curtail trade mark liability of intermediaries, which did not promote their own products or services under the protected mark. They explained that the doctrine had not emerged until recently because courts in the pre-Internet era rarely faced claims against such parties.⁹⁷⁷ In their opinion, the Lanham Act infringement phrases of “use in commerce” and “in connection with”, as well as the likelihood of confusion standard, assumed that the defendant created confusion by employing the trade

⁹⁷⁵ See *Dinwoodie & Janis* 2007a, 1657-1661.

⁹⁷⁶ See *Dinwoodie & Janis* 2007a, 1662-1667. *Goldman* suggested creating a safe harbour for search providers as well, but he proposed to meanwhile deny trade mark use by search providers in order to avoid liability. See *Goldman* 2005, 595.

⁹⁷⁷ See *Dogan & Lemley* 2007, 1672, 1682. See also *Barrett* 2006, 373.

mark as a brand to promote its own sales.⁹⁷⁸ A party which merely facilitated or induced infringements by others could only be liable as a contributory infringer:⁹⁷⁹

[...] Judging a search engine's liability for allowing advertisers to place keyword-based ads, then, makes no sense without reference to a particular advertisement placed by a particular party and without evaluating the search engine's relationship to that party and that ad.⁹⁸⁰

Dogan & Lemley saw the primary value of the trade mark use doctrine in insulating certain categories of behaviour from trade mark liability. These categories shared two characteristics: 1) the trade mark was used by the defendant in a non-source-identifying (and non-sponsorship-identifying) way; and 2) the error-costs from a pro-plaintiff verdict were high.⁹⁸¹ As examples they named: descriptive fair use, comparative advertising, nominative fair use, and news reporting and commentary.⁹⁸² In their opinion, the same applied to the use of trade marks by intermediaries and by online advertisers.⁹⁸³

Dogan & Lemley regarded the trade mark use requirement as “both necessary and appropriate to keep trademark law true to its core mission of protecting consumers by improving the quality of information in the marketplace.”⁹⁸⁴ They argued against reliance on the likelihood of confusion test, as had been suggested by *Dinwoodie & Janis*. *Dogan & Lemley* were concerned about speech and legitimate uses of marks. Abandoning the trade mark use requirement would make intermediaries, such as search engines, directly liable.⁹⁸⁵ If keyword based ads could be prohibited by the trade mark holder, this would be detrimental to competition and information-facilitating uses, such as informing consumers about

⁹⁷⁸ See *Dogan & Lemley* 2007, 1676-1679. *Dogan & Lemley* maintained that the trade mark use doctrine also applied - and that it was particularly needed - in the dilution context. In this regard, they invoked the language in § 43(c) Lanham Act, 15 U.S.C. § 1125(c), that the defendant had to commence use of “a mark or trade name” likely to cause dilution of the famous mark. See *Dogan & Lemley* 2008, 549-552.

⁹⁷⁹ See *Dogan & Lemley* 2007, 1681. See also *Goldman* 2008, 424 (with regard to the sale of keywords by a search engine).

⁹⁸⁰ See *Dogan & Lemley* 2007, 1681.

⁹⁸¹ “In other words, if a jury were to get it wrong and conclude that the defendant's use of the mark was likely to confuse the public as to source or sponsorship, the public would suffer through the loss of some valuable speech or marketplace competition.” See *Dogan & Lemley* 2007, 1683, fn. 54.

⁹⁸² See *Dogan & Lemley* 2007, 1683-1684.

⁹⁸³ See *Dogan & Lemley* 2007, 1684-1685. See also *Barrett* 2006, 436 (“[...] Including marks in software advertising directories and keying ads to marks do not constitute trademark use because they do not use the mark as a brand to communicate the source of the defendant's (or anyone else's) goods or services to consumers. [...]”); and *Goldman* 2008, 423 (denying a use in commerce for both search engines and keyword advertisers since they do not use keywords as source designators of their goods or services, and, moreover, consumers do not perceive the triggering).

⁹⁸⁴ See *Dogan & Lemley* 2007, 1690. See also *Barrett* 2006, 376-379 (arguing that the trade mark use requirement is in line with the purposes of trade mark law to foster competition and reliable consumer information, and that it prevents interference with First Amendment-protected speech); and 450-452 (arguing that this also applies in the Internet context).

⁹⁸⁵ See *Dogan & Lemley* 2007, 1690-1691. See also *Goldman* 2005, 593-594 (on p. 594: “[...] cases suggesting search providers “use” trademarks are both contrary to the statute and detrimental to search efficiency. [...]”).

compatible products.⁹⁸⁶ Furthermore, they emphasised the distinction between direct and indirect infringement.⁹⁸⁷ On the assumption that some keyword-based ads were infringing but others were legitimate, *Dogan & Lemley* concluded that it was not the sale of keywords which caused the infringement but rather the placing of a confusing ad by the advertiser. Therefore, the intermediary should only face liability under certain conditions as an indirect infringer for facilitating or inducing infringements by the advertisers.⁹⁸⁸

In addition, *Dogan & Lemley* identified four substantive and procedural problems of the likelihood of confusion standard with regard to cases involving non-trade mark uses. First, the likelihood of confusion test was circular in the sense that whether a certain use confused consumers depended on the legal baselines set by trade mark law. As the defendant's intent was a decisive factor in finding a likelihood of confusion, trade mark owners could manipulate the outcome by claiming that the defendant had engaged in free-riding.⁹⁸⁹ On the basis of the shop shelf analogy,⁹⁹⁰ *Dogan & Lemley* explained that consumer confusion also depended on whether or not the law permitted or prohibited a certain practice. As another example, they observed that the use by third parties of university and sports logos on T-shirts originally confused no one, but it had become confusing over time due to widespread licensing after a few courts had found such use to be illegal. The same could happen to trade mark uses on the Internet.⁹⁹¹

Second, *Dogan & Lemley* regarded the likelihood of confusion test to be ill-suited to early resolution of law suits. Since it was costly and uncertain to fight against dubious new claims at trial, they suggested that the trade mark use doctrine could serve to short-circuit such claims at a pre-trial stage.⁹⁹²

⁹⁸⁶ See *Dogan & Lemley* 2007, 1691-1692. See also Barrett 2006, 448-449, 455-456 (comparing keyword and pop-up advertising with accepted competition activities in the concrete world. In *Barrett's* opinion, imposing liability in these situations would undercut the overall purpose of trade mark law to promote competition. Moreover, it risks impairing the effectiveness of the Internet to provide innovative and useful means of marketing products and services.); Goldman 2008, 423-424 (normatively regarding keyword triggering as a new and important way for consumers to obtain helpful content not controlled by the trade mark owner, which can increase competitive pressures on trade mark owners, hold them accountable for their choices, and allow marketplace mechanisms to work); and Goldman 2005, 574 (criticising the doctrine of initial interest confusion for interfering with socially beneficial trade mark uses and considering the potential liability of search engines under this doctrine as deeply troubling for the free flow of relevant content).

⁹⁸⁷ This book normally uses the terms "primary/secondary", instead of "direct/indirect", although they are not intended to denote a difference in meaning. The terms "contributory" and "vicarious" refer to specific US doctrines of secondary liability. European Member States have their own terms for liability theories (e.g., the German "Störerhaftung" = interferer liability). For definitions of the various concepts of secondary liability in Germany, France and the US, it is referred to Neumann 2014, 250-332.

⁹⁸⁸ See *Dogan & Lemley* 2007, 1692-1693. See also Goldman 2008, 424 (arguing that search engines generally should not be contributorily liable because they only provide ad space and thus do not control the instrumentalities advertisers use to infringe).

⁹⁸⁹ See *Dogan & Lemley* 2007, 1693-1694.

⁹⁹⁰ See *supra*, fn. 946.

⁹⁹¹ See *Dogan & Lemley* 2007, 1694-1695. See also already *Dogan & Lemley* 2004, 824-825.

⁹⁹² See *Dogan & Lemley* 2007, 1695-1696. See also Goldman 2008, 422.

Third, *Dogan & Lemley* feared that the combination of the two problems indicated above would deter parties from fighting claims made against them and rather give in and possibly take a license from the trade mark owner. This, in turn, could affect consumer perceptions concerning the legality of keyword uses. Trade mark owners could even start to claim high ranking - or even exclusivity - within the non-sponsored search results. As a consequence of this process, social discourse and commerce would suffer since consumers would not receive information about products, such as parodies, reviews, and advertising of competing and complementary products.⁹⁹³

Finally, *Dogan & Lemley* emphasised that the goal of the confusion test was to reduce consumer search costs in order to facilitate the operation of the market place. Trade mark law needed to give way where it interfered with competition. Some risk of confusion sometimes had to be accepted where otherwise the free market would be impaired, for instance, where intermediaries would be prevented from communicating accurate information to consumers interested in that information. *Dogan & Lemley* viewed the trade mark use requirement as a threshold that reaffirmed “the traditional, and rightful, focus of trademark law”.⁹⁹⁴

3.7.6.3 State Legislation

It is worth noting that some state legislators in the US were engaged in the regulation of keyword triggering. In fact, the states of Utah and Alaska attempted to restrict this practice by passing specific laws.⁹⁹⁵

⁹⁹³ See *Dogan & Lemley* 2007, 1696-1697.

⁹⁹⁴ See *Dogan & Lemley* 2007, 1697-1698. *Dogan & Lemley* replied to *Dinwoodie & Janis*' information overload argument that “[...] while more information is not always better, neither is less. [...]”. They reasoned that, according to basic market economics, accurate information about the full range of product offerings and characteristics led to better products and lower prices. They furthermore argued that information intermediaries had more incentives than trade mark owners to provide consumers with relevant information concerning the trade marked product, including critical reviews and alternatives. Finally, depriving advertisers of using trade mark-based signals made targeting less efficient, thus resulting in more generalised advertising. See *Dogan & Lemley* 2007, 1700-1701.

⁹⁹⁵ See *Goldman* 2009, 401-402.

3.8 Conclusion

3.8.1 Relevance

In section 3.2, it was demonstrated that, for several reasons, the trade mark use requirement has played a significant role in the discussion concerning keyword advertising. Keyword use concerns an entirely new kind of use of trade marks with the aim of targeting a specific public. This internal, invisible process has given rise to the question whether the advertiser and search engine “use” the trade mark at all, and if yes, whether they use it to “distinguish” the origin of their own goods or services. On a policy level, the trade mark use requirement in the context of keyword advertising has offered an ideal platform for debating the scope of trade mark rights. The discussion has concentrated particularly on the protected trade mark functions and the multiple other interests involved.

3.8.2 Indications in the Trade Mark Directive

Section 3.3 examined the Trade Mark Directive in order to find clues about the trade mark use requirement. With regard to the meaning of the term “use” in the infringement context, no particular indications can be found.⁹⁹⁶ Hence, it must presumably be interpreted according to its broad everyday meaning.⁹⁹⁷ A distinction between two categories of use can be observed. The first concerns use “in relation to” goods or services, which is assessed under the harmonised Art 10(2) TMD.⁹⁹⁸ The other category covers use “other than use for the purposes of distinguishing” goods or services, which falls within the unharmonised Art 10(6) TMD.⁹⁹⁹ Examples of the first category are listed in Art 10(3) TMD, but this list is non-exhaustive and may thus cover further kinds of use.¹⁰⁰⁰

The double identity provision, Art 10(2)(a) TMD, appears to confer “absolute” protection without the possibility of taking other interests than those of the trade mark owner into account.¹⁰⁰¹ This provision was presumably designed for cases of counterfeit products and parallel import from outside the EEA.¹⁰⁰²

⁹⁹⁶ See *supra*, section 3.3.1.

⁹⁹⁷ See also See Gielen 2009b, 367; and Gielen 2008, 103-104 (discussing the examples in Art 10(3) TMD).

⁹⁹⁸ See *supra*, section 3.3.2.

⁹⁹⁹ See *supra*, section 3.3.4.

¹⁰⁰⁰ See *supra*, section 3.3.3.

¹⁰⁰¹ See *supra*, section 3.3.2.1.1.

¹⁰⁰² See *supra*, section 3.3.2.1.1.

In contrast, to constitute an infringement under Art 10(2)(b) TMD, a likelihood of confusion must be proven.¹⁰⁰³ Art 10(2)(c) TMD contains specific infringement criteria for the protection of trade marks with a reputation.¹⁰⁰⁴ Though leaving room for other trade mark functions than the origin function, the Directive does not reveal in how far these other functions are protected under Art 10(2)(a) TMD.¹⁰⁰⁵

3.8.3 CJEU Jurisprudence Before Keyword Advertising

The analysis in section 3.4 has shown how the CJEU interpreted the trade mark use requirement before the keyword advertising cases. The case law in this regard was rather incoherent. In some cases, the Court adhered to the necessity of a use of the sign “as a trade mark”, whereas in other cases referential uses, such as in comparative advertising, constituted a use “in relation to goods or services” under Art 10(2) TMD.¹⁰⁰⁶ The list of prohibited uses in Art 10(3) TMD regularly served as an indication that a specific use was in relation to goods or services.¹⁰⁰⁷ The tendency was to interpret this condition in a broad sense. The public did not necessarily need to perceive the sign as “distinguishing” the origin of the goods or services of the third party. It sufficed if the third party used the sign with the aim of promoting its own goods or services, or even if only a link between the sign and the goods or services of the third party was created. The objective of a well-functioning internal market was presumed to be the reason for classifying a wide variety of uses under harmonised trade mark law.¹⁰⁰⁸

The requirement of an effect on the trade mark functions under Art 10(2)(a) TMD was first mentioned in 2002 in the case *Arsenal v. Reed*.¹⁰⁰⁹ In that and following judgments, the CJEU emphasised the importance of the origin function, while leaving the possibility of protection of further trade mark functions open. It was in 2009 in the case *L’Oréal v. Bellure*¹⁰¹⁰ when the CJEU explicitly acknowledged that other trade mark functions, such as those of quality, communication, investment or advertising, were protected under Art 10(2)(a) TMD, even if there was no detriment to the origin function. The Court did not yet provide any suggestions on how to interpret the condition of an effect on these other functions.¹⁰¹¹

¹⁰⁰³ See *supra*, section 3.3.2.2.

¹⁰⁰⁴ See *supra*, section 3.3.2.3.

¹⁰⁰⁵ See *supra*, section 3.3.2.1.2.

¹⁰⁰⁶ See *supra*, section 3.4.11.1.

¹⁰⁰⁷ See *supra*, section 3.4.11.3.

¹⁰⁰⁸ See *supra*, section 3.4.11.1.

¹⁰⁰⁹ [2002] ECR I-10273 (CJEU case C-206/01 Nov 12, 2002).

¹⁰¹⁰ ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009).

¹⁰¹¹ See *supra*, section 3.4.11.2.

3.8.4 CJEU Jurisprudence Since Keyword Advertising

Section 3.5 examined the decisions of the CJEU in the keyword advertising disputes in order to determine the present meaning of the trade mark use requirement. A new condition established by the Court is that the sign must be used in the third party's "own commercial communication" in order to constitute a "use" within the terms of Art 10 TMD. This condition has been introduced by the Court to exclude Google's AdWords activity from the scope of primary trade mark infringement.¹⁰¹²

Following the line of its previous jurisprudence regarding the requirement of a use "in relation to goods or services" under Art 10(2) TMD, the CJEU has qualified keyword use as falling within this category. The keyword decisions have confirmed that a use to distinguish the origin of the products is not required. It is sufficient if the third party aims at promoting its own products, or if at least a link exists between the sign and the products of the third party. It is not considered relevant that keyword use is not listed in Art 10(3) TMD.¹⁰¹³ It is understandable that the CJEU wanted to keep keyword advertising within its control considering its immense impact on the European market.

A major development has been the interpretation guidance provided by the Court regarding the different trade mark functions and the requirement of an "adverse effect" on these functions under Art 10(2)(a) TMD.¹⁰¹⁴ The CJEU does not regard the use of another's trade mark as a keyword as a trade mark infringement *per se*. It could have just determined the absolute protection under Art 10(2)(a) TMD to be applicable. Instead, the Court has formulated conditions under which certain trade mark functions are considered to be adversely affected. In this regard, the CJEU has changed its language from requiring merely an "effect" on the trade mark functions in its pre-keyword advertising jurisprudence to an "adverse effect" since *Google v. Louis Vuitton*.¹⁰¹⁵

The CJEU has established a test for the national courts to assess a potential adverse effect on the origin function, which also applies with respect to the likelihood of confusion. The ad itself should be sufficiently clear to enable normally informed and reasonably attentive Internet users to determine whether the advertiser is a third party or (economically linked to) the trade mark proprietor. This

¹⁰¹² See *supra*, section 3.5.7.2.

¹⁰¹³ See *supra*, section 3.5.7.3.

¹⁰¹⁴ In view of the CJEU's course, the designation "trade mark use" requirement may not be considered adequate anymore. It could also be called the requirement of an "adverse effect on the trade mark functions".

¹⁰¹⁵ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

transparency requirement is particularly remarkable since it has been imported into trade mark law from the fields of unfair competition and consumer protection law.¹⁰¹⁶

The CJEU has expressly negated an adverse effect on the advertising function in its keyword advertising decisions. Apparently, the Court does not regard mere free-riding on the advertising value of the trade mark as infringing under Art 10(2)(a) TMD, even if this urges the trade mark owner to spend more on own advertising measures. It seems to suffice that the trade mark owner is still free to advertise and that its website can be found within the search engine's algorithmic results. The denial of an adverse effect on the advertising function came as a surprise. It demonstrates a recognition of interests beyond those of the trade mark owner. In particular, the Court has acknowledged that the presentation of alternative products in search engine ads stimulates competition to the benefit of consumers.¹⁰¹⁷

The CJEU has similarly balanced interests within its assessment of the adverse effect on the investment function, albeit without directly denying an adverse effect. This assessment is left to the national courts. The conditions for a positive finding of an adverse effect are strict. There must be "substantial" interference with the proprietor's use of its trade mark to acquire or preserve a reputation. This implies that there must be detriment to reputation of the trade mark. Not sufficient is the mere diversion of customers or the necessity to increase marketing expenditures. Use of a trade mark as a keyword by a competitor to offer an alternative without creating confusion does not adversely affect the investment function, even if it exploits the trade mark's goodwill.¹⁰¹⁸

The denial of an adverse effect on the advertising function and the interpretation guidance regarding the origin and investment functions indicate that the Court acknowledges the benefits of keyword advertising in terms of consumer choice and competition as long as the ad clearly offers an alternative to the trade marked product. The keyword advertising cases seem to have propelled a flexible interpretation of the requirement of an adverse effect on the trade mark functions in a way that limits the scope of the double identity provision. The CJEU clearly wanted to assess keyword use under Art 10(2) TMD, but it was faced with the problem of the absolute protection provided by Art 10(2)(a) TMD. Because there was no reliance on the existing limitations,¹⁰¹⁹ the Court came up with this creative

¹⁰¹⁶ See *supra*, section 3.5.7.5.

¹⁰¹⁷ See *supra*, section 3.5.7.6.

¹⁰¹⁸ See *supra*, section 3.5.7.7.

¹⁰¹⁹ In past cases in which the CJEU wanted to permit a certain use of trade marks, it could often rely on the application of one of the limitations. See also Kur 2008a, 8 (stating with regard to referential uses that the focus of the assessment was on the limitations). For instance, in *BMW v. Deenik*, [1999] ECR I-905 (CJEU case C-63/97 Feb 23, 1999), the CJEU could rely on Art 14(1)(c) TMD concerning the intended purpose of the repair and maintenance services (para. 59), as well as on the exhaustion rule in Art 15 TMD with regard to the sale of second-hand BMWs (para. 50). In *Anheuser-Busch v. Budějovický*

solution. This approach stands in contrast with, for instance, the decision in *L'Oréal v. Bellure*,¹⁰²⁰ in which the Court seemed to disapprove of the use made of the marks in dispute and therefore acknowledged the broad scope of trade mark rights under Art 10(2)(a) TMD.¹⁰²¹

The comparison of the pre-*Google v. Louis Vuitton*¹⁰²² with the keyword advertising decisions demonstrates a shift from a struggle to respect the wording and structure of the law to a comprehensive appreciation of detriment to the trade mark owner, on the one hand, and conflicting values and policies such as the encouragement of competition and commercial information, on the other hand.

Though a flexible balance of interests in trade mark infringement cases is generally beneficial, there are also problems with the CJEU's functional approach. It was argued that this approach lacks a legislative foundation and harms the logic and predictability of the infringement provisions.¹⁰²³

3.8.5 *Ideas for Improvement*

Section 3.6 discussed solutions to achieve a fair balance of the trade mark owner's interests with those of third parties and the public in general without recourse to the CJEU's requirement of an adverse effect on the trade mark functions. The solutions also aimed at legal certainty, systematic infringement criteria and harmonisation.

The first proposal concerned the introduction of additional limitations, for instance, a general fair use provision. The second proposal intended to strengthen the distinction between source-identifying and other use, possibly by turning Art 10(6) TMD into a mandatory provision. The third proposal recommended to restrict the scope of Art 10(2)(a) TMD by introducing the requirement that the sign is perceived by the relevant public as a trade mark to designate the origin of the third party's products.

Budvar, [2004] ECR I-10989 (CJEU case C-245/02 Nov 16, 2004), para. 81, and *Céline SARL v. Céline SA*, ECLI:EU:C:2007:497 (CJEU case C-17/06 Sep 11, 2007), para. 31-32, the CJEU considered the use of a sign resembling a trade mark for the purpose of indicating a trade name to fall under Art 14(1)(a) TMD, concerning the use of one's own name. With regard to the use of trade marks in comparative advertisements, the decisions *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008), para. 45,51, and *L'Oréal v. Bellure* ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 54, established an additional, extra-statutory limitation, which applied if all the conditions for lawful comparative advertising in Art 4 MCAD were satisfied. This limitation is meanwhile included in Art 10(3)(f) TMD. See *infra*, section 6.2.1.3.1.

¹⁰²⁰ ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009).

¹⁰²¹ See *supra*, section 3.4.10.

¹⁰²² ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

¹⁰²³ See *supra*, section 3.5.7.8.

The advantages and disadvantages of these proposals were addressed. It was regretted that the reform of the European trade mark system was not used to implement the second or the third proposal. However, it was endorsed that the first proposal was at least adopted to some extent. Owing to the expansion of the scope of the limitations to include non-distinctive and referential use, some of the problems could already be solved. Whether comparative advertising and keyword advertising fall within these provisions will be addressed below.¹⁰²⁴ In addition to the implemented changes, it was recommended to introduce a general fair use limitation, which could cover the use of trade marks in keyword advertising as well as in potential future technologies. Since further amendments to the Trade Mark Directive cannot be expected any time soon, the further chapters of this book will focus on a sound interpretation of the existing law.

3.8.6 *National Debates*

The comparative law analysis in section 3.7 has shown enormous controversies regarding the assessment of keyword use. The argument that the advertiser and search engine would not “use” the trade mark due to the keyword’s invisibility was mostly rejected. However, it was highly disputed whether this use was “in relation to goods or services”, and whether it was perceived by the public as an indication of origin and hence as a trade mark.

The opinions among courts and commentators demonstrated significant differences, even within single jurisdictions. Whereas some regarded the use of another’s trade mark as a keyword to trigger one’s ad as unfair exploitation of the trade mark owner’s investment in its mark, others viewed this use as a successful business model with benefits for consumer information and competition. The latter opinion often invoked the trade mark use requirement as a means to limit trade mark liability of advertisers and search engines, in particular, under Art 10(2)(a) TMD.

In the US, the trade mark use requirement has mainly been relied on by some scholars in order to prevent costly trials and to shield Internet intermediaries from direct liability under trade mark law. However, various US courts have meanwhile decided that the use of trade mark keywords constitutes an actionable use under the Lanham Act, also with regard to search engines.

The analysis of the national debates reveals the reason for the high number of referrals to the CJEU in the area of keyword advertising. This research will show to what extent the CJEU has provided

¹⁰²⁴ See *infra*, section 6.2.1.

harmonisation and clarity with regard to the legal assessment of keyword use. It has already been observed that the CJEU, while assessing keyword use under harmonised trade mark law, has found a way to restrict the absolute protection under Art 10(2)(a) TMD by a special interpretation of the condition of an adverse effect on the trade mark functions.¹⁰²⁵ It has also avoided primary liability of the search engine by requiring a use in the third party's "own commercial communication".¹⁰²⁶

¹⁰²⁵ This could be said to correspond with the US contextual approach defended by *Dinwoodie & Janis*. See *supra*, section 3.7.6.2.

¹⁰²⁶ This requirement could be regarded as conforming with the US approach of *Dogan and Lemley* to apply the trade mark use doctrine in order to limit direct liability of intermediaries. See *supra*, section 3.7.6.2.

4 Consumer Confusion

4.1 Introduction

In order to prohibit the use of a sign, Art 10(2)(b) TMD requires, besides identity or similarity of the signs and products, the showing of a likelihood of confusion. According to established CJEU case law, a likelihood of confusion exists when the public might believe that the goods or services in question come from the undertaking of the trade mark owner or from an economically-linked undertaking.¹⁰²⁷ With regard to keyword use, the CJEU has developed a special likelihood of confusion test, which also applies to the assessment of an adverse effect on the origin function.¹⁰²⁸ This chapter examines whether the CJEU's test is appropriate, and which factors could be relevant in assessing the likelihood of confusion with regard to keyword use.

The following section will point out the method for determining the likelihood of confusion, as it has been developed in CJEU case law. Thereafter, the concept of the relevant consumer will be illuminated. The next section will deal with the CJEU's requirement of transparency in advertisements. Subsequently, the doctrines of pre sale and initial interest confusion will be explored. After establishing the theoretical background, the application of the likelihood of confusion analysis in national keyword decisions will be illustrated. The European method of determining the likelihood of confusion will then be compared with the likelihood of confusion tests in the US, as applied in keyword cases. The final section will summarise the findings and give recommendations for an appropriate likelihood of confusion assessment with regard to the use of trade marks in keyword advertising.

4.2 Global Assessment

The 16th recital of the Trade Mark Directive provides:

¹⁰²⁷ See, e.g., *Portakabin v. Primakabin*, ECLI:EU:C:2010:416 (CJEU case C-558/08 July 8, 2010), para. 51; *Bergspechte v. trekking.at*, ECLI:EU:C:2010:163 (CJEU case C-278/08 Mar 25, 2010), para. 38; *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008), para. 59; *Adidas v. Marca Mode*, ECLI:EU:C:2008:217 (CJEU case C-102/07 Apr 10, 2008), para. 28; *Medion v. Thomson (Life v. Thomson Life)*, [2005] ECR I-8551 (CJEU case C-120/04 Oct 6, 2005), para. 26; *Lloyd v. Klijsen (Lloyd v. Loint's)*, [1999] ECR I-3819 (CJEU case C-342/97 June 22, 1999), para. 17; and *CKK v. MGM (Canon v. Cannon)*, [1998] ECR I-5507 (CJEU case C-39/97 Sep 29, 1998), para. 29-30.

¹⁰²⁸ See *supra*, section 3.5.7.5. This chapter will mainly refer to the "likelihood of confusion" test, but the discussion is intended to cover the assessment of an adverse effect on the origin function as well.

[...] The likelihood of confusion, the appreciation of which depends on numerous elements and, in particular, on the recognition of the trade mark on the market, the association which can be made with the used or registered sign, the degree of similarity between the trade mark and the sign and between the goods or services identified, should constitute the specific condition for such protection. [...]

According to the CJEU, the likelihood of confusion must therefore be appreciated globally, taking into account all factors relevant to the circumstances of the case.¹⁰²⁹ In a series of judgments, the Court has developed principles concerning the method for assessing the likelihood of confusion, the factors to be considered, and the comparison to be made between the signs and the products.¹⁰³⁰ The three elements mentioned in Recital 16 will be addressed in this section: 1) the recognition of the trade mark on the market; 2) the likelihood of association; and 3) the degree of similarity of the signs and products.

At the outset, it must be observed that the kind of confusion which may arise in keyword disputes differs from that in usual trade mark conflicts in which a third party puts a mark similar to that of the trade mark proprietor on its own products. Instead of confusion at the point of sale¹⁰³¹ regarding the origin of the product, keyword use may cause confusion concerning the identity of the advertiser and its relation to the trade mark owner at the moment of viewing the ad. Thus, other factors may be relevant in the likelihood of confusion analysis.

The CJEU has developed a special concept of the likelihood of confusion with regard to keyword cases, inspired by the transparency requirements in regulations concerning advertising on the Internet.¹⁰³² Nevertheless, the general canons for determining the likelihood of confusion will be pointed out in this chapter as well. Even though the CJEU has not referred to it, there is no apparent reason why a global assessment, taking into account all factors relevant to the circumstances of the case, should not be conducted in keyword disputes.

¹⁰²⁹ See, e.g., *Adidas v. Marca Mode*, ECLI:EU:C:2008:217 (CJEU case C-102/07 Apr 10, 2008), para. 29; *Medion v. Thomson (Life v. Thomson Life)*, [2005] ECR I-8551 (CJEU case C-120/04 Oct 6, 2005), para. 27; *Marca Mode v. Adidas*, [2000] ECR I-4861 (CJEU case C-425/98 June 22, 2000), para. 40; *Lloyd v. Klijsen (Lloyd v. Loint's)*, [1999] ECR I-3819 (CJEU case C-342/97 June 22, 1999), para. 18; *CKK v. MGM (Canon v. Cannon)*, [1998] ECR I-5507 (CJEU case C-39/97 Sep 29, 1998), para. 16; and *Sabel v. Puma*, [1997] ECR I-6191 (CJEU case C-251/95 Nov 11, 1997), para. 22.

¹⁰³⁰ See, e.g., *Portakabin v. Primakabin*, ECLI:EU:C:2010:416 (CJEU case C-558/08 July 8, 2010); *Bergspechte v. trekking.at*, ECLI:EU:C:2010:163 (CJEU case C-278/08 Mar 25, 2010); *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008); *Adidas v. Marca Mode*, *id.*; *Medion v. Thomson (Life v. Thomson Life)*, *id.*; *Marca Mode v. Adidas*, *id.*; *Lloyd v. Klijsen (Lloyd v. Loint's)*, *id.*; *CKK v. MGM (Canon v. Cannon)*, *id.*; and *Sabel v. Puma*, *id.*

¹⁰³¹ See *supra*, fn. 474.

¹⁰³² See *supra*, section 3.5.7.5.

It is noted that the concept of the likelihood of confusion has expanded over the years due to changes in commercial reality.¹⁰³³ In *CKK v. MGM (Canon v. Cannon)*,¹⁰³⁴ the German Federal Supreme Court had asked the CJEU whether there could be a likelihood of confusion where the public perception was that the goods or services had different places of origin. The CJEU replied that there could be a likelihood of confusion even where the public perception was that the goods or services had different places of production. In contrast, there could be no such likelihood where it did not appear that the public could believe that the goods or services came from the same undertaking or from economically linked undertakings.¹⁰³⁵

It is also worth mentioning that the notion of a likelihood of confusion appears not only in Art 10(2)(b) TMD but also in Art 5(1)(b) TMD, which concerns a relative ground for refusal or invalidity due to a conflict with an earlier similar trade mark. According to the CJEU in *O2 v. Hutchison*,¹⁰³⁶ there exists a difference between both provisions with regard to the assessment of the likelihood of confusion. In case of an opposition, it is necessary to ascertain whether there is a likelihood of confusion with the opponent's earlier mark in all the circumstances in which the mark applied for might be used if it were to be registered. In contrast, under Art 10(2)(b) TMD, the assessment must be limited to the specific circumstances characterising the specific use made by the alleged infringer.¹⁰³⁷ Thus, it could be said that Art 5(1)(b) TMD requires an abstract likelihood of confusion test, whereas the assessment under Art 10(2)(b) TMD is more concrete. With regard to keyword infringement disputes, the specific circumstances of the keyword use in question should therefore be considered.

4.2.1 Recognition on the Market

Recital 16 of the Trade Mark Directive refers to the “recognition of the trade mark on the market” as forming an element of the likelihood of confusion analysis. In its case law, the CJEU has repeatedly held that when a trade mark has a particularly distinctive character - either *per se* or because of the reputation it enjoys with the public - the similarity of the signs or of the products may give rise to a

¹⁰³³ See with regard to the meaning of the origin function, *supra*, fn. 239.

¹⁰³⁴ [1998] ECR I-5507 (CJEU case C-39/97 Sep 29, 1998).

¹⁰³⁵ See *CKK v. MGM (Canon v. Cannon)*, *id.* at para. 29-30. This case concerned the assessment of the likelihood of confusion in the registration context, according to Art 5(1)(b) TMD.

¹⁰³⁶ ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008).

¹⁰³⁷ See *O2 v. Hutchison*, *id.* at para. 66-67.

likelihood of confusion. The proposition is that the more distinctive the mark is, the greater will be the likelihood of confusion, and the broader is the protection it enjoys.¹⁰³⁸

This proposition could contradict the empirical reality that the public which knows the trade mark better is less likely to be confused by a similar but different sign.¹⁰³⁹ On the other hand, the better the public knows the mark, the more likely it is that it associates a similar sign with that mark.¹⁰⁴⁰ In fact, the proposition seems to address the concern that the distinctiveness of the mark might be blurred by third party use of similar marks, which would be detrimental to the origin function of the mark.¹⁰⁴¹ The prominent role of the mark's recognition on the market in the likelihood of confusion analysis could also be motivated by the moral belief that marks with a reputation should obtain broader protection.¹⁰⁴²

The CJEU did not mention the recognition of the trade mark on the market in its examination of the likelihood of confusion in the keyword disputes before it. It is hence not clear whether in keyword cases a likelihood of confusion should more easily be assumed for trade marks with a higher distinctiveness or reputation.¹⁰⁴³ From an empirical point of view, more research would be necessary regarding

¹⁰³⁸ See *Lloyd v. Klijsen (Lloyd v. Loint's)*, [1999] ECR I-3819 (CJEU case C-342/97 June 22, 1999), para. 20-21; *CKK v. MGM (Canon v. Cannon)*, [1998] ECR I-5507 (CJEU case C-39/97 Sep 29, 1998), para. 18; and *Sabel v. Puma*, [1997] ECR I-6191 (CJEU case C-251/95 Nov 11, 1997), para. 24. The CJEU in *Adidas v. Marca Mode*, ECLI:EU:C:2008:217 (CJEU case C-102/07 Apr 10, 2008), para. 36, observed that the ease with which the sign could be associated with the mark having regard, in particular, to the recognition of the latter on the market, was a factor in determining the likelihood of confusion. The Court was concerned in this case that the distinctive character of a well known mark could be blurred if similar signs were used by many other operators.

¹⁰³⁹ See Griffiths 2008, 260-261; Kur 2008b, 157; Kur 1999, 3 (fn. 7), 6; Quaedvlieg 2009, 801; Sack 1996, 666; Sack 1995, 87; Strasser 2000, 403; and *Reed Executive v. Reed Business Information*, [2004] EWCA (Civ) 159 (Mar 3, 2004), para. 78(5), 83. However, the proposition might be empirically correct where it regards inherently distinctive marks, as opposed to marks which have acquired distinctiveness through use. Where a mark is largely descriptive, the consumer will expect others to use similar descriptive marks. Thus, he will be alert for detail which would differentiate one provider from another. See *Reed Executive v. Reed Business Information*, *id.* at para. 83-85. In contrast, in the case of highly distinctive marks, the consumer might pay less attention to such detail and therefore be more easily confused.

¹⁰⁴⁰ See Kur 2008b, 158; Sack 1996, 666; Sack 1995, 87; and Strasser 2000, 403. See also Kur 1999, 4 (regarding the reputation of the mark of relevance at the "perception phase" ("Wahrnehmungsstufe") but not at the "decision stage" ("Entscheidungsstufe")).

¹⁰⁴¹ See *Adidas v. Marca Mode*, ECLI:EU:C:2008:217 (CJEU case C-102/07 Apr 10, 2008), para. 36: "[...] The more the mark is well known, the greater the number of operators who will want to use similar signs. The presence on the market of a large quantity of goods covered by similar signs might adversely affect the trade mark in so far as it could reduce the distinctive character of the mark and jeopardise its essential function, which is to ensure that consumers know where the goods concerned come from." See also Quaedvlieg 2007 (arguing that Art 10(2)(b) TMD also protects against dilution).

¹⁰⁴² See Quaedvlieg 2009, 801.

¹⁰⁴³ Advocate General Jääskinen in its conclusion to *Interflora v. M&S* was of the opinion that the meaning and repute the trade mark had acquired through use in the minds of the relevant sector of the public had to be taken into account in the analysis of an adverse effect on the origin function. This case concerned a well known commercial network of independent enterprises providing a uniform flower delivery service. For this reason, the AG thought that consumers searching for "interflora" and being confronted with M&S' ad could believe that M&S was part of the Interflora network. See *Interflora v. M&S*, ECLI:EU:C:2011:173 (AG Jääskinen case C-323/09 Mar 24, 2011), para. 43-48. The CJEU found this relevant as well but left it to the national court to determine the adverse effect on the origin function. See *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 52-53. On the other hand, not only the reputation of the trade mark owner could be

consumer perceptions of keyword advertising when searching for trade marks with a higher or lower recognition on the market. From an ethical perspective, it could be argued that owners of trade marks with a reputation deserve wider protection against a likelihood of confusion. On the other hand, such trade marks already profit from the extended protection under Art 10(2)(c) TMD. As seen above, granting additional protection of goodwill should be cautiously evaluated due to a justification deficit and conflicting rights and values.¹⁰⁴⁴ The risk of detriment to the distinctive character will be addressed further below.¹⁰⁴⁵

4.2.2 Likelihood of Association

Recital 16 of the Trade Mark Directive mentions “the association which can be made with the used or registered sign” as an element for determining the likelihood of confusion. In addition, the text of Art 10(2)(b) TMD expressly mentions the likelihood of association. This provision appears illogical where it states that “the likelihood of confusion includes the likelihood of association between the sign and the trade mark”. *Verkade* noted that it is linguistic non-sense to say that the narrower concept of a likelihood of confusion includes the broader concept of a likelihood of association.¹⁰⁴⁶ In order to understand this language, one needs to consider the legislative history of the Trade Mark Directive. Also in this regard, the Benelux countries influenced the text of the Directive.

Under Benelux law, there used to be no requirement of a likelihood of confusion. Instead, in the case of similar products, the decisive point was whether the sign used was similar to the trade mark.¹⁰⁴⁷ According to the Benelux Court of Justice, such similarity existed:

relevant but also that of the advertiser. See *Interflora v. M&S*, *id.* at para. 51: “In carrying out its examination of the facts, the referring court may choose to assess, first, 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 M & S’s flower-delivery service is not part of the Interflora network but is, on the contrary, in competition with it. [...]”.

¹⁰⁴⁴ See *supra*, chapter 2.

¹⁰⁴⁵ See *infra*, section 5.4.

¹⁰⁴⁶ See Verkade 1992, 96, para. 21. See also Gielen 1992, 267; Gielen 2005, 208; Kur 1999, 4; Kur 1997, 248; Sack 1996, 667; and Sack 1995, 89.

¹⁰⁴⁷ See Gielen 1992, 266; Gielen 2005, 209; and *Sabel v. Puma*, [1997] ECR I-6191 (CJEU case C-251/95 Nov 11, 1997), para. 14.

[...] when, taking account of the particular circumstances of the case, in particular the distinctiveness of the mark, the mark and the sign, considered separately and together, present, aurally, visually or conceptually, a similarity such as to establish an association between the sign and the mark.¹⁰⁴⁸

The idea behind this kind of trade mark protection was that, even in the absence of a likelihood of confusion, the associations made with a mark could result in its goodwill being transferred and its image being diluted.¹⁰⁴⁹ Under Benelux law, three forms of the likelihood of association in the broad sense were recognised: 1) likelihood of direct confusion: the public confuses the sign and the mark; 2) likelihood of indirect confusion or association: the public makes a connection between the proprietors of the sign and those of the mark and confuses them; and 3) likelihood of association in the strict sense: the public considers the sign to be similar to the mark and perception of the sign calls to mind the memory of the mark, although the two are not confused.¹⁰⁵⁰ The Benelux insisted on incorporating the concept of a likelihood of association into the text of the Directive.¹⁰⁵¹

However, the CJEU determined in *Sabel v. Puma*¹⁰⁵² that the mere association which the public might make between two trade marks was not in itself a sufficient ground for concluding that there was a likelihood of confusion.¹⁰⁵³ In this decision, the CJEU, referring to the text of the Directive, as well as to Recital 16 TMD, concluded that the concept of likelihood of association was not an alternative to that of likelihood of confusion but served to define its scope.¹⁰⁵⁴ In *Marca Mode v. Adidas*,¹⁰⁵⁵ it was added that a likelihood of confusion could not be presumed merely because a likelihood of association in the

¹⁰⁴⁸ See *Jullien v. Verschuere (Union v. Soleure)*, [1984] NJ 72 (CC Wichers Hoeth) (BenGH May 20, 1983); Gielen 1992, 266; Gielen 2005, 210; and *Sabel v. Puma*, *id.* at para. 15. The judgment *Jullien v. Verschuere (Union v. Soleure)* concerned the use of a non-famous mark for similar products. The BenGH had already decided in its earlier decision *Claeryn v. Klarein*, [1975] NJ 472 (CC Wichers Hoeth) (BenGH Mar 1, 1975).

¹⁰⁴⁹ See *Sabel v. Puma*, *id.* at para. 15. Indeed, it seems that protection against association is rather concerned with preventing misappropriation of goodwill than with preventing deception of consumers. With regard to US law in this regard, see Denicola 1982, 171.

¹⁰⁵⁰ See *Sabel v. Puma*, *id.* at para. 16.

¹⁰⁵¹ See Furstner & Geuze 1988, 220; Gielen 1992, 262; Gielen 2005, 208-209; Kur 2008b, 156; Sack 1996, 668; and Verkade 1992, 96, para. 21.

¹⁰⁵² [1997] ECR I-6191 (CJEU case C-251/95 Nov 11, 1997).

¹⁰⁵³ See *Sabel v. Puma*, *id.* at para. 26. This decision concerned Art 5(1)(b) TMD and dealt with two figurative marks which were semantically similar. See also *Lloyd v. Klijsen (Lloyd v. Loint's)*, [1999] ECR I-3819 (CJEU case C-342/97 June 22, 1999), para. 17. This is in conformance with the opinion of *Spence*, according to whom subconscious association as an expanded concept of confusion cannot justify protection against allusion since the law cannot remedy the chaos of our subconscious minds. See *Spence* 2008, 327-328.

¹⁰⁵⁴ See *Sabel v. Puma*, *id.* at para. 18-19. See also *Marca Mode v. Adidas*, [2000] ECR I-4861 (CJEU case C-425/98 June 22, 2000), para. 34; and *Lloyd v. Klijsen (Lloyd v. Loint's)*, *id.* at para. 17.

¹⁰⁵⁵ [2000] ECR I-4861 (CJEU case C-425/98 June 22, 2000).

strict sense existed. A positive finding of the existence of a likelihood of confusion was necessary, which had to be appreciated globally, taking into account all the factors relevant to the circumstances of the case.¹⁰⁵⁶

The CJEU did not discuss the concept of association when assessing the likelihood of confusion in its keyword decisions. The CJEU's condition of a positive finding of the existence of a likelihood of confusion, as well as the global appreciation thereof, taking into account all the factors relevant to the circumstances of the case, must thus be assumed to apply equally in keyword cases.

4.2.3 Degree of Similarity of Signs and Products

Art 10(2)(b) TMD requires identity or similarity of the signs and the goods or services. Recital 16 of the Trade Mark Directive clarifies that “the degree of similarity between the trade mark and the sign and between the goods or services identified” constitutes an element of the likelihood of confusion assessment. Pursuant to established CJEU case law, a lesser degree of similarity between the goods or services may be offset by a greater degree of similarity between the signs, and *vice versa*.¹⁰⁵⁷

The degree of similarity of the signs and the products as an element of the likelihood of confusion analysis and the established principles for determining identity or similarity of signs and products may be assumed to also apply in keyword advertising cases.¹⁰⁵⁸ In two of these cases, the CJEU considered the issue of identity or similarity of signs.

In *Bergspechte v. trekking.at*,¹⁰⁵⁹ the CJEU found the keyword “Edi Koblmüller” not to be identical with the figurative and word mark in dispute of which the words “Edi Koblmüller” only constituted a small part.¹⁰⁶⁰ The CJEU left it to the national court to determine whether the signs were similar. In contrast, according to the CJEU, the keyword “Bergspechte” could potentially be held identical with the trade mark of which it formed quite a dominant part. It was up to the national court to determine whether this was the case. It appeared appropriate to the CJEU to hold that the signs were at least similar.¹⁰⁶¹

¹⁰⁵⁶ See *Marca Mode v. Adidas*, *id.* at para. 39-41.

¹⁰⁵⁷ This rule was established in *CKK v. MGM (Canon v. Cannon)*, [1998] ECR I-5507 (CJEU case C-39/97 Sep 29, 1998), para. 17, and confirmed in later judgments.

¹⁰⁵⁸ Concerning identity of signs; identity of products; similarity of signs; and similarity of products, see Cohen Jehoram, Nispen, van & Huydecoper 2008, 291-293; 291; 309-318; and 318-322. In the same order, see Fezer 2009, MarkenG § 14, para. 212-217; para. 218-221; para. 423-649; and para. 650-741.

¹⁰⁵⁹ ECLI:EU:C:2010:163 (CJEU case C-278/08 Mar 25, 2010).

¹⁰⁶⁰ The trade mark can be found in *Bergspechte v. trekking.at*, *id.* at para. 8.

¹⁰⁶¹ See *Bergspechte v. trekking.at*, *id.* at para. 25-28.

In *Portakabin v. Primakabin*,¹⁰⁶² the CJEU stated that keywords reproducing a trade mark with minor spelling mistakes could be regarded as containing differences which were so insignificant that they could go unnoticed by the average consumer. It was for the national court to assess this.¹⁰⁶³ In an earlier case, *LTJ Diffusion v. Sadas (Arthur v. Arthur et Félicie)*,¹⁰⁶⁴ the CJEU had determined that a sign was identical with the trade mark only where it reproduced, without any modification or addition, all the elements constituting the trade mark or where, viewed as a whole, it contained differences so insignificant that they could go unnoticed by an average consumer.¹⁰⁶⁵ The main reason for not requiring exact identity of the signs was that the consumer only rarely had the chance to make a direct comparison.¹⁰⁶⁶

In the keyword advertising context, the consumer, who types in the trade mark as a search term, may make typing errors or may not know the exact spelling of the trade mark. Anticipating these mistakes, advertisers sometimes select, besides a keyword identical to the trade mark, keywords which resemble the trade mark, though written incorrectly.¹⁰⁶⁷ The CJEU's decision that keywords consisting of the trade mark with minor spelling mistakes may still constitute identical signs thus seems to be appropriate.¹⁰⁶⁸

However, it must be warned in general against stretching the concept of identical signs too far. The consequence of recognising larger deviations under Art 10(2)(a) TMD would be to open up protection in situations in which consumers are not likely to be confused.¹⁰⁶⁹ Whereas mere similarity of the signs or products necessitates the showing of a likelihood of confusion, an adverse effect on one of the multiple acknowledged trade mark functions suffices in cases of double identity.¹⁰⁷⁰ In keyword cases,

¹⁰⁶² ECLI:EU:C:2010:416 (CJEU case C-558/08 July 8, 2010).

¹⁰⁶³ See *Portakabin v. Primakabin*, *id.* at para. 47-48.

¹⁰⁶⁴ [2003] ECR I-2799 (CJEU case C-291/00 Mar 20, 2003).

¹⁰⁶⁵ See *LTJ Diffusion v. Sadas (Arthur v. Arthur et Félicie)*, *id.* at para. 54.

¹⁰⁶⁶ See *LTJ Diffusion v. Sadas (Arthur v. Arthur et Félicie)*, *id.* at para. 52-53.

¹⁰⁶⁷ E.g., in *Portakabin v. Primakabin*, ECLI:EU:C:2010:416 (CJEU case C-558/08 July 8, 2010), the advertiser had selected not only the keyword "portakabin" but also the keywords "portacabin", "portokabin" and "portocabin". In *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), besides the keyword "interflora", also "intaflora" and "inteflora" (and keywords including the word "interflora") were selected.

¹⁰⁶⁸ This decision seems, however, to deviate from the relatively narrow concept of identity applied in *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008), para. 52-55. It could be argued that the denial of identity of signs and the resulting assessment under Art 10(2)(b) TMD in that case was not appropriate.

¹⁰⁶⁹ For the absolute protection under Art 10(2)(a) TMD, see *supra*, section 3.3.2.1.1.

¹⁰⁷⁰ *Hacker* observed that it did not seem appropriate to make this large step between Art 10(2)(a) TMD and Art 10(2)(b) TMD. See *Hacker* 2009, 337.

however, this question appears less significant, owing to the CJEU's rather strict requirements for an adverse effect on one of the trade mark functions other than the origin function.¹⁰⁷¹

4.3 Relevant Consumer

According to the CJEU, the perception of marks in the mind of the average consumer of the type of goods or services in question plays a decisive role in the global appreciation of the likelihood of confusion.¹⁰⁷² The average consumer is deemed to be “reasonably well-informed and reasonably observant and circumspect”,¹⁰⁷³ while his level of attention is likely to vary according to the category of goods or services in question.¹⁰⁷⁴ With respect to keyword advertising, the CJEU describes the relevant consumer and addressee of the advertisements as a “normally informed and reasonably attentive internet user”¹⁰⁷⁵ or a “reasonably well-informed and reasonably observant internet user”.¹⁰⁷⁶

4.3.1 Empirical Research

Only a few independent empirical studies are available regarding consumer perceptions of the use of trade marks in keyword advertising. The relevance of these studies should not be overestimated because the likelihood of confusion can only be assessed with regard to the particular circumstances of the trade mark use in dispute. Real-life experience may differ significantly from artificially created situations. In addition, certain circumstances, such as the design of search engine websites and familiarity of consumers with the use of search engines, may meanwhile have changed. Consumer perceptions evolve rapidly, particularly in the online world.¹⁰⁷⁷ Despite these drawbacks, it seems worthwhile to briefly

¹⁰⁷¹ See *supra*, sections 3.5.7.4-3.5.7.7.

¹⁰⁷² See *Medion v. Thomson (Life v. Thomson Life)*, [2005] ECR I-8551 (CJEU case C-120/04 Oct 6, 2005), para. 28; *Lloyd v. Klijsen (Lloyd v. Loint's)*, [1999] ECR I-3819 (CJEU case C-342/97 June 22, 1999), para. 25; and *Sabel v. Puma*, [1997] ECR I-6191 (CJEU case C-251/95 Nov 11, 1997), para. 23.

¹⁰⁷³ See *Lloyd v. Klijsen (Lloyd v. Loint's)*, *id.* at para. 25. This notion of the average consumer originates from the case *Gut Springenheide v. Office for the Supervision of Foodstuffs*, [1998] ECR I-4657 (CJEU case C-210/96 July 16, 1998), para. 31, 37 (concerning misleading labelling of eggs).

¹⁰⁷⁴ See *Lloyd v. Klijsen (Lloyd v. Loint's)*, *id.* at para. 26.

¹⁰⁷⁵ See, e.g., *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 84, 90.

¹⁰⁷⁶ See *L'Oréal v. eBay*, ECLI:EU:C:2011:474 (CJEU case C-324/09 July 12, 2011), para. 94 et seq.; and *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 44 et seq.

¹⁰⁷⁷ See Moskin 2008, 876 (“[...] what Internet searchers can or should be presumed to know has changed and is bound to continue to change over time. [...]”).

address the most relevant results of these studies since they may serve to question some frequently stated assumptions.¹⁰⁷⁸

4.3.1.1 Search Objectives

With respect to the search objectives, it was found that consumers who type in a trade mark as a search term are not necessarily exclusively interested in finding the trade marked products. According to the results of a survey performed by *Franklyn & Hyman*, 47 % of respondents usually wanted information about the specific brand they had searched for, 31 % usually wanted information about similar products from other brands, and 22 % had no preference. A later survey revealed that 65 % of respondents were looking for products bearing the brand name only and 34 % were also looking for similar competing brand names.¹⁰⁷⁹ In addition, survey participants who had indicated that they might click on ads of competitors when searching for “Mercedes” were asked why they would do so. A clear majority had broad preferences and were interested in a range of luxury cars. Only a minority expected to find information on the trade marked good.¹⁰⁸⁰

Bechtold & Tucker analysed data from 5.38 million records of website visits following search engine queries containing a trade mark. Only 20 % of searches appeared to be purely navigational, meaning that the consumer used the search term to find a specific webpage such as the trade mark owner’s website.¹⁰⁸¹

According to *Goldman*, it was impossible to infer searchers’ objectives merely from the search terms used, a phenomenon he called “objective opaqueness”.¹⁰⁸² He argued that words could have several meanings and that there could be a lot of reasons for using a certain trade mark as a search term.¹⁰⁸³

Bechtold & Tucker confirmed this:

[...] Consumers are using trademarks in subtle and multifaceted ways in their Internet searches. They do not only enter trademarks into search engines in order to identify the trademark owner’s website where they can buy products or services.

¹⁰⁷⁸ An example of such an assumption is that consumers who use a trade mark as a search term are only interested in (products from) that company. Another assumption is that consumers are knowledgeable about the distinction between ads and algorithmic search results. For further examples, see *Franklyn & Hyman* 2013, 19-25.

¹⁰⁷⁹ See *Franklyn & Hyman* 2013, 37-38.

¹⁰⁸⁰ See *Franklyn & Hyman* 2013, 45, table 10.

¹⁰⁸¹ See *Bechtold & Tucker* 2014, 721.

¹⁰⁸² See *Goldman* 2005, 521.

¹⁰⁸³ See *Goldman* 2005, 521-525.

Rather, they may use a trademark in their search term if they are looking for general information about the product; for competitors or compatible components; for alternative distribution channels or third-party after-sale services; for ways to finance the purchase of the product; they may use the trademark as a generic shorthand for certain kinds of products; or they may not be fully certain whether and what kind of product to buy [...].¹⁰⁸⁴

Dotson et al. identified three categories of searchers who were more likely to search for a brand: 1) users who held positive attitudes towards a brand; 2) customers who were actively shopping; and 3) brand owners.¹⁰⁸⁵ Noting that there could be other reasons why people searched for brands, they encouraged further exploratory research in this regard.¹⁰⁸⁶

4.3.1.2 Search Expectations

Regarding search expectations, the study by *Franklyn & Hyman* showed that less than 50 % of consumers typing in a trade mark expected to find only products bearing that trade mark when clicking on a paid link. Of the survey participants, 45 % expected to find products bearing the brand name only, 39 % also expected to find similar competing brand names, 10 % expected to find similar competing brand names only and 6 % expected to find products having nothing to do with the brand name.¹⁰⁸⁷ Preferences and expectations when using trade marks as search terms are hence diverse.¹⁰⁸⁸

4.3.1.3 Focus on Ad Text

Research shows that consumers pay attention to the content of the ad before clicking it. A study by *Jansen & Resnick* enquired into the basis for searchers to determine whether a sponsored link was relevant. The content of the ad (summary, title and URL) was in 94.7 % the basis for finding an ad relevant. The summary was the primary basis (67.1 %), followed by the title (13.8 %) and the URL (13.8 %). Other possibilities were the indication that it concerned a sponsored link (3.9 %), the rank (1.3 %), and the location on the search engine results page (0.0 %). In 88.4 %, the content of the ad was relied upon for not finding an ad relevant. The primary basis for denying the relevance of the ad was the title

¹⁰⁸⁴ See Bechtold & Tucker 2014, 726.

¹⁰⁸⁵ See Dotson et al. 2017, 112.

¹⁰⁸⁶ See Dotson et al. 2017, 114.

¹⁰⁸⁷ See Franklyn & Hyman 2013, 38.

¹⁰⁸⁸ *Id.*

(56.2 %), followed by the summary (30.3 %). Searchers also relied on the indication that it concerned a sponsored link (9.0 %) for negating the relevance of the ad. Less decisive were the URL (2.4 %), the location on the search engine results page (2.1 %) and the rank (0.0 %).¹⁰⁸⁹ The study found that searchers first viewed the title. If the title was not relevant, searchers rarely viewed the summary. If the title was relevant, they moved to the summary for a second evaluation.¹⁰⁹⁰

A near majority of respondents to *Franklyn & Hyman*'s survey reported that they clicked on the first link that displayed the brand they were interested in, regardless of whether it concerned an ad or an algorithmic search result.¹⁰⁹¹

4.3.1.4 Ability to Distinguish between Ads and Algorithmic Search Results

Lewandowski et al. in their study among German search engine users asked participants to select all ads or organic results on screenshots of Google search pages. Five such tasks were performed.¹⁰⁹² The best result achieved was that 35% of the participants were able to mark all ads correctly.¹⁰⁹³ Considering the five tasks together, it was found that only 1.3% were able to identify all results correctly.¹⁰⁹⁴ *Lewandowski et al.* concluded that German Google users experienced considerable difficulties in distinguishing between paid advertisements and organic results on the results pages.¹⁰⁹⁵ *Lewandowski, Sünkler & Kerkmann* in a study based on the same survey found that those users who were not able to distinguish between organic results and ads selected ads around twice as often.¹⁰⁹⁶

The results of *Franklyn & Hyman*'s survey similarly indicated a "considerable degree of consumer uncertainty and confusion about which content is paid or unpaid, and about search page architecture more generally."¹⁰⁹⁷ Less than 50 % of the survey respondents found the distinction between paid and unpaid links clear and conspicuous.¹⁰⁹⁸ The respondents paid little attention to the distinction and labels

¹⁰⁸⁹ See Jansen & Resnick 2006, 1956, table 1.

¹⁰⁹⁰ See Jansen & Resnick 2006, 1956.

¹⁰⁹¹ See Franklyn & Hyman 2013, 39.

¹⁰⁹² See Lewandowski et al. 2017, 10.

¹⁰⁹³ See Lewandowski et al. 2017, 10, 12, table 3.

¹⁰⁹⁴ See Lewandowski et al. 2017, 14.

¹⁰⁹⁵ See Lewandowski et al. 2017, 16.

¹⁰⁹⁶ See Lewandowski, Sünkler & Kerkmann 2017, 70, table 4.

¹⁰⁹⁷ See Franklyn & Hyman 2013, 35.

¹⁰⁹⁸ See Franklyn & Hyman 2013, 36-37, table 5.

indicating the advertisements. More specifically, 56% paid no attention to the location of the ads, 60% paid no attention to the shaded box, and 48% paid no attention to labelling.¹⁰⁹⁹

4.3.1.5 Confusion

Franklyn & Hyman also tested the issue of consumer confusion:

We document a considerable degree of confusion, but it is not the type of confusion recognized by current trademark doctrine. We find a modest amount of confusion on source, sponsorship, and affiliation, but we find considerably more confusion and uncertainty regarding whether a particular link is an ad or not, why particular links appeared in response to a given search, and what the user expects to find if they click on a particular link.¹¹⁰⁰

When confronted with ads of competitors when searching for “Mercedes”, only 10–14 % of survey respondents thought the links were authorised by Mercedes.¹¹⁰¹ Of those who had indicated that they might click on these ads, merely 9 % believed there was an affiliation or sponsorship agreement between the advertisers and Mercedes.¹¹⁰² Between 22 and 37 % of those willing to click on the ads expected to find information on Mercedes.¹¹⁰³

4.3.2 Normative Standard

With respect to the issue of likelihood of confusion, it is common practice among courts in Europe to assess the relevant consumer’s knowledge and level of attention without relying on empirical

¹⁰⁹⁹ See *Franklyn & Hyman* 2013, 38-40.

¹¹⁰⁰ See *Franklyn & Hyman* 2013, 57. See also Goldman 2009, 410 (“[...] even if consumers do not understand why they are seeing a keyword-triggered ad, they may still be clear about the relationship between the various brands - especially when the advertiser’s ad copy displays its own brand. [...]”); and Ohly 2010a, 780-781 (arguing that market transparency is the rule in keyword advertising cases and confusion the exception).

¹¹⁰¹ See *Franklyn & Hyman* 2013, 48.

¹¹⁰² See *Franklyn & Hyman* 2013, 45, table 10.

¹¹⁰³ *Id.* With regard to one of the ads, this expectation was justified since it contained an explicit invitation to compare Mercedes to Infiniti. See p. 42, figure 3.

evidence.¹¹⁰⁴ This is in accordance with CJEU judgments and EU legislation in the field of unfair competition.¹¹⁰⁵

An interesting question is which role empirical evidence could play in assessing the likelihood of confusion (or other criteria for determining the lawfulness of keyword advertising and other practices). It would certainly be desirable to know how consumers react in a given situation. However, empirical reality is subject to constant change and depends strongly on the particular circumstances of a case. More importantly, the lawfulness or unlawfulness of a certain practice influences consumer perceptions and thereby the likelihood of confusion.¹¹⁰⁶ If the use of third party trade marks as keywords were principally allowed, Internet users would become accustomed to finding ads of others than the trade mark owner after a search for that mark. As a result, they would not expect all the ads to originate from

¹¹⁰⁴ See Cohen Jehoram, Nispen, van & Huydecoper 2008, 332-334 (noting that market surveys may be helpful but are not found decisive in Benelux jurisprudence); Gielen 2017, 316 (observing that Benelux courts are seldom influenced by the results of a market or opinion survey); and Ingerl & Rohnke 2010, MarkenG § 14, para. 400 (mentioning that opinion surveys can merely serve as indications of actual confusion in German courts, and that although lower courts take such surveys into account more often, they also frequently consider them useless), para. 455 (noting that according to the prevailing opinion in Germany, the relevant consumer is a predominantly normative concept), para. 494-496 (encouraging courts to determine consumer perception on the basis of their own expertise instead of by relying on surveys, which are costly and have proven to cause problems in practice).

See also *Lewison LJ in Interflora v. M&S*, [2012] EWCA (Civ) 1501 (Nov 20, 2012), para. 150 (explaining that evidence should only be permitted if it is likely to be of real value, and if it justifies the cost: “[...] In a case of trade mark infringement in which the issue is one of deception in relation to the provision of ordinary consumer goods or services, these criteria are likely to be satisfied only in a special or unusual case.”); and para. 59 (with regard to keyword advertising: “In my judgment the results thrown up by search engines on the internet fall within the general description of ordinary consumer services in relation to which the judge can make up his or her own mind without the need either for expert evidence or the evidence of consumers. [...]”); and *Patten and Kitchen LLJ and Sir Colin Rimer in Interflora v. M&S*, [2014] EWCA (Civ) 1403 (Nov 5, 2014), para. 114 (“[...] the average consumer is not a statistical test. The national court must exercise its own judgment, in accordance with the principle of proportionality and the principles explained by the Court of Justice, to determine the perceptions of the average consumer in any given case in light of all the relevant circumstances.”); and para. 115 (“[...] in a case concerning ordinary goods or services, the court may be able to put itself in the position of the average consumer without requiring evidence from consumers, still less expert evidence or a consumer survey. In such a case, the judge can make up his or her own mind about the particular issue he or she has to decide in the absence of evidence and using his or her own common sense and experience of the world.”).

¹¹⁰⁵ According to CJEU unfair competition case law, national courts ought, in general, to be able to assess any misleading effect of a description or statement designed to promote sales by taking into account the presumed expectations of an average consumer who is reasonably well-informed and reasonably observant and circumspect, without ordering an expert’s report or commissioning a consumer research poll, except as guidance where the court has particular difficulty in assessing the misleading nature of the statement or description in question. See *Gut Springenheide v. Office for the Supervision of Foodstuffs*, [1998] ECR I-4657 (CJEU case C-210/96 July 16, 1998), para. 31-32, 35, 37 (concerning misleading labelling of eggs). This has been confirmed in later judgments and explicitly acknowledged in Recital 18 UCPD: “[...] The average consumer test is not a statistical test. National courts and authorities will have to exercise their own faculty of judgement, having regard to the case-law of the Court of Justice, to determine the typical reaction of the average consumer in a given case.” Already in 1981, *Kur* examined, in the context of unfair competition law, particularly with respect to the question of misleading advertising under § 3 UWG (then in force), the manner in which the perception of the public (“Verkehrsauffassung”) was determined by courts. She observed that courts rarely ordered the parties to provide evidence, and that they implicitly assessed the perception of the public in a normative way. In *Kur*’s opinion, it was preferable if courts expressly recognised the impact of normative considerations. See *Kur* 1981, 136-169.

¹¹⁰⁶ See *supra*, fn. 116 and fn. 118.

the trade mark owner itself or from companies that are economically connected to it and confusion would decrease with time. However, if the use of third party trade marks as keywords were largely prohibited, Internet users would more easily become confused because they would usually not be confronted with ads of third parties. For these reasons, it is argued here that the standard of the relevant consumer in keyword scenarios should predominantly be a normative one.¹¹⁰⁷

The CJEU considers a “normally informed and reasonably attentive internet user”¹¹⁰⁸ or a “reasonably well-informed and reasonably observant internet user”¹¹⁰⁹ as the yardstick for determining whether there is an adverse effect on the origin function or a likelihood of confusion.¹¹¹⁰ In *Interflora v. M&S*,¹¹¹¹ the CJEU observed that “[...] the relevant public comprises reasonably well-informed and reasonably observant internet users. Therefore, the fact that some internet users may have had difficulty grasping that the service provided by M & S is independent from that of Interflora is not a sufficient basis for a finding that the function of indicating origin has been adversely affected.”¹¹¹²

The CJEU’s definition excludes ignorant or careless Internet users.¹¹¹³ By refusing to remedy the smallest amount of confusion, Internet users have the opportunity to learn that third party advertisements occur on search engine websites. This may reduce the likelihood of confusion for the future.¹¹¹⁴

When setting a normative standard regarding the level of knowledge and attention that can be expected of the relevant consumer in keyword cases, account should be taken of all the interests, values,

¹¹⁰⁷ See also Dogan & Lemley 2004, 836 (“[...] even if some unremedied confusion may exist because some consumers believe that trademark holders approve every ad keyed to their trademark, this is a situation in which trademark law should set - rather than respond to - norms. [...]).

¹¹⁰⁸ See, e.g., *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 84, 90.

¹¹⁰⁹ See *L’Oréal v. eBay*, ECLI:EU:C:2011:474 (CJEU case C-324/09 July 12, 2011), para. 94 et seq.; and *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 44 et seq.

¹¹¹⁰ See *Bergspechte v. trekking.at*, ECLI:EU:C:2010:163 (CJEU case C-278/08 Mar 25, 2010), para. 39.

¹¹¹¹ ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011).

¹¹¹² See *Interflora v. M&S*, *id.* at para. 50.

¹¹¹³ As *Jacob LJ* already noted in *Reed Executive v. Reed Business Information*, [2004] EWCA (Civ) 159 (Mar 3, 2004), para. 82: “[...] to confuse only the careless or stupid is not enough.”

¹¹¹⁴ *Dreyfuss* argued that it is impossible to completely eliminate confusion, and that the law should tolerate a certain amount of it. She also explained that consumers generally recognise information deficits, which encourages them to look for more information, e.g., regarding the trade mark holder or alternative products, and that they have various techniques for reducing confusion, such as reliance on context. She reasoned that designing the law to protect the reasonable consumer could encourage individuals to deal with ambiguity, which would provide trade mark holders with surer protection and give greater freedom to those who use their marks expressively. See *Dreyfuss* 2008, 285-286, 290, 292. See also *Landes & Posner* 2003, 205 and *Landes & Posner* 1987, 305-306 (“[...] The focus on the ordinarily prudent consumer allows for the possibility that the lowest-cost avoider of confusion may be the consuming public itself [...]”); *McKenna* 2012, 138 (suggesting respect for consumer autonomy resulting in less protection in close cases, e.g., concerning new practices such as keyword advertising); and *Rothman* 2005, 181 (arguing that courts should focus on the reasonably prudent potential purchaser, and that they should keep in mind that as users become more familiar with new technology, it will become less likely that they will be confused).

rights and policy objectives involved in this practice.¹¹¹⁵ These have been examined above¹¹¹⁶ and will be reverted to in the remaining part of this chapter.

4.3.3 *Relevance of Product Category*

The perception of the marks by the average consumer of “the goods or services in question” normally plays a decisive role in the global appreciation of the likelihood of confusion.¹¹¹⁷ In its keyword decisions, the CJEU did not mention this.¹¹¹⁸ Instead of focussing on the average consumer of a specific product category, the Court concentrated on the “Internet user”. This does not mean that the type of products should completely be excluded when determining the likelihood of confusion in keyword advertising cases. The product category could be regarded as one of the relevant circumstances of the case. It could, for instance, play a role in assessing whether the targeted group of consumers knows the advertiser as being a competitor of the trade mark owner. Empirical research is lacking on whether the level of attention of Internet users at the moment of viewing an ad depends on the product they are searching for.

4.4 *Transparency Requirement*

According to the CJEU, a likelihood of confusion exists in keyword cases when the ad suggests an economic link between the advertiser and the trade mark owner, or when the ad is too vague to enable normally informed and reasonably attentive Internet users to determine whether the advertiser is a third party or (economically linked to) the trade mark owner.¹¹¹⁹ This “transparency” requirement has already

¹¹¹⁵ *Patten and Kitchin LLJ and Sir Colin Rimer* defined that the average consumer was “[...] a person who has been created to strike the right balance between various competing interests, including, on the one hand, the need to protect consumers and, on the other hand, the promotion of free trade in an openly competitive market [...]”. See *Interflora v. M&S*, [2014] EWCA (Civ) 1403 (Nov 5, 2014), para. 113.

¹¹¹⁶ See *supra*, chapter 2.

¹¹¹⁷ See *supra*, fn. 1072.

¹¹¹⁸ In its conclusion to *Interflora v. M&S*, Advocate General Jääskinen was of the opinion that the nature of the goods or services protected by the trade mark had to be taken into account in the analysis of an adverse effect on the origin function. He referred to the special situation in dispute of a well-known commercial network of independent florists providing a uniform flower delivery service. See *Interflora v. M&S*, ECLI:EU:C:2011:173 (AG Jääskinen case C-323/09 Mar 24, 2011), para. 43-48. However, this circumstance seemed to rather concern the organisational structure of the plaintiff’s business than the type of products.

¹¹¹⁹ See *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 84, 89-90 (with regard to the adverse effect on the origin function, confirmed in later judgments). For the likelihood of confusion, see *Bergspechte v.*

been introduced above.¹¹²⁰ This section will explore whether it is appropriate and how it should be interpreted.

4.4.1 *An Adequate Compromise*

The Court's transparency requirement in keyword advertising cases forms a balance between the interests of trade mark owners, advertisers and consumers. In addition, it takes account of the rationales for trade mark protection as well as the principles, rights and policy aims involved.¹¹²¹

The transparency requirement protects the origin function of the trade mark and reduces search costs in accordance with the prevailing justification for trade mark law. By stipulating clarity regarding the origin of the ad, consumers are prevented from wrongly assuming that the advertised products are offered by the trade mark owner or with its consent. Clearly identifying the advertiser may be regarded as fair market behaviour, which prevents misappropriation of the trade mark's goodwill by misleading the public. The transparency requirement furthermore safeguards the general interest in a transparent market and corresponds with EU rules to foster confidence in cross-border e-commerce.

At the same time, the use of third party trade mark keywords continues to be permissible in principle, which reduces entry barriers and enhances product choice and competition. This counterbalances the market power of trade mark owners and reduces anti-competitive tendencies to the benefit of consumer welfare and economic efficiency.

A compromise is also achieved from a human rights perspective. The trade mark owner's right to property is respected by protecting the trade mark against detriment to its essential function. Advertisers' and consumers' fundamental freedoms to impart and receive (commercial) information are recognised as well. Third party trade marks may still be applied as keywords to inform consumers about alternative products as long as the ad is not deceptive. As a result, a high level of consumer protection, specifically in terms of consumers' economic interests and their right to information, is established.

Before the judgments by the CJEU, there existed substantial disagreement regarding the assessment of third party trade mark use in keyword advertising cases.¹¹²² It will be demonstrated below that courts still have somewhat diverging views.¹¹²³ In order to ensure legal certainty and a well-functioning internal

trekking.at, ECLI:EU:C:2010:163 (CJEU case C-278/08 Mar 25, 2010), para. 39-41 (confirmed in *Portakabin v. Primakabin*, ECLI:EU:C:2010:416 (CJEU case C-558/08 July 8, 2010), para. 52-54).

¹¹²⁰ See *supra*, section 3.5.7.5.

¹¹²¹ See *supra*, chapter 2.

¹¹²² See *supra*, section 3.7.

¹¹²³ See *infra*, section 4.6.

market, it is essential that the transparency requirement is applied in a coherent manner among the Member States.

4.4.2 Ad Text

The CJEU's test puts a strong focus on the text of the ad. A likelihood of confusion is established if the ad suggests an economic link with the trade mark proprietor,¹¹²⁴ or if the ad is vague about potential connections with the trade mark proprietor.¹¹²⁵ The question of the likelihood of confusion depends in particular on the manner in which the ad is presented.¹¹²⁶ The text of the ad must be clear about the origin of the goods or services.¹¹²⁷ Moreover, the CJEU explicitly referred to Art 6 ECD, which requires that the natural or legal person on whose behalf a commercial communication which is part of an information society service is made shall be clearly identifiable.¹¹²⁸

In view of the CJEU's considerations, the ad text should be carefully analysed to assess the likelihood of confusion. Empirical research has indeed shown that searchers pay attention to the content of the ad.¹¹²⁹ The absence of the disputed trade mark and the mentioning of the advertiser's own identity could suggest that a likelihood of confusion should be denied.¹¹³⁰ However, some courts have still found a likelihood of confusion in such situations. These courts required the advertisers to clarify in the ad text that they were third parties without economic connections with the trade mark owner.¹¹³¹

It is difficult to imagine how the little space available in the ad text¹¹³² could contain an explicit denial of economic connections with the trade mark owner. In this regard, *Henning-Bodewig* argued that Art 7(3) of the Unfair Commercial Practices Directive, which states that the limitations of the medium shall

¹¹²⁴ See *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 89.

¹¹²⁵ See *Google v. Louis Vuitton*, *id.* at para. 90.

¹¹²⁶ See *Google v. Louis Vuitton*, *id.* at para. 83.

¹¹²⁷ The CJEU requires the identity of the advertiser to be ascertainable "on the basis of the advertising link and the commercial message attached thereto". See *Google v. Louis Vuitton*, *id.* at para. 90. The CJEU assumes that Internet users could be confused about the origin of the products since the ad is triggered immediately after entering the trade mark as a search term. See *Google v. Louis Vuitton*, *id.* at para. 85.

¹¹²⁸ See *Google v. Louis Vuitton*, *id.* at para. 86.

¹¹²⁹ See *supra*, section 4.3.1.3.

¹¹³⁰ See Goldman 2009, 410 (adding that even without the display of the advertiser's own brand, we should not automatically assume consumer confusion).

¹¹³¹ See *infra*, section 4.6 for a discussion of national court decisions.

¹¹³² See *supra*, fn. 18.

be taken into account,¹¹³³ also had to be considered with regard to the transparency requirement in trade mark law. Due to the limited length of the ads, *Henning-Bodewig* observed that indirect indications in the ad accordingly became more important, for instance, the non-use of the disputed trade mark or the use of one's own mark. The same applied to indications external to the ad, such as the heading "Ads" ("Anzeigen").¹¹³⁴ Requiring an express clarification that the advertiser was not connected to the trade mark owner furthermore contradicted the concept of transparency in unfair competition law, according to *Henning-Bodewig*. She reasoned that the CJEU expected considerable knowledge and attention from the average consumer under unfair competition law. There was no reason why consumer perceptions should be different in the Internet context or under trade mark law.¹¹³⁵

In line with the compromise described above,¹¹³⁶ it can be expected that the advertiser is clearly identified in the ad to enhance market transparency and reduce search costs. However, requiring an explicit clarification in the ad that there exist no economic links with the trade mark owner nearly makes the use of third party trade marks as keywords impossible. Such a result would contradict the benefits of this practice in terms of freedom of information, consumer choice and competition.¹¹³⁷ It would also stand in contrast with the CJEU's intention to principally allow the use of third party trade marks as keywords.¹¹³⁸ Therefore, an explicit denial of economic connections with the trade mark owner should usually not be required in keyword ads.¹¹³⁹

¹¹³³ Art 7(3) UCPD reads: "Where the medium used to communicate the commercial practice imposes limitations of space or time, these limitations and any measures taken by the trader to make the information available to consumers by other means shall be taken into account in deciding whether information has been omitted."

¹¹³⁴ See *Henning-Bodewig* 2011, 596.

¹¹³⁵ See *Henning-Bodewig* 2011, 597.

¹¹³⁶ See *supra*, section 4.4.1.

¹¹³⁷ See also *Bednarz* 2011, 662 (arguing that as long as the advertisers do not claim a connection with the trade mark owner, the presentation of alternatives to the trade marked goods or services provides greater consumer choice).

¹¹³⁸ See *supra*, section 3.8.4. The CJEU's intention can be derived from various considerations, e.g., the fact that the CJEU did not determine that keyword use typically constitutes an adverse effect on the origin function/likelihood of confusion; the CJEU's refusal to hold the search engine primarily liable; the CJEU's denial of an adverse effect on the advertising function; its restrictive interpretation of an adverse effect on the investment function and of the requirements under Art 10(2)(c) TMD (see *infra*, chapter 5); and explicit indications in the judgments, such as in para. 57-58 of *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), where it is stated that the purpose of a trade mark is not to protect its proprietor against practices inherent in competition, and that the use of trade marks in keyword advertising constitutes such a practice in that its aim, as a general rule, is merely to offer Internet users alternatives to the products of the trade mark proprietors.

¹¹³⁹ Except in special cases, e.g. in *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 51-52, the CJEU suggested that, if it was not generally known that M&S's service was not part of the Interflora network but rather a competitor, an indication from the advertiser could be necessary to clarify that M&S was not one of the various connected retailers.

4.4.3 Labelling and Graphical Separation of Ads

Art 6 of the E-Commerce Directive, which the CJEU invoked to substantiate its transparency requirement under trade mark law, does not just require that the advertiser is clearly identifiable. It additionally postulates that “the commercial communication shall be clearly identifiable as such”.¹¹⁴⁰ The CJEU did not explicitly discuss the fact that the ads on Google were labelled and graphically separated from the algorithmic search results. Preliminary questions asked by the national courts in this respect were ignored by the CJEU.¹¹⁴¹ The CJEU merely acknowledged that the ads in dispute were displayed in the “sponsored links” section.¹¹⁴²

Considering the fact that the CJEU did not expressly address the separation and designation of the advertisements, this factor may not be of major importance in deciding the likelihood of confusion question. The transparency test of the CJEU concerns confusion regarding potential economic connections between the advertiser and the trade mark owner. It does not concern confusion regarding the distinction between ads and algorithmic search results. That this distinction is perceived by consumers as insufficiently clear has been suggested in an empirical study.¹¹⁴³ However, rather than by trade mark law, transparency in this regard may better be achieved by special rules on the separation of advertisements from other content. These will be analysed below in this book.¹¹⁴⁴ As a result, the liability of the advertiser would only be assessed on the basis of the text of the ad, on which he actually has an influence. The identification of the ads as commercial communications would fall within the responsibility of the search engine operator.

4.5 Pre Sale Confusion and Initial Interest

The CJEU’s determination to assess the likelihood of confusion in keyword cases at the stage at which a consumer is confronted with the advertisement, that is, at a point in time preceding the actual buying decision, has been qualified by some as the legal recognition of the doctrine of “initial interest

¹¹⁴⁰ See Art 6(a) ECD.

¹¹⁴¹ See *supra*, fn. 721.

¹¹⁴² See *Bergspechte v. trekking.at*, ECLI:EU:C:2010:163 (CJEU case C-278/08 Mar 25, 2010), para. 43; and *Portakabin v. Primakabin*, ECLI:EU:C:2010:416 (CJEU case C-558/08 July 8, 2010), para. 38.

¹¹⁴³ See *supra*, section 4.3.1.4.

¹¹⁴⁴ See *infra*, section 8.4.

confusion”. For instance, *Arnold J* in the case *Och-Ziff v. OCH Capital*,¹¹⁴⁵ concluded after an analysis of, *inter alia*, the CJEU keyword decisions *Bergspechte v. trekking.at*¹¹⁴⁶ and *Portakabin v. Primakabin*,¹¹⁴⁷ that initial interest confusion was actionable under Art 9(2)(b) EUTMR (Art 10(2)(b) TMD).¹¹⁴⁸ He defined initial interest confusion as follows:

[...] confusion on the part of the public as to the trade origin of the goods or services in relation to which the impugned sign has been used arising from use of the sign prior to purchase of those goods or services, and in particular confusion arising from use of the sign in advertising or promotional materials. [...]¹¹⁴⁹

Defined in this way, it seems correct to regard confusion caused by a vague advertisement as initial interest confusion. However, it will be argued here that a clear distinction should be made between actual confusion arising prior to the point of sale and the mere diversion of consumers to another product by attracting initial interest.

4.5.1 US Origin

The doctrine of initial interest confusion has been developed by US courts.¹¹⁵⁰ It was recognised for the first time in 1975 by the Second Circuit in the case *Grottrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*,¹¹⁵¹ which concerned the use of two somehow similar marks for pianos: “Steinway” and “Grottrian-Steinweg”. Although consumers were not confused when actually purchasing a piano, the Second Circuit acknowledged the harm of “initial confusion” since the mark Grottrian-Steinweg could attract Steinway customers, thinking that there was some connection between Grottrian-Steinweg and Steinway pianos.¹¹⁵²

In another case, from 1987, which has often been referred to as supporting the doctrine of initial interest confusion, *Mobil Oil Corp. v. Pegasus Petroleum Corp.*,¹¹⁵³ the Second Circuit found the

¹¹⁴⁵ [2010] EWHC 2599 (Ch) (Oct 20, 2010).

¹¹⁴⁶ ECLI:EU:C:2010:163 (CJEU case C-278/08 Mar 25, 2010).

¹¹⁴⁷ ECLI:EU:C:2010:416 (CJEU case C-558/08 July 8, 2010).

¹¹⁴⁸ See *Och-Ziff v. OCH Capital*, [2010] EWHC 2599 (Ch) (Oct 20, 2010), para. 79-101.

¹¹⁴⁹ See *Och-Ziff v. OCH Capital*, *id.* at para. 87.

¹¹⁵⁰ For a brief history of initial interest confusion, see also Rothman 2005, 114-121 (heavily criticising this doctrine in her article).

¹¹⁵¹ 523 F.2d 1331 (2d Cir. July 9, 1975).

¹¹⁵² See *Grottrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, *id.* at 1342.

¹¹⁵³ 818 F.2d 254 (2d Cir. May 4, 1987).

defendant, Pegasus Petroleum, to infringe Mobil's well known "flying horse" mark by adopting the mark "Pegasus". Referring to *Grotrian*, the Second Circuit considered that the probability of potential purchasers being misled into an "initial interest" in Pegasus Petroleum constituted a sufficient trade mark injury. Even though the sophistication of the oil trading market made it unlikely that a third party would do business with Pegasus Petroleum, believing it related to Mobil, the court found it relevant that Pegasus Petroleum would gain "crucial credibility during the initial phases of a deal", for instance, during a phone call.¹¹⁵⁴

Despite these two precedents, the doctrine of initial interest confusion had rarely been applied by the courts until the 1990s.¹¹⁵⁵ The meta tag case *Brookfield Communications Inc. v. West Coast Entertainment Corp.*¹¹⁵⁶ finally caused the doctrine to expand and spread to nearly every federal circuit.¹¹⁵⁷

4.5.2 Differentiate Between Pre Sale Confusion and Initial Interest

In *Rothman*'s opinion, the likelihood of consumers being distracted, interested, diverted or attracted to another product should not constitute a trade mark infringement. An infringement should only be found when consumers are likely to be confused, even if this occurs prior to the time of sale. *Rothman* therefore suggested eliminating the doctrine of initial interest confusion and replacing it with pre sale confusion.¹¹⁵⁸

In the keyword advertising context, initial interest may arise when a consumer, after a search for a certain trade mark, is confronted with a third party ad which attracts his attention. Without assuming economic connections between the advertiser and the trade mark owner, the consumer may wish to click on the ad to explore the advertiser's website. Confusion before the point of sale may happen if the consumer believes that the advertiser is the trade mark proprietor itself or an undertaking economically linked to it. If the consumer, by clicking on the link to the advertiser's website, finds out that the advertiser is actually a third party, he is not confused anymore at the point of sale. He may nonetheless have become interested in the advertiser's products.

¹¹⁵⁴ See *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, *id.* at 259-260.

¹¹⁵⁵ See Rothman 2005, 117.

¹¹⁵⁶ 174 F.3d 1036 (9th Cir. Apr 22, 1999). See *infra*, section 4.7.1.

¹¹⁵⁷ See Rothman 2005, 117-118.

¹¹⁵⁸ See Rothman 2005, 179.

The CJEU's likelihood of confusion test in keyword cases prevents pre sale confusion by requiring transparency regarding the advertiser's identity in order to enable Internet users to determine whether the advertiser is a third party or (economically linked to) the trade mark owner. The Court's transparency requirement has already been supported above for various reasons.¹¹⁵⁹

The informational and competitive benefits of the use of third party trade marks as keywords can only be achieved if the yardstick of the relevant consumer is set at the appropriate level. A small amount of confusion among some consumers may need to be accepted in view of other values.¹¹⁶⁰ *Rothman* correctly argued that *de minimis* pre sale confusion should not be actionable in order to give competitors sufficient freedom to compete and to express themselves without fear of liability. Moreover, she observed that pre sale confusion is not likely to significantly harm consumers or trade mark holders since there is still time for the confusion to be remedied.¹¹⁶¹ If a search engine user accidentally clicks on a third party's link, he can still easily and quickly click back to the search page.¹¹⁶²

Several scholars have expressed concerns with regard to prohibiting third parties to benefit from a mark's goodwill by attracting initial consumer attention.¹¹⁶³ This could limit the presentation of competitive products in advertising with prejudice to the flow of consumer information.

The CJEU does not in general ban the use of third party trade mark keywords by advertisers in order to grab the attention of the Internet users. As long as the ad is not confusing, the diversion of potential purchasers of the trade marked product to the advertiser's website cannot be enjoined.¹¹⁶⁴ The Court thus seems to distinguish between pre sale confusion and initial interest in line with *Rothman's* proposal. As a consequence, it may be held that the CJEU has not recognised the doctrine of initial interest confusion,¹¹⁶⁵ although it has recognised the possibility of a likelihood of confusion due to a lack of transparency in a phase preceding the purchasing decision.

¹¹⁵⁹ See *supra*, section 4.4.1.

¹¹⁶⁰ See *supra*, fn. 122.

¹¹⁶¹ See Rothman 2005, 181-182. *Rothman* helpfully suggested that in evaluating whether pre sale confusion was merely *de minimis*, courts had to consider a consumer's likely expenditure of time and money as a result of the pre sale confusion. *McKenna* argued that initial deception should only be actionable where it led consumers to make significant investments of time or money. See McKenna 2012, 129-130.

¹¹⁶² See Goldman 2005, 520-521 (noting that a searcher's costs to change an Internet search are trivial and compare very favourably to offline searches).

¹¹⁶³ See Austin 2008, 378, fn. 41; Bone 2006, 612-614; Burrell & Gangjee 2010, 555; Dogan & Lemley 2004, 813-837; Gilliéron 2008, 692 et seq.; Goldman 2008, 425-426; Goldman 2005, 573-574; McKenna 2012, 128-131; McKenna 2007, 1906-1907; Moskin 2008, 893-898; and Rothman 2005, 135-136.

¹¹⁶⁴ For indications of the CJEU's intention to principally allow the use of third party trade marks as keywords, see *supra*, fn. 1138.

¹¹⁶⁵ This depends of course on the definition of initial interest confusion. If the definition merely requires capturing initial attention (as, e.g., in *Brookfield Communications Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. Apr 22,

4.6 National Jurisprudence

This section will explore how the national courts of the Netherlands, Germany, the UK, France and Austria have applied the CJEU's guidance with regard to the likelihood of confusion/adverse effect on the origin function analysis.¹¹⁶⁶ As will be seen, there still exist divergences among the courts in this regard. This causes legal uncertainty and obstacles to the free movement of goods and services within the internal market. At the end of this chapter, the national courts' approaches will be evaluated on the basis of the principles advocated above.

4.6.1 Netherlands

4.6.1.1 *Tempur v. Medicomfort (Hof Den Haag 2011)*

In the case *Tempur v. Medicomfort*,¹¹⁶⁷ mattress manufacturer and distributor Tempur sued its competitor Medicomfort for using the "Tempur" trade mark as a keyword. One of the disputed ads, which appeared both on the right and on top of the algorithmic search results, read as follows:¹¹⁶⁸

Need a New Mattress?

MedicomfortMatras.nl Order Medicomfort Mattress. Up to 40% Cheaper than the other Top brands!

On November 22, 2011, the Court of Appeal in The Hague expressed its view that the relevant consumer knew that, when searching for a trade mark on the Google website, not only search results linked to the trade mark holder appeared but also ads of third parties, both on the right side of the screen and above the natural search results.¹¹⁶⁹ It had not been demonstrated that the manner in which the ad of Medicomfort was presented made it impossible or difficult for the relevant consumer to know whether

1999), 1062), the CJEU has not recognised the doctrine. However, if the definition requires confusion (as, e.g., in *Och-Ziff v. OCH Capital*, [2010] EWHC 2599 (Ch) (Oct 20, 2010), para. 87), the CJEU has recognised it. See Rothman 2005, 121 for the distinction between these two definitions.

¹¹⁶⁶ The most interesting and representative decisions were selected for discussion in this section without intending to provide a comprehensive account of all the decisions rendered.

¹¹⁶⁷ [2011] ECLI:NL:GHSGR:2011:BU6275 (Hof Den Haag Nov 22, 2011).

¹¹⁶⁸ Similar ads were in dispute as well, but the court did not distinguish between them.

All the ads presented in this book were, if necessary, translated by the author and reconstructed as far as possible on the basis of the facts described in the judgment, information found in lower court decisions or on the Internet, and the general design of search engine ads. The search term, if it occurs in the ad, is usually shown in bold in the ad text.

¹¹⁶⁹ See *Tempur v. Medicomfort*, [2011] ECLI:NL:GHSGR:2011:BU6275 (Hof Den Haag Nov 22, 2011), para. 17.

the goods or services referred to in the ad originated from Tempur or an undertaking economically connected with Tempur or rather from a third party.¹¹⁷⁰ According to CJEU case law, the advertiser was not required to explicitly state in the ad itself that it was in no way connected with the trade mark holder. The ads in question did not suggest an economic connection between the advertiser and Tempur. Nor were they so vague that the Internet user was not able to infer from them who offered the mattresses. On the contrary, it was likely that the relevant consumer would regard the ad of Medicomfort as the offering of an alternative by a competitor of Tempur.¹¹⁷¹ The use of the indication “Medicomfort”, with capital letter, and the URL “MedicomfortMatras.nl” made it sufficiently clear that the advertiser called itself Medicomfort. Furthermore, the mattress offered was compared with “the other top brands”, while the average consumer knew that Tempur was such a top brand. Finally, the indication “tempur” did not occur in the ad itself.¹¹⁷² For these reasons, the origin function was not liable to be prejudiced by the use of the keyword in dispute.¹¹⁷³

4.6.1.2 *SEB v. Philips (Rb. Den Haag 2013)*

On January 23, 2013, the District Court in The Hague, while citing the Court of Appeal’s decision in *Tempur v. Medicomfort*,¹¹⁷⁴ denied an adverse effect on the origin function in the case *SEB v. Philips*.¹¹⁷⁵ The parties both offered fryers based on hot air technology. Philips had selected SEB’s trade marks “Tefal” and “ActiFry” as keywords. These triggered the following ad on top of the search results:

Tip: Fryer without oil | philips.nl
Prepare your food with 80% less fat

¹¹⁷⁰ The CJEU keyword decisions in the Dutch version speak of “onmogelijk of moeilijk maakt om te weten”, which means “make it impossible or difficult to know”. The English text does not contain the word “impossible” but says “does not enable, or enables only with difficulty, to ascertain”. See, e.g., *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 84: “The function of indicating the origin of the mark is adversely affected if the ad does not enable normally informed and reasonably attentive internet users, or enables them only with difficulty, to ascertain whether the goods or services referred to by the ad 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 same applies to the French version, being the language of proceedings: “Il y a atteinte à la fonction d’indication d’origine de la marque lorsque l’annonce ne permet pas ou permet seulement difficilement à l’internaute normalement informé et raisonnablement attentif de savoir si les produits ou les services visés par l’annonce proviennent du titulaire de la marque ou d’une entreprise économiquement liée à celui-ci ou, au contraire, d’un tiers [...]” (emphasis added).

¹¹⁷¹ See *Tempur v. Medicomfort*, [2011] ECLI:NL:GHSGR:2011:BU6275 (Hof Den Haag Nov 22, 2011), para. 18.

¹¹⁷² See *Tempur v. Medicomfort*, *id.* at para. 19.

¹¹⁷³ See *Tempur v. Medicomfort*, *id.* at para. 21.

¹¹⁷⁴ [2011] ECLI:NL:GHSGR:2011:BU6275 (Hof Den Haag Nov 22, 2011).

¹¹⁷⁵ [2013] IEPT 0123 (Rb. Den Haag Jan 23, 2013).

With the new Philips Fryer
www.philips.nl/airfryers

In the opinion of the court, the ad and the manner in which it was presented did not give the impression that it originated from SEB or a related undertaking, or that it concerned a product of SEB. Nor was it vague to such an extent that the Internet user was not able not determine from whom the ad originated or who offered the products mentioned therein.¹¹⁷⁶

4.6.1.3 *Otto Ooms v. Practicomfort (Rb. Den Haag 2013)*

The District Court in The Hague found a trade mark infringement on April 18, 2013, in the interim case *Otto Ooms v. Practicomfort*.¹¹⁷⁷ Plaintiff Otto Ooms produced stairlifts under the trade mark “Otolift”. Practicomfort sold stairlifts from other producers through its website “www.traplift.nl” (“traplift” means stairlift). It had booked “otolift” as a keyword for the following ads:

Otolift – Tip: Largest Stairlift Choice – Traplift.nl

www.traplift.nl/

Find Otolift at Traplift.nl

Stairlift Models – Give advice – Non-binding offer – Request Brochure

Buy stairlift – Traplift.nl

www.traplift.nl/

Tip: temporarily 10 % discount on all Stairlift models from 2012!

Stairlift Models – Give advice – Non-binding offer – Request Brochure

The court found that the normally informed and reasonably attentive Internet user could believe that the stairlifts offered in the first ad originated from the plaintiff or a connected undertaking. This had even explicitly been acknowledged by the defendant. The court therefore found the origin function to be adversely affected.¹¹⁷⁸ The same applied to the second ad since it was impossible or difficult for the average Internet user to determine whether the advertised stairlifts originated from the plaintiff or an economically linked undertaking or, on the contrary, from a third party. The text of the ad was

¹¹⁷⁶ See *SEB v. Philips, id.* at para. 4.10.

¹¹⁷⁷ [2013] IEF 12581 (Vzr. Rb. Den Haag Apr 18, 2013).

¹¹⁷⁸ See *Otto Ooms v. Practicomfort, id.* at para. 4.5.

considered too vague since it contained only generic indications of stairlifts, which could refer to both stairlifts from the trade mark owner and from third parties. The ad did not clarify in any manner that Practicomfort did not sell stairlifts of Otto Ooms, but that it offered an alternative existing of stairlifts from third parties.¹¹⁷⁹ By referring to the CJEU’s emphasis on the advertisement, the court rejected Practicomfort’s argument that a visit to its website would clarify that it offered alternatives to “Otolift” stairlifts.¹¹⁸⁰

4.6.1.4 *Serbo Serres v. Luxlight (Rb. Overijssel 2015)*

On March 17, 2015, the District Court in Overijssel denied a trade mark infringement in preliminary proceedings in the dispute *Serbo Serres v. Luxlight*.¹¹⁸¹ The defendant’s ad appeared after a search for a combination of the plaintiff’s trade mark “Luminus” with the term “lichtstraat” (skylight). It looked like this:

Luminus Lichtstraat? – Specialist in skylights – luxlight.nl

Adv. www.luxlight.nl/lichtstraat ▼ 0402070124

Safe, durable and tailor-made!

Skylights Flat roof windows

Light domes Request Documentation

Through the AdWords tool “Keyword Insertion”, the phrase “Luminus Lichtstraat?” had been added automatically on top of the ad text. The court determined that Luxlight had not used the trade mark as a keyword. Even if this had been the case, the court considered that the ad clearly referred to Luxlight so that there was no confusion of the Internet user regarding the advertiser.¹¹⁸²

4.6.1.5 *Noosa v. Desir (Rb. Den Haag 2016)*

On February 24, 2016, the District Court in The Hague rejected a trade mark infringement claim in *Noosa v. Desir*.¹¹⁸³ Noosa and Desir both sold jewelry online, including so-called “chunks”, which could

¹¹⁷⁹ See *Otto Ooms v. Practicomfort*, *id.* at para. 4.7-4.8.

¹¹⁸⁰ See *Otto Ooms v. Practicomfort*, *id.* at para. 4.9.

¹¹⁸¹ [2013] ECLI:NL:RBOVE:2015:1350 (Vzr. Rb. Overijssel Mar 17, 2015).

¹¹⁸² See *Serbo Serres v. Luxlight*, *id.* at para. 4.6.

¹¹⁸³ [2016] ECLI:NL:RBDHA:2016:1831 (Rb. Den Haag Feb 24, 2016).

be connected to bracelets and belts. Desir used the mark “Noosa” as a keyword to trigger the following ad:

Cheap Chunks® online

www.desir.nl/ ▼

These chunks (press studs) also fit the **Noosa** bracelets and belts

According to the court, there was no adverse effect on the origin function of the “Noosa” marks. It was not impossible or difficult for the Internet user to ascertain that the advertised services originated from Desir. The ad text made it sufficiently clear that Desir offered chunks compatible with those of Noosa, which did not originate from Noosa.¹¹⁸⁴ In addition, Desir’s use of the mark qualified as a use to indicate the intended purpose of the product under Art 14(1)(c) EUTMD¹¹⁸⁵ and Art 12(1)(c) EUTMR. The requirement of a use “in accordance with honest practices in industrial or commercial matters” was fulfilled.¹¹⁸⁶

4.6.1.6 Fleurop v. Topbloemen (Rb. Den Haag 2016)

An adverse effect on the origin function and a likelihood of confusion were found on July 20, 2016, by the District Court in The Hague in the case *Fleurop v. Topbloemen*.¹¹⁸⁷ Topbloemen was sued by Fleurop for using its trade marks as keywords to trigger ads for a competing flower delivery network. None of the ads mentioned Fleurop and they all stated the domain “www.topbloemen.nl”, for instance:

Flower delivery

Order flowers from €11,95. Order quickly!

Direct ordering, quick delivery – Before 1 p.m. same day delivery – Roses

www.topbloemen.nl

¹¹⁸⁴ See *Noosa v. Desir, id.* at para. 4.46.

¹¹⁸⁵ Art 2.23(1) BVIE.

¹¹⁸⁶ See *Noosa v. Desir*, [2016] ECLI:NL:RBDHA:2016:1831 (Rb. Den Haag Feb 24, 2016), para. 4.47.

¹¹⁸⁷ [2016] ECLI:NL:RBDHA:2016:8293 (Rb. Den Haag July 20, 2016).

The court took the CJEU's *Interflora v. M&S*¹¹⁸⁸ decision as guidance.¹¹⁸⁹ The present dispute also concerned a network composed of a large number of retailers which varied greatly in terms of size and commercial profile.¹¹⁹⁰ After assessing the evidence, the court concluded that the relevant consumer was not aware on the basis of his general knowledge of the market that Topbloemen offered a competing flower delivery network.¹¹⁹¹ The court found it difficult for the relevant public to determine whether the advertised flowers originated from Fleurop or one of its competitors. Hence, the origin function was adversely affected.¹¹⁹² The court considered that the ads did not expressly mention that Topbloemen was a flower delivery network.¹¹⁹³ The Fleurop florists also offered their services by using their own domain or company name. The name Topbloemen(.nl) did not differ in its nature from those of the Fleurop florists.¹¹⁹⁴

4.6.2 Germany

4.6.2.1 *Erotikartikel (OLG Frankfurt a.M. 2010)*

The Court of Appeal (Oberlandesgericht: OLG) Frankfurt am Main decided on December 9, 2010, in a case concerning adult products, *Erotikartikel*,¹¹⁹⁵ that the particular use of a trade mark keyword by a competitor impaired the origin function. According to the Court of Appeal's interpretation of the CJEU's guidance, the content of the ad had to plainly clarify to the average user that - contrary to the user's expectation arising from the entry of the trade mark as a search term - no goods or services from the trade mark holder or an economically connected undertaking were offered. According to the court, even though the parties were both famous competitors in adult products, the possibility that the advertiser could also procure and offer for sale to its customers goods bearing the disputed trade mark was not excluded. The court emphasised that, pursuant to the jurisprudence of the CJEU, the advertiser carried the risk of ambiguities concerning the character of the advertisement.¹¹⁹⁶

¹¹⁸⁸ ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011).

¹¹⁸⁹ See *Fleurop v. Topbloemen*, [2016] ECLI:NL:RBDHA:2016:8293 (Rb. Den Haag July 20, 2016), para. 4.6.

¹¹⁹⁰ See *id.* at para. 4.8.

¹¹⁹¹ See *id.* at para. 4.15.

¹¹⁹² See *id.* at para. 4.21.

¹¹⁹³ See *id.* at para. 4.17.

¹¹⁹⁴ See *id.* at para. 4.18.

¹¹⁹⁵ [2011] BeckRS 05155 (OLG Frankfurt a.M. Dec 9, 2010).

¹¹⁹⁶ See *Erotikartikel*, *id.*

4.6.2.2 *Bananabay II* (BGH 2011)

On January 13, 2011, the German Federal Supreme Court (Bundesgerichtshof: BGH) delivered its final judgment in the case *Bananabay II*.¹¹⁹⁷ The defendant had bought the trade mark of the claimant, “Bananabay”, as a keyword for an ad regarding the sale of competing erotic products. The ad, which was positioned in the separated advertisement section on the right side of the search results, read:

Erotic products for 0,00 €
Discount sales until 20.07.2006!
Savings up to 85% guaranteed
www.eis.de/erotikshop

After a repetition of the CJEU’s guidance, the BGH determined that the use of the trade mark in question was not a use as a mark since it did not prejudice the functions of the mark.¹¹⁹⁸ The BGH criticised the Braunschweig Court of Appeal for not sufficiently taking into consideration the labelling and positioning of the advertisements and their concrete design.¹¹⁹⁹ A normally informed and reasonably attentive Internet user would not assume that the ad originated from the trade mark owner or that there were economic connections between the parties.¹²⁰⁰ The circumstances listed by the BGH for its conclusion were the following: The disputed ad was shown in a clearly separated ad section under the heading “Ads” (“Anzeigen”). Neither the text of the ad, nor the link “www.eis.de/erotikshop”, contained a reference to the trade mark. In fact, the domain name identified a different sign (“eis”).¹²⁰¹

Consequently, the headnote to this judgment states that the use of a trade mark as a keyword does not constitute a use of the mark within the meaning of Art 10(2)(a) TMD¹²⁰² where the ad itself neither contains the sign, nor a reference to the trade mark holder or its products, but the indicated domain name in fact points to a different commercial origin.

¹¹⁹⁷ [2011] GRUR 828 (BGH Jan 13, 2011). Preliminary questions had been referred by the BGH to the CJEU in *Bananabay*, [2009] GRUR 498 (BGH Jan 22, 2009). See *supra*, section 3.7.2.1.3. The CJEU had replied to these questions in *Eis.de v. BBY*, ECLI:EU:C:2010:174 (CJEU case C-91/09 Mar 26, 2010). See *supra*, section 3.5.3.

¹¹⁹⁸ See *Bananabay II*, *id.* at para. 21. Interestingly, the BGH still used the terminology of “use as a mark”. See also para. 18.

¹¹⁹⁹ See *Bananabay II*, *id.* at para. 25.

¹²⁰⁰ See *Bananabay II*, *id.* at para. 26.

¹²⁰¹ See *Bananabay II*, *id.* at para. 27.

¹²⁰² § 14(2)(1) MarkenG.

4.6.2.3 *Impuls* (BGH 2011)

On the same day as *Bananabay II*, the BGH decided another keyword advertising case, *Impuls*,¹²⁰³ which had come from the Court of Appeal in Munich. This case concerned the use of the trade mark keyword “Impuls” by a competitor of the trade mark owner in the business of online price comparisons for health insurances. The defendant’s ad was placed on top of the search results page and read:

Insurance agent?

www.versicherungstools.de Take off now! We have Products, Leads, Software

Underneath this ad, the ad of the trade mark owner itself was shown:

Impuls Private Health Insurance Comparison

www.impulsonline.de Private Health insurances fast comparing & saving with **impuls**

The BGH determined that a sufficient factual basis was missing in this case for the finding of the Court of Appeal that the advertisement was not recognisable as such for the Internet user. The screenshot provided to the court by the trade mark owner was unclear in the sense that the right part of the screen was missing, and it was not in colour. Therefore, the case was remanded to the Court of Appeal to determine whether the link of the competitor was recognisable as an advertisement for the Internet user. The BGH noted that a separation from the search results could be established graphically or by means of colour as well as by an explicit designation as “Ad”.¹²⁰⁴

In addition, the BGH provided the Court of Appeal with the following instructions for the further proceedings: If it turned out that it remained unclear for the Internet user whether the ad of the competitor concerned a regular search result or a paid advertisement, it needed to be examined in a next step how the ad was designed. In that regard, it had to be considered that the trade mark “Impuls” did not occur in the ad itself. In particular, the fact that the domain name “versicherungstools.de” did not contain the term “Impuls” militated against the perception of an economic connection between the advertiser and the trade mark owner. This fact clearly distinguished the ad from the ad listed next, which referred to the domain name “impulsonline.de”.¹²⁰⁵

¹²⁰³ [2011] MMR 608 (CC Hoeren) (BGH Jan 13, 2011).

¹²⁰⁴ See *Impuls, id.* at para. 27.

¹²⁰⁵ See *Impuls, id.* at para. 30.

4.6.2.4 *B. v. E. Shop (OLG Düsseldorf 2011)*

Before publication of the BGH's final judgment in *Bananabay II*,¹²⁰⁶ the OLG Düsseldorf on April 18, 2011, found a trade mark infringement. Since the parties, again competitors in adult products, regarded the main proceedings as settled, they merely required a decision concerning the costs of the proceedings. The OLG assumed that the advertiser would have lost the case on the merits. It reasoned that Internet users expected to find ads for websites on which the trade marked products were sold when searching for the disputed trade mark. This could be different where a mark contained descriptive terms which were not eligible for protection. In such a case, the Internet user was more likely to find ads of third parties. According to the OLG, the ad in question did not exclude a connection with the trade mark owner.¹²⁰⁷ The disputed ad, which was shown in the ad section on the right side of the search screen, roughly looked like this:¹²⁰⁸

E. Shop & E. Shop

Savings up to 94% guaranteed

Shop TÜV certified!

Serious & discreet

E.de/_E.-Shop_&_E.-Shop

The OLG did not find the URL "E.de/_E.-Shop_&_E.-Shop" sufficient to identify the advertiser since it could not be assumed that the average Internet user was familiar with the name of this company.¹²⁰⁹

4.6.2.5 *Most-Pralinen (BGH 2012)*

The BGH on December 13, 2012, in *Most-Pralinen*¹²¹⁰ denied a likelihood of confusion overruling the OLG Braunschweig. A plaintiff owning the trade mark "Most" had raised a claim against a competitor in the sale of chocolate products because a search for "Most chocolates" had resulted in the display of the following ad of the competitor on the right side of the search engine screen:

¹²⁰⁶ [2011] GRUR 828 (BGH Jan 13, 2011). This judgment had not been published until July 19, 2011.

¹²⁰⁷ See *B. v. E. Shop*, [2012] MMR 121 (OLG Düsseldorf Apr 18, 2011), 122.

¹²⁰⁸ Without the abbreviations, which are due to anonymizing the decision.

¹²⁰⁹ See *B. v. E. Shop*, [2012] MMR 121 (OLG Düsseldorf Apr 18, 2011), 122.

¹²¹⁰ [2013] GRUR 290 (BGH Dec 13, 2012).

Chocolates

Wines, **Chocolates**, Fine food, Presents

Enjoy and make a gift!

www.feinkost-geschenke.de

The advertiser had not selected “Most” as a keyword. It had chosen the keyword “chocolates”, whereupon Google automatically generated the ad after a search query for “Most chocolates”. According to the BGH, by booking the default option “broad match”,¹²¹¹ the advertiser had additionally booked the terms added by Google, including “Most chocolates”. It would have been possible to exclude these terms, but this had not been done. Hence, the advertiser had also chosen the keyword “Most chocolates” for its advertising purposes.¹²¹²

Nonetheless, there was no detriment to the origin function of the mark.¹²¹³ The BGH reasoned that the disputed ad appeared in a clearly separated advertising section with the heading “Ads”. It did not contain a reference to the trade mark “Most”, the trade mark owner, or the products offered by the trade mark owner or with its consent. The ad merely contained generic terms and did not indicate the trade mark owner as the commercial origin of the products.¹²¹⁴

The BGH clarified that the ad did not need to indicate the absence of an economic connection between the advertiser and the mark holder. Furthermore, the fact that the domain name indicated in the ad referred to a different commercial origin was not a necessary condition but rather merely an additional ground for excluding detriment to the origin function. The mere fact that the ad described the products with generic terms could in principle not cause detriment to the origin function.¹²¹⁵ Despite the divergent judgments by the Austrian Supreme Court in *Bergspechte*¹²¹⁶ and by the French Supreme Court in the case *Google v. CNRRH*,¹²¹⁷ the BGH did not consider it necessary to refer this case back to the CJEU.¹²¹⁸

¹²¹¹ Broad match ensures that an ad is not only shown on a complete correspondence of the search term with the keyword but also if the search term is a variation of the keyword. If an advertiser does not want this, it can choose the “exact match” option. Google AdWords also provides a “negative keywords” option to exclude certain terms from triggering the ad. The various matching options and keyword suggestion tools, as well as their consequences for the applicability of the hosting exemption in Art 14 ECD, will be addressed in section 8.3.4.

¹²¹² See *MOST-Pralinen*, [2013] GRUR 290 (BGH Dec 13, 2012), para. 17.

¹²¹³ See *MOST-Pralinen*, *id.* at para. 21.

¹²¹⁴ See *MOST-Pralinen*, *id.* at para. 30.

¹²¹⁵ See *MOST-Pralinen*, *id.* at para. 28.

¹²¹⁶ [2011] GRUR Int 173 (CC Malte Müller) (OGH June 21, 2010). See *infra*, section 4.6.5.1.

¹²¹⁷ Case No. 06-15.136 (Cass. Comm. July 13, 2010). See *infra*, section 4.6.4.1.

¹²¹⁸ See *MOST-Pralinen*, [2013] GRUR 290 (BGH Dec 13, 2012), para. 31-33.

4.6.2.6 *Beate Uhse (BGH 2013)*

A dispute between, yet again, competitors in the field of erotic products was decided by the BGH on Feb 20, 2013, in the case *Beate Uhse*.¹²¹⁹ Defendant “eis.de” had selected the trade mark “Beate Uhse” for the following ad displayed in the column on the right of the search results page:

Erotic Shop & Erotic Shop
Savings up to 94% guaranteed
Shop TÜV certified! Serious & discreet
Eis.de/_Erotic-Shop_&_Erotic-Shop

With regard to the rejection of the adverse effect on the origin function, the BGH confirmed the decision of the Court of Appeal in Frankfurt am Main. With reference to its judgments in *Bananabay II*¹²²⁰ and *Most-Pralinen*,¹²²¹ the BGH stated that there was normally no adverse effect on the origin function where the ad appeared in a clearly separated special ad section labelled by the heading “Ads” (“Anzeigen”) and the ad itself neither contained the trade mark nor a reference to (the products offered by) the trade mark owner, but the indicated domain name rather referred clearly to a different commercial origin.¹²²² The Court of Appeal had expressly taken these principles into account and had not committed errors of law in its assessment.¹²²³

4.6.2.7 *Fleurop (BGH 2013)*

On June 27, 2013, the BGH delivered its judgment in the case *Fleurop*.¹²²⁴ The BGH decided that the Court of Appeal in Braunschweig had correctly found a trade mark infringement under Art 10(2)(a) or (b) TMD¹²²⁵ due to detriment to the origin function. Through the plaintiff’s network of more than 8000 flower shops, customers could order flowers in a shop to be delivered elsewhere by a connected shop. A competing flower delivery service had booked the plaintiff’s trade mark “Fleurop” as a keyword for the following ads on top and on the right side of the search results:

¹²¹⁹ [2013] GRUR 1044 (BGH Feb 20, 2013).

¹²²⁰ [2011] GRUR 828 (BGH Jan 13, 2011).

¹²²¹ [2013] GRUR 290 (BGH Dec 13, 2012).

¹²²² See *Beate Uhse*, [2013] GRUR 1044 (BGH Feb 20, 2013), para. 14.

¹²²³ See *Beate Uhse*, *id.* at para. 15-19.

¹²²⁴ [2014] MMR 123 (CC Schröler) (BGH June 27, 2013).

¹²²⁵ § 14(2)(1) or (2) MarkenG.

Flower delivery online:

www.blumenbutler.de/blumenversand Fast & easy ordering of flowers With free greeting card

Flower delivery online:

Fast & easy ordering

With free greeting card

www.blumenbutler.de/blumenversand

The BGH confirmed its findings from *MOST-Pralinen*.¹²²⁶ However, due to the special circumstances of this dispute, it was necessary, by way of exception, to indicate the absence of an economic connection between the advertiser and the trade mark holder in order to exclude detriment to the origin function, even though the ad appeared in a labelled advertising section which was clearly separated from the search results list and neither contained the trade mark, nor a reference to the trade mark holder, or the products offered under the mark.¹²²⁷ The relevant public was likely to assume, in view of the widespread distribution network of the plaintiff, that “Blumenbutler” offered its services as partner enterprise of the plaintiff.¹²²⁸ The BGH referred to the decision of the UK High Court in *Interflora v. M&S*¹²²⁹ that the origin function was adversely affected if the ad did not include an indication that the advertiser did not belong to the distribution network of the trade mark owner. The OLG Braunschweig had correctly assumed that the same should apply in the current case since the facts of the cases corresponded in all essential aspects.¹²³⁰

4.6.2.8 Partnership (*OLG Hamburg 2015*)

On January 22, 2015, the Hamburg Court of Appeal found an adverse effect on the origin function in the case *Partnership*.¹²³¹ The parties both operated dating websites. After a search for the plaintiff’s trade mark “Parship”, the defendant’s ads appeared in the ad section on the right side of the search results page. They looked like this:

¹²²⁶ [2013] GRUR 290 (BGH Dec 13, 2012). See *Fleurop*, [2014] MMR 123 (CC Schröler) (BGH June 27, 2013), para. 22.

¹²²⁷ See *Fleurop*, *id.* at para. 28.

¹²²⁸ See *Fleurop*, *id.* at para. 29-30.

¹²²⁹ [2013] EWHC 1291 (Ch) (May 21, 2013) (reversed on appeal in *Interflora v. M&S*, [2014] EWCA (Civ) 1403 (Nov 5, 2014). See *infra*, section 4.6.3.2.

¹²³⁰ See *Fleurop*, [2014] MMR 123 (CC Schröler) (BGH June 27, 2013), para. 34.

¹²³¹ [2015] BeckRS 02311 (OLG Hamburg Jan 22, 2015). This case will be discussed below with regard to the new limitation for use of non-distinctive signs in Art 14(1)(b) TMD. See *infra*, section 6.2.1.2.

Partnership Partnersuche

The Dating site for ambitious

Singles: Subscribe here & fall in love!

www.partnersuche.de

Partnersuche.de for free

Germany's well-known Partnersuche.

High level Partnersuche!

www.partnersuche.de

After repeating the CJEU's considerations, the OLG stated that the normally informed and reasonably attentive Internet user was not able to ascertain whether the first ad originated from the trade mark owner or not. The ad was not clear and unambiguous regarding the origin of the services offered due to the vague and unspecific terms used therein.¹²³² The OLG reasoned that the words used in the ad merely referred in general to services in the area of partnership agencies.¹²³³ The same applied to the Internet domain "Partnersuche.de" (meaning partner search), which concerned a generic term indicating a certain field of interest rather than a specific commercial origin.¹²³⁴ The ad also included the word "Partnership", which was closely similar to the trade mark "Parship". Hence, it could lead to the assumption that the trade mark owner offered the advertised service.¹²³⁵ In the court's opinion, someone searching explicitly for the mark "Parship" would naturally expect to find search results and ads with some kind of relationship to the trade mark owner and its services. If a third party used another's trade mark as keyword, although principally permissible, he would have to provide sufficient clarification that it concerned an offer from a third party.¹²³⁶ The second ad was found infringing for the same reasons.¹²³⁷

Since the dispute concerned the interpretation of the CTMR (meanwhile replaced by the EUTMR), the OLG regarded the CJEU as the exclusively competent body for its interpretation. It explicitly refused to consider the keyword advertising jurisprudence of the BGH in detail.¹²³⁸ The OLG did not consider

¹²³² See *Partnership*, *id.* at para. 63.

¹²³³ See *Partnership*, *id.* at para. 64.

¹²³⁴ See *Partnership*, *id.* at para. 65.

¹²³⁵ See *Partnership*, *id.* at para. 66.

¹²³⁶ See *Partnership*, *id.* at para. 67.

¹²³⁷ See *Partnership*, *id.* at para. 85-86 (with the only difference that the word "Partnership" was not used in the second ad).

¹²³⁸ See *Partnership*, *id.* at para. 68-69.

itself bound by the BGH's interpretation of an adverse effect on the origin function. It was rather the responsibility of each national court to apply the CJEU's jurisprudence to the concrete facts of the case.¹²³⁹

4.6.2.9 *Schlafwelt (OLG Hamburg 2015)*

In the case *Schlafwelt*,¹²⁴⁰ (another Chamber of) the Hamburg Court of Appeal negated an adverse effect on the origin function on July 13, 2015. A search for the trade mark "Matratzen Concord" caused the display of the following ad of a competitor:

Purchase mattresses online
www.schlafwelt.de/mattresses
4,3 (stars) rating for advertiser
mattresses reduced by up to 70%
order now free of shipping costs!

The OLG agreed with the District Court, which had correctly referred to the jurisprudence of the BGH in *Bananabay II*¹²⁴¹ and *Most-Pralinen*.¹²⁴² Accordingly, an adverse effect on the origin function was principally excluded in so far as the ad was displayed in a clearly separated and labelled advertising section and neither contained the trade mark, nor a reference to the trade mark owner or the trade marked products.¹²⁴³ The advertiser did not need to expressly indicate the absence of an economic connection with the trade mark owner. An adverse effect on the origin function could not be established by the mere fact that the products were described by use of generic terms.¹²⁴⁴

Exceptionally, an economic connection with the trade mark owner could be assumed in special circumstances. For instance, where the trade mark owner operated a distribution network through licensees who sold the products under their own trade names,¹²⁴⁵ or where the ad contained descriptive

¹²³⁹ See *Partnership*, *id.* at para. 73.

¹²⁴⁰ [2016] MMR 459 (OLG Hamburg July 13, 2015).

¹²⁴¹ [2011] GRUR 828 (BGH Jan 13, 2011).

¹²⁴² [2013] GRUR 290 (BGH Dec 13, 2012).

¹²⁴³ See *Schlafwelt*, [2016] MMR 459 (OLG Hamburg July 13, 2015), para. 4.

¹²⁴⁴ See *Schlafwelt*, *id.* at para. 5.

¹²⁴⁵ See *Schlafwelt*, *id.* at para. 8 (referring to *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011)).

indications that were also part of the disputed trade mark.¹²⁴⁶ Such special circumstances were not established in the present case.¹²⁴⁷

4.6.3 UK

4.6.3.1 *Lush v. Amazon (HC 2014)*

The case *Lush v. Amazon*¹²⁴⁸ concerned use by Amazon of the keyword “lush”, the trade mark of the claimants, for ads of the following type:

Lush Soap at Amazon.co.uk
www.amazon.co.uk/lush+soap
amazon.co.uk is **rated *******
Low prices on **Lush** Soap
Free UK Delivery on Amazon Orders

If a consumer clicked on these ads, he was taken to the Amazon website and presented with the opportunity to browse or purchase equivalent products to Lush Soap. There was no overt message either within the ad or on the Amazon website that Lush Soap was not available for purchase from Amazon.

A search for “lush cosmetics bath bomb” resulted in the following ad:

Bomb Bath at Amazon.co.uk
www.amazon.co.uk/bomb+bath
amazon.co.uk is **rated *******
Low prices on Bomb Bath
Free UK Delivery on Amazon Orders

This ad led to the Amazon website with the opportunity to browse or purchase Bomb Cosmetics and other similar products. There was no overt message that the Lush Cosmetics Bath Bomb was not available for purchase on the Amazon website. Above Amazon’s ad, another third party ad for bath bombs appeared.

¹²⁴⁶ See *Schlafwelt, id.* at para. 9 (referring to *Partnership*, [2015] BeckRS 02311 (OLG Hamburg Jan 22, 2015)).

¹²⁴⁷ See *Schlafwelt, id.* at para. 10.

¹²⁴⁸ [2014] EWHC 181 (Ch) (Feb 10, 2014).

On February 10, 2014, Mr John Baldwin QC of the High Court of Justice considered the first type of ad, which included the trade mark, to be infringing. The average consumer would expect to find Lush soap available on the Amazon site. He would thus not be able to ascertain, without difficulty, that the goods referred to by the ads were not the goods of or connected with Lush, the claimants.¹²⁴⁹

The use of the keyword “lush” resulting in the second type of ads was not found infringing. The judge believed that consumers were familiar with sponsored ads and were used to seeing such ads from competing suppliers.¹²⁵⁰ Average consumers would expect an ad for Lush products to include some reference to the Lush mark to distinguish it from other ads.¹²⁵¹ The judge did not find the presence of the other third party ad decisive, but he considered that this made it even clearer that the Amazon ad was just another ad from a supplier offering similar products to those requested by the Internet searcher.¹²⁵²

4.6.3.2 *Interflora v. M&S (CA 2014)*

In the dispute between Interflora and M&S, the term “interflora” and related keywords triggered ads by M&S of the following type:

M&S Flowers Online

Beautiful Fresh Flowers & Plants.

Order by 5.00pm for Next Day Delivery

www.marksandspencer.com/flowers

After the CJEU’s guidance¹²⁵³ and a series of rulings on the allowance of witness evidence, the Hon Mr Justice Arnold from the High Court of Justice had decided in favour of Interflora.¹²⁵⁴ M&S successfully appealed before Lord Justice Patten, Lord Justice Kitchin and Sir Colin Rimer.¹²⁵⁵ On November 5, 2014, the Court of Appeal rejected *Arnold J*’s reversed burden of proof under Art 10(2)(a) TMD and Art 9(2)(a) EUTMR. The third party advertiser was not required to show that the use of the sign in

¹²⁴⁹ See *Lush v. Amazon, id.* at para. 42.

¹²⁵⁰ See *Lush v. Amazon, id.* at para. 45.

¹²⁵¹ See *Lush v. Amazon, id.* at para. 46.

¹²⁵² See *Lush v. Amazon, id.* at para. 48.

¹²⁵³ See *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011). See *supra*, section 3.5.6.

¹²⁵⁴ See *Interflora v. M&S*, [2013] EWHC 1291 (Ch) (May 21, 2013).

¹²⁵⁵ See *Interflora v. M&S*, [2014] EWCA (Civ) 1403 (Nov 5, 2014).

context was sufficiently clear that there was no real risk of confusion on the part of the average consumer as to the origin of the advertised goods or services. Rather, the trade mark proprietor needed to establish that the ad did not enable normally informed and reasonably attentive Internet users, or enabled them only with difficulty, to ascertain whether the goods or services referred to by the ad originated from the trade mark proprietor or an undertaking economically connected to it or, on the contrary, originated from a third party.¹²⁵⁶

It was only the effect of the ads on Internet users who were reasonably well-informed and reasonably observant that had to be taken into account. *Arnold J*'s suggestion that confusion on the part of Internet users who were ill-informed or unobservant had to be discounted ran the risk of setting the bar too low.¹²⁵⁷ However, *Arnold J* was entitled to have regard to the effect of the ads upon a significant section of the relevant class of consumers, and he was not barred from finding infringement by a determination that the majority of consumers were not confused.¹²⁵⁸

The Court of Appeal repeatedly emphasised that the CJEU did not consider the use of third party trade marks as keywords an inherently objectionable practice.¹²⁵⁹ Rather, its aim was, in general, to offer alternatives to the trade marked products. It was not the purpose of trade marks to protect their owners from fair competition.¹²⁶⁰ This was also put forward as reason for the CJEU's particular test to be applied in the keyword advertising context for assessing both the effect on the origin function under Art 10(2)(a) TMD and the likelihood of confusion under Art 10(2)(b) TMD.¹²⁶¹

The Court of Appeal considered that the CJEU's test had been formulated with great care and incorporated appropriate checks and balances. These were lacking with regard to the highly controversial doctrine of initial interest confusion, which *Arnold J* had applied. The Court of Appeal thought this doctrine was unnecessary and potentially misleading and should perform no part of the analysis in keyword advertising cases.¹²⁶²

An additional issue in dispute concerned the "broad match" option.¹²⁶³ M&S had bid on generic flower related terms without negatively matching the word "interflora". According to the Court of

¹²⁵⁶ See *Interflora v. M&S*, *id.* at para. 151.

¹²⁵⁷ See *Interflora v. M&S*, *id.* at para. 125.

¹²⁵⁸ See *Interflora v. M&S*, *id.* at para. 130.

¹²⁵⁹ See *Interflora v. M&S*, *id.* at para. 98, 104, 138, 143 and 156.

¹²⁶⁰ See, e.g., *Interflora v. M&S*, *id.* at para. 98, 138 and 156.

¹²⁶¹ See *Interflora v. M&S*, *id.* at para. 149 and 156.

¹²⁶² See *Interflora v. M&S*, *id.* at para. 155-158.

¹²⁶³ See *supra*, fn. 1211.

Appeal, this could constitute a use of the sign in the course of trade in M&S' own commercial communication within the meaning of Art 10(2) TMD or Art 9(2) EUTMR if M&S' activities had the object and effect of triggering the display of its ads in response to searches for "interflora". This assessment had to be made by the trial judge, having regard to all the circumstances, including the length of time for which the impugned activities had been carried on.¹²⁶⁴

4.6.4 France

4.6.4.1 *Google v. CNRRH (Cass. 2010)*

One of the referrals to the CJEU by the French Supreme Court (Cour de cassation), *Google v. CNRRH*,¹²⁶⁵ involved the advertiser's liability, in addition to Google's liability. The Cour de cassation decided this case on July 13, 2010, after the guidance given by the CJEU.¹²⁶⁶ In this dispute, the trade mark "Eurochallenges", registered for relationship and matrimonial services, which was owned by Mr. Thonet and licensed to CNRRH, a matrimonial agency, had been selected as a keyword by a competitor, the company Tiger, for an ad linking to "www.unicisparis.com", the Parisian franchisee of a marriage broker. The ad appeared both on top and next to the algorithmic search results. The Cour de cassation, discussing the CJEU judgments, determined that the Court of Appeal was right to find a trade mark infringement because the origin function was impaired due to the vagueness of the Tiger ad in question, even though the ad did not suggest the existence of an economic link.¹²⁶⁷ Unfortunately, the text of the disputed ad is neither contained in the judgment of the Cour de cassation, nor in the lower court decisions.

¹²⁶⁴ See *Interflora v. M&S*, [2014] EWCA (Civ) 1403 (Nov 5, 2014), para. 191-192.

¹²⁶⁵ Case No. 06-15.136 (Cass. Comm. May 20, 2008), resulting in the CJEU decision *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

¹²⁶⁶ See *Google v. CNRRH*, Case No. 06-15.136 (Cass. Comm. July 13, 2010).

¹²⁶⁷ The Cour de cassation also rejected Tiger's argument that the unfair competition claim was not based on different facts than the trade mark claim. According to the court, unfair competition law was not pre-empted since it concerned the usurpation of CNRRH's trade name and domain name, instead of its trade mark.

4.6.4.2 *Google v. Auto IES (Cass. 2012)*

On September 25, 2012, the Cour de cassation confirmed the widely discussed decision of the Court of Appeal in Paris in the case *Google v. Auto IES*.¹²⁶⁸ The Court of Appeal had rejected a claim of trade mark infringement and an unfair competition claim against the advertisers in dispute, whose ads appeared after searches for the words “IES”, “AutoIES”, etc. The plaintiff, Auto IES, was in the business of selling cars and owned the semi-figurative mark “IES” and the word mark “AutoIES”. The first defendant was a competitor of the plaintiff. Its ad looked like this:

Car-import.fr

Your new car cheaper.

Real discounts

“www.car-import.fr”

The second defendant operated a website with links to other sites, particularly concerning cars. Its ad stated:

Find your car

New car from 5% to 25% discount

more than 25 car brands!

www.directinfoscom.fr

The third advertiser offered a service of advertising for the rental and sale of cars. Its ad on Google said:

Ads Free of Charge

Make your free ads

cars, motorcycles, boats, caravans.

www.occas.net

The Cour de cassation rejected the appeal. The Court of Appeal had rightly held that the function of identification of the origin of the trade mark was not impaired since each advertisement was sufficiently precise to enable an average Internet user to know that the goods or services covered by those

¹²⁶⁸ Case No. 11-18110 (Cass. Comm. Sep 25, 2012).

advertisements did not originate from the company Auto IES or a company economically connected to it, but, on the contrary, from a third party in relation to the trade mark proprietor. Relevant were the circumstances noted by the Court of Appeal that the advertisements were classified under the section “commercial links” and appeared in a column clearly separated from the natural search results. The ads contained messages which merely designated the promoted products in generic terms or promised discounts, without any implicit or explicit reference to the marks. They were each followed by an indication, in colour, of a domain name that did not show any link with the company Auto IES.

4.6.5 Austria

4.6.5.1 *Bergspechte* (OGH 2010)

On June 21, 2010, the Austrian Supreme Court (Oberster Gerichtshof: OGH) delivered its decision *Bergspechte*¹²⁶⁹ after receiving guidance from the CJEU in *Bergspechte v. trekking.at*.¹²⁷⁰ The OGH found a trade mark infringement under Art 10(2)(b) TMD.

The plaintiff owned a figurative mark including the words “Edi Koblmüller” and “Bergspechte”, which were chosen as keywords by a competitor in the field of organising outdoor activities and journeys. A search for “Edi Koblmüller” activated an ad on top of the search results, which read:

Trekking and Nature Tours

to the last Mountain Gorillas or Hiking on former Pilgrimage Trails www.trekking.at

The search term “Bergspechte” caused the display of the following ad in the column on the right:

Ethiopia by Bike

Dream Journey in the North with a
lot of Culture, 16 Days, from 20.10
www.trekking.at

¹²⁶⁹ [2011] GRUR Int 173 (CC Malte Müller) (OGH June 21, 2010).

¹²⁷⁰ ECLI:EU:C:2010:163 (CJEU case C-278/08 Mar 25, 2010).

The OGH found the use of the trade marks in this dispute to be infringing, although they did not appear in the ad and the name of the advertising company was indicated in the URL. Apparently, the Austrian court found it relevant that the Internet address of the advertiser contained a generic term,¹²⁷¹ whereas the trade marks were highly original.¹²⁷² The court required the advertiser to counteract the risk of confusion, for instance, by a clarifying indication that no economic connection existed between the advertiser and the trade mark owner.¹²⁷³ Furthermore, the Austrian court pointed out that the use of a trade mark keyword was only non-infringing if the Internet user could easily recognise that there was no economic connection.¹²⁷⁴

4.6.5.2 *Wintersteiger (OGH 2010)*

In the case *Wintersteiger*,¹²⁷⁵ the main issue regarded the jurisdiction of the Austrian court in a keyword case concerning an alleged trade mark infringement on the German Google site. Following its decision of October 5, 2010, the OGH referred several questions concerning the interpretation of Art 5(3) of the Brussels I Regulation to the CJEU, which replied on April 19, 2012, in its judgment *Wintersteiger v. Products 4U*.¹²⁷⁶

The OGH had also devoted a brief consideration to the issue of infringement. The plaintiff had sued the advertiser for booking its trade mark “Wintersteiger” as a keyword to trigger a Google ad. The advertiser was a competitor of the plaintiff in the manufacture and sale of ski and snowboard service machines, including spare parts and accessories. The advertiser also sold accessories for the trade marked products of the plaintiff. The first algorithmic search result showed a link to the website of the trade mark owner itself. The ad in question, which appeared in the ad section on the right side of the search results, read:

Ski workshop accessories

Ski and Snowboard machines

¹²⁷¹ See *Bergspechte*, [2011] GRUR Int 173 (CC Malte Müller) (OGH June 21, 2010), 175, para. 10.

¹²⁷² See *Bergspechte*, *id.* at 175, para. 11.

¹²⁷³ See *Bergspechte*, *id.* at 175, para. 12.

¹²⁷⁴ See *Bergspechte*, *id.* at 175, para. 13.

¹²⁷⁵ [2011] GRUR Int 354 (OGH Oct 5, 2010).

¹²⁷⁶ ECLI:EU:C:2012:220 (CJEU case C-523/10 Apr 19, 2012). The CJEU judgment will not be covered here since jurisdictional issues are beyond the scope of this research. It may be noted that, based on the CJEU’s guidance, the OGH assumed jurisdiction of the Austrian courts because the disputed trade mark was registered in Austria. See *Wintersteiger III*, [2013] GRUR Int 59 (OGH July 10, 2012), 60, para. 1.1-1.2.

By clicking on the link in this ad, the Internet user was directly led to the part of the advertiser's website on which it offered "Wintersteiger accessories".

Due to the mentioned jurisdictional issues concerning the interpretation of Art 5(3) of the Brussels I Regulation, the OGH referred questions to the CJEU. The OGH indicated that it would have found a trade mark infringement if the ad had been displayed on "google.at". The OGH reasoned that the ad did not show that the goods and services advertised therein did not originate from the trade mark owner or an economically connected company but, in fact, from a third party.¹²⁷⁷

4.6.6 *Special Circumstances*

The cases discussed above mainly concern the mere use of third party trade marks as keywords to activate ads, which is the subject of this dissertation. Sometimes, trade marks are not only chosen as keywords but are also contained in the ad text or on the linked website. Under such special circumstances, several courts have found trade mark infringements.

For instance, in a Dutch case before the Court of Appeal in Amsterdam, *Travel Card v. Multi Tank Card*,¹²⁷⁸ the disputed trade mark was mentioned explicitly in the headings of the ads and in the indicated URL.¹²⁷⁹ In *Melan v. Team LC Concept*,¹²⁸⁰ the District Court in Breda noted that the linked website, on which the plaintiff's trade mark was dominantly displayed, was deliberately aimed at creating

¹²⁷⁷ See *Wintersteiger*, [2011] GRUR Int 354 (OGH Oct 5, 2010), 356, para. 2.1. However, in its final decision, the OGH denied the requested preliminary injunction. The plaintiff had not proven that the relevant public in Austria made significant use of "google.de", on which the ad was shown. Therefore, the required commercial effect on the Austrian market was lacking. See *Wintersteiger III*, [2013] GRUR Int 59 (OGH July 10, 2012), 61-62, para. 2.2.

¹²⁷⁸ [2011] ECLI:NL:GHAMS:2010:BP1382 (Hof Amsterdam Dec 28, 2010).

¹²⁷⁹ See *Travel Card v. Multi Tank Card*, *id.* at para. 4.1 (facts), 4.4 (finding a likelihood of confusion). For the text of the disputed ads, see the decision at first instance: *Travel Card v. Multi Tank Card*, [2010] ECLI:NL:RBHAA:2010:BM5558 (Vzr. Rb. Haarlem May 4, 2010).

¹²⁸⁰ [2011] ECLI:NL:RBBRE:2011:BP7541 (Vzr. Rb. Breda Mar 3, 2011).

confusion.¹²⁸¹ In *De Scheidingsplanner v. Scheidingskantoor [X]*,¹²⁸² a dispute before the District Court in Leeuwarden, the trade mark was shown in the ad text.¹²⁸³

As already noted,¹²⁸⁴ the District Court in The Hague found a trade mark infringement in *Otto Ooms v. Practicomfort*¹²⁸⁵ with regard to both the ad that displayed the trade mark and the ad that did not include the trade mark. In the case *Koelstra v. Van Asten*,¹²⁸⁶ the same court denied an adverse effect on the origin function and likelihood of confusion despite the mentioning of the trade mark in the ad text. The court reasoned that the linked website clearly stated from which producers the products originated.¹²⁸⁷ However, an adverse effect on the origin function was found with regard to the use of the trade mark as a keyword for ads offering an infringing product.¹²⁸⁸ That court also denied an adverse effect on the origin function in *Noosa v. Desir*,¹²⁸⁹ although the trade mark was displayed in the ad.¹²⁹⁰

In the German case *Wl-Elektromobile*,¹²⁹¹ before the OLG Hamm, the disputed trade mark was used in the heading as well as in the text of the ad.¹²⁹² In *Vorwerk*,¹²⁹³ in which the trade mark was used three times in the ad, the BGH confirmed the likelihood of confusion found by the OLG Köln.¹²⁹⁴ In *Hapimag-Aktien*,¹²⁹⁵ the OLG Düsseldorf criticised the emphasis that was placed on the trade mark in the ad and the problem that the URL referred to a product which used to be offered by the trade mark owner itself.¹²⁹⁶

The OLG Schleswig found it decisive in *Wheal Clean Tec*¹²⁹⁷ that the headline included the trade mark. The ad also contained a reference to the seat of the trade mark owner.¹²⁹⁸ Since the keyword and

¹²⁸¹ See *Melan v. Team LC Concept*, *id.* at para. 3.2 (facts), 3.9 (finding a likelihood of confusion).

¹²⁸² [2011] ECLI:NL:RBL EE:2011:BR5864 (Vzr. Rb. Leeuwarden Aug 24, 2011) (on grounds of a lack of distinctive character reversed by the Court of Appeal in *Scheidingskantoor [X] v. De Scheidingsplanner*, [2012] ECLI:NL:GHLEE:2012:BX9749 (Hof Leeuwarden Oct 9, 2012)).

¹²⁸³ See *De Scheidingsplanner v. Scheidingskantoor [X]*, *id.* at para. 4.3.13 (on grounds of a lack of distinctive character reversed by the Court of Appeal in *Scheidingskantoor [X] v. De Scheidingsplanner*, *id.*).

¹²⁸⁴ See *supra*, section 4.6.1.3.

¹²⁸⁵ [2013] IEF 12581 (Vzr. Rb. Den Haag Apr 18, 2013).

¹²⁸⁶ [2014] ECLI:NL:RBDHA:2014:13292 (Vzr. Rb. Den Haag Oct 22, 2014).

¹²⁸⁷ See *Koelstra v. Van Asten*, *id.* at para. 4.25, 4.28.

¹²⁸⁸ See *Koelstra v. Van Asten*, *id.* at para. 4.26.

¹²⁸⁹ [2016] ECLI:NL:RBDHA:2016:1831 (Rb. Den Haag Feb 24, 2016).

¹²⁹⁰ See *supra*, section 4.6.1.5.

¹²⁹¹ [2013] MMR 41 (OLG Hamm Sept 13, 2012).

¹²⁹² See *Wl-Elektromobile*, *id.* at 41-42.

¹²⁹³ [2019] GRUR 165 (BGH June 28, 2018).

¹²⁹⁴ See *Vorwerk*, *id.* at para. 57-64 (despite the domain name “keine-vorwerk-vertretung.de”). However, the BGH remanded the case with regard to the issue of exhaustion. See para. 66.

¹²⁹⁵ [2011] GRUR-RR 94 (OLG Düsseldorf Dec 21, 2010).

¹²⁹⁶ See *Hapimag-Aktien*, *id.* at 95.

¹²⁹⁷ [2017] BeckRS 110308 (OLG Schleswig Mar 22, 2017).

¹²⁹⁸ See *Wheal Clean Tec*, *id.* at para. 22-23.

heading had been added automatically through Google’s “broad match”¹²⁹⁹ algorithm, the advertiser was not found liable as a direct infringer.¹³⁰⁰ However, he was considered liable as a “Störer” since he had been notified by the trade mark owner that the ad appeared after a search for the trade mark.¹³⁰¹

In the UK, in the case *Lush v. Amazon*,¹³⁰² discussed above,¹³⁰³ the ad containing the “Lush” trade mark was considered infringing. A trade mark infringement was also found by the Hon. Mr Justice Henry Carr in *Victoria Plumb v. Victorian Plumbing*.¹³⁰⁴ The defendant had bid on the claimant’s trade mark “Victoria Plumb”, which resulted in the display of ads including the terms “Victoria Plumbing” and “Victorian Plumbing”. Confusion was found likely and was occurring on a significant scale.¹³⁰⁵ The “honest concurrent use” defence, invoked by the defendant, was found to be inapplicable.¹³⁰⁶ It was moreover rejected since the use complained of was not honest. The defendant had taken steps which exacerbated the level of confusion beyond that which was inevitable and so had encroached upon the claimant’s goodwill.¹³⁰⁷

4.7 Likelihood of Confusion in the US

Without going into details of US trade mark law,¹³⁰⁸ it may be noted that each circuit court in the federal system has its own special multifactor test for a likelihood of confusion. The challenge for the courts is to apply these traditional tests to the practice of using trade marks in keyword advertising. A further difficulty concerns the interpretation of the doctrine of initial interest confusion.

This section will set out the most relevant decisions of the Courts of Appeal in this regard. From these, as well as from the considerable number of District Court decisions, it may be concluded that courts generally deny a likelihood of confusion based on the mere use of a trade mark keyword without an additional factor, such as confusing use of the trade mark in the ad text.¹³⁰⁹

¹²⁹⁹ See *supra*, fn. 1211.

¹³⁰⁰ See *Wheal Clean Tec*, [2017] BeckRS 110308 (OLG Schleswig Mar 22, 2017), para. 25-26.

¹³⁰¹ See *Wheal Clean Tec*, *id.* at para. 27.

¹³⁰² [2014] EWHC 181 (Ch) (Feb 10, 2014).

¹³⁰³ See *supra*, section 4.6.3.1.

¹³⁰⁴ [2016] EWHC 2911 (Ch) (November 18, 2016).

¹³⁰⁵ See *Victoria Plumb v. Victorian Plumbing*, *id.* at para. 57.

¹³⁰⁶ See *Victoria Plumb v. Victorian Plumbing*, *id.* at para. 87.

¹³⁰⁷ See *Victoria Plumb v. Victorian Plumbing*, *id.* at para. 124-126.

¹³⁰⁸ See § 32 Lanham Act, 15 U.S.C. § 1114 (registered marks) and § 43(a) Lanham Act, 15 U.S.C. § 1125(a) (registered as well as use based marks).

¹³⁰⁹ See *In the Matter of 1-800 Contacts Inc.*, Docket No. 9372 (FTC Nov 7, 2018), 38-40 (with references in fn. 43).

4.7.1 *Brookfield Communications Inc. v. West Coast Entertainment Corp. (Ninth Circuit 1999)*

The Court of Appeals for the Ninth Circuit acknowledged the doctrine of initial interest confusion¹³¹⁰ on April 22, 1999, in the famous meta tag case *Brookfield Communications Inc. v. West Coast Entertainment Corp.*¹³¹¹ In this case, the plaintiff, Brookfield, sold and offered through its websites software and an online database containing entertainment-industry related information under the “MovieBuff” trade mark. The defendant, West Coast, a video rental store chain, launched a website under the domain name “moviebuff.com”, on which it sold videos and entertainment-related merchandise, and on which it also offered an entertainment database. In addition, Westcoast used Brookfield’s “MovieBuff” trade mark or “moviebuff.com” in the meta tags for its website. Brookfield requested a preliminary injunction against West Coast on the basis of a trade mark infringement and unfair competition under §§ 32 and 43(a) Lanham Act, 15 U.S.C. §§ 1114 and 1125(a).

After a denial by the district court, the Ninth Circuit granted the injunction. The court concluded that Brookfield owned the senior mark, that a likelihood of confusion had been established, and that therefore Brookfield had demonstrated a likelihood of success on its claim that West Coast’s use of “moviebuff.com” violated the Lanham Act.¹³¹²

With regard to the use of the “MovieBuff” meta tag for West Coast’s other websites than “moviebuff.com”, the Ninth Circuit acknowledged that confusion would be dispelled at the latest at the moment of entering West Coast’s website and reading the different domain name.¹³¹³ However, the court observed that West Coast improperly benefitted from the meta tag use by diverting customers to its own website, which constituted initial interest confusion:

[...] Web surfers looking for Brookfield’s “MovieBuff” products who are taken by a search engine to “westcoastvideo.com” will find a database similar enough to “MovieBuff” such that a sizeable number of consumers who were originally looking for Brookfield’s product will simply decide to utilize West Coast’s offerings instead. Although there is no source confusion in the sense that consumers know they are patronizing West Coast rather than Brookfield, there is nevertheless initial interest

¹³¹⁰ See *supra*, section 4.5.

¹³¹¹ 174 F.3d 1036 (9th Cir. Apr 22, 1999). This decision was adopted by the Seventh Circuit in *Promatek Industries Ltd. v. Equitrac Corp.*, 300 F.3d 808 (7th Cir. Aug 13, 2002). In another meta tag case, *Horphag Research Ltd. v. Pellegrini*, 337 F.3d 1036 (9th Cir. July 29, 2003), the Ninth Circuit mentioned *Brookfield* and then continued straight to examining whether the meta tag user could rely on a defence, which it could not.

¹³¹² See *Brookfield Communications Inc. v. West Coast Entertainment Corp.*, *id.* at 1050-1053 (seniority), 1053-1061 (likelihood of confusion).

¹³¹³ See *Brookfield Communications Inc. v. West Coast Entertainment Corp.*, *id.* at 1062.

confusion in the sense that, by using “moviebuff.com” or “MovieBuff” to divert people looking for “MovieBuff” to its web site, West Coast improperly benefits from the goodwill that Brookfield developed in its mark. [...] ¹³¹⁴

The court explained that point of sale confusion was not necessary. Initial interest confusion sufficed since it constituted misappropriation of the goodwill established in the trade mark. ¹³¹⁵ The Ninth Circuit invoked an analogy from the brick and mortar world regarding the placement of billboards along the highway:

Using another’s trademark in one’s metatags is much like posting a sign with another’s trademark in front of one’s store. Suppose West Coast’s competitor (let’s call it “Blockbuster”) puts up a billboard on a highway reading--“West Coast Video: 2 miles ahead at Exit 7”--where West Coast is really located at Exit 8 but Blockbuster is located at Exit 7. Customers looking for West Coast’s store will pull off at Exit 7 and drive around looking for it. Unable to locate West Coast, but seeing the Blockbuster store right by the highway entrance, they may simply rent there. Even consumers who prefer West Coast may find it not worth the trouble to continue searching for West Coast since there is a Blockbuster right there. [...] ¹³¹⁶

This analogy has received substantial criticism. ¹³¹⁷ It must be noted that this case dates back to 1999 which was only at the beginning of online advertising.

4.7.2 *Playboy Enterprises Inc. v. Netscape Communications Corp. (Ninth Circuit 2004)*

In the case *Playboy Enterprises Inc. v. Netscape Communications Corp.* ¹³¹⁸ the Ninth Circuit examined whether the inclusion by Netscape of the trade marks “playboy” and “playmate”, owned by Playboy Enterprises Inc. (“PEI”), in a list of keywords triggering ads of competing adult-oriented companies constituted a likelihood of confusion. In its decision from January 14, 2004, the Ninth Circuit applied

¹³¹⁴ See *Brookfield Communications Inc. v. West Coast Entertainment Corp.*, *id.* at 1062.

¹³¹⁵ See *Brookfield Communications Inc. v. West Coast Entertainment Corp.*, *id.* at 1064. West Coast was nevertheless allowed to use the descriptive term “Movie Buff”, when written separately, meaning “motion picture enthusiast”, in its meta tags. See *Brookfield Communications Inc. v. West Coast Entertainment Corp.*, *id.* at 1066.

¹³¹⁶ See *Brookfield Communications Inc. v. West Coast Entertainment Corp.*, *id.* at 1064.

¹³¹⁷ Criticism concerns e.g. the fact that in meta tags the mark is not shown to consumers, as opposed to the billboard; that search costs online are not comparable to those in the billboard scenario; and that in the meta tag situation consumers are not deceived but rather receive a choice of search results. See Barrett 2006, 428-429 (with references in fn. 234 to further critical comments concerning the analogy); Goldman 2005, 570-573; Rothman 2005, 175; and *Playboy Enterprises Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. Jan 14, 2004), 1035-1036 (Judge Berzon in a concurring opinion rejecting the billboard analogy both for meta tags and clearly labelled ads since customers are not misdirected and the inconvenience of going back to the search results is minimal).

¹³¹⁸ 354 F.3d 1020 (9th Cir. Jan 14, 2004).

the eight factors of its *AMF Inc. v. Sleekcraft Boats*¹³¹⁹ likelihood of confusion test instead of going straight to the initial interest confusion analysis.¹³²⁰ The court explained that in the Internet context, flexibility with regard to these factors was required. For instance, the factor of actual confusion was particularly relevant here. This factor alone probably sufficed to reverse the grant of summary judgment since PEI's expert study established a strong likelihood of initial interest confusion among consumers.¹³²¹ The court nevertheless continued to examine the other factors and concluded that the following factors all favoured PEI: strength of the mark, proximity of the goods, similarity of the marks, type of goods and degree of consumer care expected, and, to some extent, defendants' intent in selecting the mark.¹³²²

Concerning this last factor, the Ninth Circuit concluded that defendants did nothing to alleviate confusion, even when asked by their advertisers to remove the terms "playboy" and "playmate" from the keyword list. Besides, they profitted from confusion by reason of click-throughs. Furthermore, the court noted that the banner ads were not labelled as such and defendants did not require that advertisers identify themselves.¹³²³ The court regarded the factor of marketing channels used to be equivocal due to the broad use of the Internet today.¹³²⁴ The likelihood of expansion of product lines was found irrelevant since the parties' goods were already related.¹³²⁵

In conclusion, the court determined that a genuine issue of material fact existed as to the substantial likelihood of confusion.¹³²⁶ The same conclusion was reached with regard to the dilution claim,¹³²⁷ and Netscape's defences were rejected.¹³²⁸ It is worth noting that the court, within its analysis of the nominative fair use defence, again stressed that the ads were not labelled as such and did not clearly identify their source. In a footnote, the court remarked that doing so might have eliminated the likelihood of initial interest confusion.¹³²⁹ The Ninth Circuit reversed the district court's grant of summary

¹³¹⁹ 599 F.2d 341 (9th Cir. June 28, 1979).

¹³²⁰ In the US, each federal circuit has its own multifactor test for assessing the likelihood of confusion. See McCarthy 2019, § 23:19. See for an empirical study of these tests, Beebe 2006 (examining, *inter alia*, which factors are most relevant for the outcome of the test).

¹³²¹ See *Playboy Enterprises Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. Jan 14, 2004), 1026-1027.

¹³²² See *Playboy Enterprises Inc. v. Netscape Communications Corp.*, *id.* at 1027-1029.

¹³²³ See *Playboy Enterprises Inc. v. Netscape Communications Corp.*, *id.* at 1028-1029.

¹³²⁴ See *Playboy Enterprises Inc. v. Netscape Communications Corp.*, *id.* at 1028.

¹³²⁵ See *Playboy Enterprises Inc. v. Netscape Communications Corp.*, *id.* at 1028.

¹³²⁶ See *Playboy Enterprises Inc. v. Netscape Communications Corp.*, *id.* at 1029.

¹³²⁷ See *Playboy Enterprises Inc. v. Netscape Communications Corp.*, *id.* at 1029-1031.

¹³²⁸ See *Playboy Enterprises Inc. v. Netscape Communications Corp.*, *id.* at 1031-1034. See *infra*, section 6.4.

¹³²⁹ See *Playboy Enterprises Inc. v. Netscape Communications Corp.*, *id.* at 1030, fn. 43.

judgment in favour of defendants and remanded the case for further proceedings.¹³³⁰ A week later, the parties settled the case on confidential terms.¹³³¹

Judge Berzon discussed the relevance of labelling the ads more deeply in her concurring opinion in the *Playboy* case, in which she heavily criticised the *Brookfield* decision. In her view, there was no initial interest confusion if the advertisements were labelled as such, or if the advertiser was clearly identified:

As applied to this case, *Brookfield* might suggest that there could be a Lanham Act violation *even if* the banner advertisements were clearly labeled, either by the advertiser or by the search engine. I do not believe that to be so. So read, the metatag holding in *Brookfield* would expand the reach of initial interest confusion from situations in which a party is initially confused to situations in which a party is never confused. I do not think it is reasonable to find initial interest confusion when a consumer is never confused as to source or affiliation, but instead knows, or should know, from the outset that a product or web link is not related to that of the trademark holder because the list produced by the search engine so informs him.

There is a big difference between hijacking a customer to another website by making the customer think he or she is visiting the trademark holder's website (even if only briefly), which is what may be happening in this case when the banner advertisements are not labeled, and just distracting a potential customer with another *choice*, when it is clear that it is a choice. True, when the search engine list generated by the search for the trademark ensconced in a metatag comes up, an internet user might *choose* to visit westcoastvideo.com, the defendant's website in *Brookfield*, instead of the plaintiff's moviebuff.com website, but such choices do not constitute trademark infringement off the internet, and I cannot understand why they should on the internet.¹³³²

Judge Berzon went on to describe some analogies, such as the example of asking for the Calvin Klein section in Macy's but being diverted on the way by a more prominently displayed line of Macy's own brand. Similarly, she mentioned a customer in a bookshop asking for Playboy magazine and being directed to the adult magazine section where he or she would see Penthouse or Hustler up front. Judge Berzon also referred to the practice of websites such as Amazon to suggest products in which the consumer might also be interested.¹³³³ In her opinion, the billboard analogy applied by the *Brookfield* court had to be rejected since customers were not misdirected and the inconvenience of going back to the search results was minimal.¹³³⁴ She emphasised that the court's finding of initial interest confusion

¹³³⁰ See *Playboy Enterprises Inc. v. Netscape Communications Corp.*, *id.* at 1034.

¹³³¹ See Out-Law.com 2004.

¹³³² See *Playboy Enterprises Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. Jan 14, 2004), 1034-1035.

¹³³³ See *Playboy Enterprises Inc. v. Netscape Communications Corp.*, *id.* at 1035.

¹³³⁴ See *Playboy Enterprises Inc. v. Netscape Communications Corp.*, *id.* at 1035-1036.

in *Playboy* was limited to situations in which the banner advertisements were not labelled or identified.¹³³⁵

4.7.3 *Network Automation Inc. v. Advanced Systems Concepts Inc. (Ninth Circuit 2011)*

On March 8, 2011, an important decision concerning the likelihood of confusion standard in keyword advertising cases was rendered by the Ninth Circuit in the case *Network Automation Inc. v. Advanced Systems Concepts Inc.*¹³³⁶ The parties in this dispute both sold job scheduling and management software, and they both advertised on the Internet. Network Automation (“Network”) had bought the trade mark “ActiveBatch” of Advanced Systems Concepts (“Systems”) as a keyword to trigger its ad on Google, Bing and other search engines. The ad read as follows:¹³³⁷

Job Scheduler

Windows Job Scheduling + Much More.

Easy to Deploy, Scalable. D/L Trial.

www.NetworkAutomation.com

The top algorithmic search results were links to Systems’ own website and various articles about the product. Sometimes Systems’ own ad was displayed as well.

The district court had applied the eight factor *Sleekcraft*¹³³⁸ test of the Ninth Circuit for assessing the likelihood of confusion. It had thereby reasoned that the most important factors in Internet cases were: 1) similarity of the marks; 2) relatedness of the goods; and 3) marketing channel used. The Ninth Circuit vacated the preliminary injunction granted by the district court, reversed the order and remanded the case for further proceedings because Systems had not sufficiently established a likelihood of confusion.¹³³⁹

¹³³⁵ See *Playboy Enterprises Inc. v. Netscape Communications Corp.*, *id.* at 1036.

¹³³⁶ 638 F.3d 1137 (9th Cir. Mar 8, 2011).

¹³³⁷ The first line also read, e.g.: “Intuitive Job Scheduler” or “Batch Job Scheduling”. The ad was sometimes displayed on the right and sometimes on top of the search results. For screenshots, see Appendix A, *Network Automation Inc. v. Advanced Systems Concepts Inc.*, *id.* at 3252-3260.

¹³³⁸ *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. June 28, 1979).

¹³³⁹ See *Network Automation Inc. v. Advanced Systems Concepts Inc.*, 638 F.3d 1137 (9th Cir. Mar 8, 2011), 3228, 3251.

The Ninth Circuit stressed that the *Sleekcraft* factors were not exhaustive, that only some factors were relevant in the context of this case, and that the test had to be applied in a flexible manner.¹³⁴⁰ The court analysed its previous decisions in *Brookfield*¹³⁴¹ and *Playboy*¹³⁴², including Judge Berzon’s concurring opinion.¹³⁴³ According to the Ninth Circuit, the three factors emphasised by the district court, the “Internet trinity” or “Internet troika”, which were based on the *Brookfield* decision, were helpful for deciding domain name disputes but a poor fit for keyword advertising cases.¹³⁴⁴

Before starting its examination of the various *Sleekcraft* factors, the Ninth Circuit stressed that for a finding of initial interest confusion the owner of the mark had to demonstrate likely confusion, not mere diversion.¹³⁴⁵ After its examination of the factors, the court concluded that the most relevant factors in a keyword case were: 1) strength of the mark; 2) evidence of actual confusion; 3) type of goods and degree of purchaser care; and 4) labelling and appearance of the ads and surrounding context on the screen.¹³⁴⁶ These last two factors received particular attention in the decision. The court’s interpretation of each *Sleekcraft* factor in this keyword case will be briefly summarised here.

Factor 1: Strength of the Mark

Concerning the strength of the mark, the court determined that “ActiveBatch” was a suggestive federally registered trade mark as well as the name of the product. Thus, consumers typing in this mark as a search term were presumably looking for this specific product, and not for a category of goods. Therefore, they could be more susceptible to confusion. Nonetheless, the court pointed out that the sophistication of the consumers could also play a role.¹³⁴⁷

Factor 2: Proximity of the Goods

The Ninth Circuit was of the opinion that the district court had attached too much weight to the proximity of the goods by weighing this factor in isolation. The factor became less important if the ads were clearly labelled or consumers exercised a high degree of care because merely presenting a choice among similar products did not cause confusion.¹³⁴⁸

Factor 3: Similarity of the Marks

¹³⁴⁰ See *Network Automation Inc. v. Advanced Systems Concepts Inc.*, *id.* at 3233.

¹³⁴¹ *Brookfield Communications Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. Apr 22, 1999).

¹³⁴² *Playboy Enterprises Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. Jan 14, 2004).

¹³⁴³ See *Network Automation Inc. v. Advanced Systems Concepts Inc.*, 638 F.3d 1137 (9th Cir. Mar 8, 2011), 3235-3239.

¹³⁴⁴ See *Network Automation Inc. v. Advanced Systems Concepts Inc.*, *id.* at 3240.

¹³⁴⁵ See *Network Automation Inc. v. Advanced Systems Concepts Inc.*, *id.* at 3241.

¹³⁴⁶ See *Network Automation Inc. v. Advanced Systems Concepts Inc.*, *id.* at 3250.

¹³⁴⁷ See *Network Automation Inc. v. Advanced Systems Concepts Inc.*, *id.* at 3242.

¹³⁴⁸ See *Network Automation Inc. v. Advanced Systems Concepts Inc.*, *id.* at 3243.

The court argued that an assessment of the similarity of the marks in terms of sight, sound and meaning could not be made where the mark was merely used as a keyword but did not appear in the advertisement. However, this factor could be helpful in determining initial interest confusion, depending on the labelling and appearance of the ad, including whether it identified Network's own mark, and the degree of care and sophistication of the consumer.¹³⁴⁹

Factor 4: Evidence of Actual Confusion

The Ninth Circuit considered evidence of actual confusion to be a relevant factor in general in keyword cases but in this particular dispute no such evidence was provided since it concerned a preliminary injunction.¹³⁵⁰

Factor 5: Marketing Channels

The district's court's determination that the shared use of the Internet as a marketing channel weighed in favour of Systems was found to be incorrect by the Ninth Circuit because nowadays nearly every retailer advertised online.¹³⁵¹

Factor 6: Type of Goods and Degree of Care

The Ninth Circuit regarded the nature of the goods and the type of consumer as highly relevant to determining the likelihood of confusion in keyword advertising cases.¹³⁵² The determination of the district court that Internet consumers generally exercised a low degree of care, which was stated by the Ninth Circuit more than a decade ago, no longer held true.¹³⁵³ The Ninth Circuit suggested that since the consumers in this particular case were expert buyers of business software, they were likely to understand the mechanics of Internet search engines and the nature of sponsored links.¹³⁵⁴ Quoting its recent domain name decision *Toyota Motor Sales v. Tabari*,¹³⁵⁵ the court pointed out that Internet consumers were accustomed to skipping from website to website, and that they did not form any firm expectations about the sponsorship of a website until they had seen the landing page - if then.¹³⁵⁶

Factor 7: Defendant's Intent

¹³⁴⁹ See *Network Automation Inc. v. Advanced Systems Concepts Inc.*, *id.* at 3244.

¹³⁵⁰ See *Network Automation Inc. v. Advanced Systems Concepts Inc.*, *id.* at 3245.

¹³⁵¹ See *Network Automation Inc. v. Advanced Systems Concepts Inc.*, *id.* at 3245.

¹³⁵² See *Network Automation Inc. v. Advanced Systems Concepts Inc.*, *id.* at 3246.

¹³⁵³ See *Network Automation Inc. v. Advanced Systems Concepts Inc.*, *id.* at 3248.

¹³⁵⁴ See *Network Automation Inc. v. Advanced Systems Concepts Inc.*, *id.* at 3246.

¹³⁵⁵ 610 F.3d 1171 (9th Cir. July 8, 2010).

¹³⁵⁶ See *Network Automation Inc. v. Advanced Systems Concepts Inc.*, 638 F.3d 1137 (9th Cir. Mar 8, 2011), 3247.

Concerning the defendant's intent, the court explained that this factor was only relevant if the intent was directed at deceiving consumers, but not if the advertiser truthfully compared its own products with those of the trade mark owner.¹³⁵⁷

Factor 8: Likelihood of Expansion of the Product Lines

The factor concerning the likelihood of the expansion of the product lines was considered unimportant since the companies in dispute were already direct competitors.¹³⁵⁸

Additional Factor in Keyword Cases: Labelling and Appearance of the Ads and Surrounding Context on the Screen

The court observed that the eight *Sleekcraft* factors were not exhaustive. An important additional factor in keyword cases was the appearance of the advertisements and their surrounding context on the user's screen. According to the court, even though the ads in question did not clearly identify their source,¹³⁵⁹ the advertisements on Google and Bing were partitioned from the search results in a section labelled as "sponsored" links. Clear labelling could eliminate the likelihood of initial interest confusion, as the Ninth Circuit had noted before in its *Playboy* decision.¹³⁶⁰

4.7.4 *Rosetta Stone Ltd. v. Google Inc. (Fourth Circuit 2012)*

On April 9, 2012, the Court of Appeals for the Fourth Circuit in the case *Rosetta Stone Ltd. v. Google Inc.*¹³⁶¹ vacated the district court's order granting summary judgment against Rosetta Stone on its trade mark claims against Google.¹³⁶² Questions of fact precluded the issue of likelihood of confusion to be resolved on summary judgment.¹³⁶³ It is noted that in this case, Rosetta Stone's trade marks were expressly mentioned in ads for counterfeit products. The Fourth Circuit remanded the case for further proceedings,¹³⁶⁴ whereafter the parties reached a settlement.¹³⁶⁵

¹³⁵⁷ See *Network Automation Inc. v. Advanced Systems Concepts Inc.*, *id.* at 3248.

¹³⁵⁸ See *Network Automation Inc. v. Advanced Systems Concepts Inc.*, *id.* at 3249.

¹³⁵⁹ This determination is arguable considering the fact that Network's own domain name featured in the ad's URL.

¹³⁶⁰ See *Network Automation Inc. v. Advanced Systems Concepts Inc.*, 638 F.3d 1137 (9th Cir. Mar 8, 2011), 3249-3250.

¹³⁶¹ 676 F.3d 144 (4th Cir. Apr 9, 2012).

¹³⁶² See *Rosetta Stone Ltd. v. Google Inc.*, *id.* at 149-150, 173.

¹³⁶³ See *Rosetta Stone Ltd. v. Google Inc.*, *id.* at 160.

¹³⁶⁴ See *Rosetta Stone Ltd. v. Google Inc.*, *id.* at 149-150, 173.

¹³⁶⁵ See Reuters 2012.

4.7.5 *1-800 Contacts Inc. v. Lens.com Inc. (Tenth Circuit 2013)*

On July 16, 2013, the Court of Appeals for the Tenth Circuit in *1-800 Contacts Inc. v. Lens.com Inc.*¹³⁶⁶ denied the direct infringement claim of 1-800 against a competitor in the sale of contact lenses for lack of adequate evidence of initial-interest confusion.¹³⁶⁷ The Tenth Circuit recognised this doctrine, which resulted when a consumer sought a particular trademark holder's product and instead was lured to the product of a competitor by the competitor's use of the same or a similar mark."¹³⁶⁸

In the context of keyword advertising, the court found it decisive how often consumers clicked on the disputed ads after a search for the trade mark and were thereby "lured" to the competitor's website. Evidence showed that of the 1626 total impressions for the competitor's ads, only 25, i.e. 1.5 %, resulted in a click. The court noted that the consumers who clicked on the ads could have done this because they were confused regarding the affiliation of the advertiser with 1-800, or because they were simply interested in the products offered by the advertiser while being aware that it concerned a competitor of 1-800. As a consequence, the court determined that "initial-interest confusion occurred *at most* 1.5 % of the time that a Lens.com ad was generated by a Challenged Keyword". This was not sufficient for proving infringement.¹³⁶⁹

The Tenth Circuit warned against the mechanical application of the likelihood of confusion factors without attention to context. It agreed with the Ninth Circuit in *Network Automation Inc. v. Advanced Systems Concepts Inc.*¹³⁷⁰ that the labelling and appearance of the advertisements and the surrounding context on the screen displaying the results page were of decisive relevance. In this particular case, the substantial dissimilarity between the trade mark and the source indicated in the ad and the clear labelling as an advertisement strongly indicated the unlikelihood of confusion.¹³⁷¹

4.8 Conclusion

This chapter examined the test developed by the CJEU for determining the likelihood of confusion in keyword advertising cases. According to this test, a likelihood of confusion exists where the ad suggests

¹³⁶⁶ 722 F.3d 1229 (10th Cir. July 16, 2013).

¹³⁶⁷ See *1-800 Contacts Inc. v. Lens.com Inc.*, *id.* at 1243.

¹³⁶⁸ See *1-800 Contacts Inc. v. Lens.com Inc.*, *id.* at 1239.

¹³⁶⁹ See *1-800 Contacts Inc. v. Lens.com Inc.*, *id.* at 1244.

¹³⁷⁰ 638 F.3d 1137 (9th Cir. Mar 8, 2011).

¹³⁷¹ See *1-800 Contacts Inc. v. Lens.com Inc.*, 722 F.3d 1229 (10th Cir. July 16, 2013), 1244-1245.

an economic link between the advertiser and the trade mark owner. But also if there is no such suggestion, there is still a likelihood of confusion if the ad is vague to such an extent on the origin of the goods or services at issue that normally informed and reasonably attentive Internet users are unable to determine whether the advertiser is a third party vis-à-vis the trade mark proprietor or, on the contrary, economically linked to that proprietor.¹³⁷²

4.8.1 *Global Assessment*

It was researched which general principles are relevant for assessing the likelihood of confusion in the context of the use of trade marks as keywords to trigger search advertising. The CJEU's requirement of a positive finding of the existence of a likelihood of confusion, as well as the global appreciation thereof, taking into account all the factors relevant to the circumstances of the case, was found to be applicable.¹³⁷³

4.8.2 *Relevant Consumer*

This chapter furthermore explored what knowledge and level of attention can be expected from the relevant consumer in keyword cases. The few empirical studies in this field were discussed. These reveal that consumers can have various search objectives and expectations when entering a trade mark as a search term. They are not always merely looking for, or expecting to find, products of that specific trade mark.¹³⁷⁴ The empirical research also demonstrates that consumers determine the relevance of the ads by screening their content.¹³⁷⁵ It furthermore shows that most consumers do not regard the distinction between the algorithmic search results and the ads to be sufficiently clear, or that they do not pay a lot of attention to it.¹³⁷⁶ However, the research reports only a small amount of confusion in the trade mark law sense due to third party use of trade mark keywords.¹³⁷⁷

The CJEU's yardstick for the relevant consumer in keyword advertising cases is the "normally informed and reasonably attentive internet user" or the "reasonably well-informed and reasonably

¹³⁷² See *supra*, section 3.5.7.5.

¹³⁷³ See *supra*, section 4.2.

¹³⁷⁴ See *supra*, sections 4.3.1.1-4.3.1.2.

¹³⁷⁵ See *supra*, section 4.3.1.3.

¹³⁷⁶ See *supra*, section 4.3.1.4.

¹³⁷⁷ See *supra*, section 4.3.1.5.

observant internet user”. It was advocated in this chapter that the relevant consumer should be determined in a normative manner. In setting the standard, the various implications of the use of third party trade marks as keywords should play a role.¹³⁷⁸

4.8.3 *Transparency Requirement*

The CJEU’s transparency requirement was endorsed in this chapter. It takes into consideration the numerous interests of the different market players involved. It also respects trade mark law’s justifications and other relevant values, rights and policy objectives.¹³⁷⁹ In designing its transparency requirement, the CJEU appears to have acknowledged that the selection of third party trade marks as keywords is not an inherently objectionable practice but normally constitutes fair competition by providing alternatives to the trade marked products.¹³⁸⁰

It was explained that the content of the ad plays a crucial role in determining the likelihood of confusion. The absence of the disputed trade mark and the mentioning of the advertiser’s own name or mark could in general indicate fulfillment of the transparency requirement. A positive statement in the ad that there is no economic connection with the trade mark owner should normally not be expected.¹³⁸¹

4.8.4 *Pre Sale Confusion and Initial Interest*

It was found that the CJEU has not as such acknowledged the doctrine of initial interest confusion, originating from US law. Instead, it has formulated its own criteria for a likelihood of confusion at the pre sale stage. The CJEU requires the ad to be sufficiently clear about its origin to avoid the assumption of economic connections with the trade mark owner. This transparency requirement prevents actual pre sale confusion while at the same time allowing the attraction of initial interest by booking the trade marks of others as keywords. This approach, which correctly applies the distinction between initial interest and pre sale confusion put forward by *Rothman*, was endorsed.¹³⁸²

¹³⁷⁸ See *supra*, section 4.3.2.

¹³⁷⁹ See *supra*, section 4.4.1.

¹³⁸⁰ See *Interflora v. M&S*, [2014] EWCA (Civ) 1403 (Nov 5, 2014), para. 98, 104, 138, 143 and 156.

¹³⁸¹ See *supra*, section 4.4.2.

¹³⁸² See *supra*, section 4.5.2.

4.8.5 National Jurisprudence

The analysis of national jurisprudence in this chapter shows a certain amount of conformity among the national courts in the interpretation of the CJEU's likelihood of confusion test for keyword cases.¹³⁸³ Divergences still exist, which seems to some extent inevitable due to the application of the CJEU's guidelines to the particular facts of the case. However, some national courts appear to have misunderstood these guidelines.¹³⁸⁴ This impedes the free movement of goods and services in the European Union and causes uncertainty among advertisers, search engines and trade mark owners with negative consequences for e-commerce. The interpretation by some national courts hampers potential competition and prevents advertisers from imparting relevant, targeted information to consumers related to the products they are searching for. This is contrary to the underlying goals of trade mark law to enhance market transparency, competition and economic efficiency, and it conflicts with the fundamental right to freedom of expression.

Some courts found trade mark infringements in cases in which the trade mark was not mentioned in the ad and the advertiser's identity was clearly stated. These courts required the ad to expressly deny any potential economic connection with the trade mark owner. This erroneous interpretation of the CJEU's transparency requirement was, for instance, adopted by the Court of Appeal in Düsseldorf in *B. v. E. Shop*,¹³⁸⁵ and the Austrian Supreme Court in *Bergspechte*¹³⁸⁶ and *Wintersteiger*.¹³⁸⁷

Other national courts implemented a more adequate interpretation of the CJEU's likelihood of confusion test. According to these courts, the transparency requirement was satisfied where the ad did not contain the trade mark but indicated a different commercial origin, for instance, in the displayed URL. This approach supposes a certain standard of consumer sophistication. The relevant consumer is supposed to understand that the entering of a trade mark in the search field does not necessarily mean that all the links in the ad section belong to the trade mark owner. As models of this normatively desirable approach, it is referred to, for examples, the decisions of the Court of Appeal in The Hague in the case *Tempur v. Medicomfort*,¹³⁸⁸ the German Federal Supreme Court in *Bananabay II*,¹³⁸⁹ *Impuls*,¹³⁹⁰

¹³⁸³ See *supra*, section 4.6.

¹³⁸⁴ See also Thiel 2015, 180.

¹³⁸⁵ [2012] MMR 121 (OLG Düsseldorf Apr 18, 2011).

¹³⁸⁶ [2011] GRUR Int 173 (CC Malte Müller) (OGH June 21, 2010).

¹³⁸⁷ [2011] GRUR Int 354 (OGH Oct 5, 2010).

¹³⁸⁸ [2011] ECLI:NL:GHSGR:2011:BU6275 (Hof Den Haag Nov 22, 2011).

¹³⁸⁹ [2011] GRUR 828 (BGH Jan 13, 2011).

¹³⁹⁰ [2011] MMR 608 (CC Hoeren) (BGH Jan 13, 2011).

*Most-Pralinen*¹³⁹¹ and *Beate Uhse*,¹³⁹² the UK High Court in *Lush v. Amazon*,¹³⁹³ and the French Supreme Court in *Google v. Auto IES*.¹³⁹⁴

The examination of the national court decisions furthermore shows appreciation of the specific facts of each case. For instance, in the special circumstances of a network of flower delivery services consisting of a large number of retailers which varied greatly in terms of size and commercial profile, an explicit clarification in the ads was often found necessary in accordance with the suggestion by the CJEU in *Interflora v. M&S*.¹³⁹⁵ This view was adopted by the District Court in The Hague in the case *Fleurop v. Topbloemen*,¹³⁹⁶ by the German Federal Supreme Court in *Fleurop*,¹³⁹⁷ and by the UK High Court in *Interflora v. M&S*.¹³⁹⁸ The latter judgment has been reversed by the Court of Appeal.¹³⁹⁹ Infringements were also found in other special circumstances, such as a reference to the trade mark or a similar name or term in the ad text.¹⁴⁰⁰

Several circumstances were found relevant by the national courts in assessing the likelihood of confusion. These included: whether the ads were labelled as such and graphically separated from the algorithmic search results; the presence or absence of the disputed trade mark in the ad text; whether the ad indicated the advertiser's identity; and whether the display of other third party ads or of the trade mark owner's own ad or link among the search results enabled a comparison.

4.8.5 Likelihood of Confusion in the US

This chapter finally outlined a number of US decisions regarding the likelihood of confusion in keyword advertising cases.¹⁴⁰¹ This shows a development in case law, particularly of the Court of Appeals for the Ninth Circuit, from an initial skeptical view towards the invisible use of third party trade marks to

¹³⁹¹ [2013] GRUR 290 (BGH Dec 13, 2012).

¹³⁹² [2013] GRUR 1044 (BGH Feb 20, 2013).

¹³⁹³ [2014] EWHC 181 (Ch) (Feb 10, 2014) (with regard to the ad that did not feature the trade mark).

¹³⁹⁴ Case No. 11-18110 (Cass. Comm. Sep 25, 2012).

¹³⁹⁵ ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 52.

¹³⁹⁶ [2016] ECLI:NL:RBDHA:2016:8293 (Rb. Den Haag July 20, 2016).

¹³⁹⁷ [2014] MMR 123 (CC Schröler) (BGH June 27, 2013).

¹³⁹⁸ [2013] EWHC 1291 (Ch) (May 21, 2013).

¹³⁹⁹ See *Interflora v. M&S*, [2014] EWCA (Civ) 1403 (Nov 5, 2014).

¹⁴⁰⁰ See e.g. *Partnership*, [2015] BeckRS 02311 (OLG Hamburg Jan 22, 2015); *Lush v. Amazon*, [2014] EWHC 181 (Ch) (Feb 10, 2014) (with regard to the ad that featured the trade mark); and the decisions mentioned *supra*, section 4.6.6.

¹⁴⁰¹ See *supra*, section 4.7.

signalise Internet content¹⁴⁰² to a recently more favourable approach.¹⁴⁰³ According to this recent approach, initial interest confusion requires proof of likely confusion. Mere profiting from the goodwill of another's trade mark by diverting customers to one's own website is not actionable. The Ninth Circuit hence appears to have reconsidered its application of the initial interest confusion doctrine, perhaps owing to the fierce criticism expressed in literature¹⁴⁰⁴ and in Judge Berzon's concurring opinion in *Playboy Enterprises Inc. v. Netscape Communications Corp.*¹⁴⁰⁵

In *Network Automation Inc. v. Advanced Systems Concepts Inc.*,¹⁴⁰⁶ the Ninth Circuit pointed out that Internet consumers no longer exercised a low degree of care. They were supposed to be accustomed to skipping from website to website, and they did not form any firm expectations about the sponsorship of a website until they had seen the landing page. The court proposed a flexible application of the multifactor likelihood of confusion test. In comparison with the CJEU's likelihood of confusion test, the most striking difference concerns the strong focus on the labelling and appearance of the ads and surrounding context on the screen.

The Tenth Circuit in *1-800 Contacts Inc. v. Lens.com Inc.*¹⁴⁰⁷ agreed with the importance of this factor. In this case, it did not find initial interest confusion sufficiently proven due to the small percentage of clicks on the ads. The court also acknowledged that the consumers who did click on the ads were not necessarily confused regarding their origin.

Both decisions show an awareness of the courts that the kind of confusion involved in keyword advertising cases is different from that in traditional trade mark infringement cases. It was hence acknowledged that different factors and circumstances should play a role.

¹⁴⁰² See *Brookfield Communications Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. Apr 22, 1999).

¹⁴⁰³ See *Network Automation Inc. v. Advanced Systems Concepts Inc.*, 638 F.3d 1137 (9th Cir. Mar 8, 2011).

¹⁴⁰⁴ See *supra*, fn. 1317.

¹⁴⁰⁵ 354 F.3d 1020 (9th Cir. Jan 14, 2004).

¹⁴⁰⁶ 638 F.3d 1137 (9th Cir. Mar 8, 2011).

¹⁴⁰⁷ 722 F.3d 1229 (10th Cir. July 16, 2013).

5 Goodwill Protection

5.1 Introduction

The previous chapter was concerned with protection against consumer confusion, which may be considered the core of trade mark law. It safeguards the essential origin function of a trade mark¹⁴⁰⁸ in line with the prevalent rationale to lower consumer search costs.¹⁴⁰⁹ The present chapter deals with trade mark protection beyond the existence of consumer confusion. The protected value is here referred to as “goodwill”,¹⁴¹⁰ which relates, for instance, to a trade mark’s advertising, investment and communication functions.¹⁴¹¹ It has been argued at the beginning of this book that protection in the absence of consumer confusion should be applied carefully in view of other important values, rights and policies.¹⁴¹²

It is recalled that the terms “goodwill” and “reputation” are used as synonyms in this book, which is usual in the European context. In the US, however, goodwill is related to customer loyalty and not limited to trade marks with a reputation, whereas a reputation can exist even among people who are not customers.

Goodwill protection (as understood here, i.e., protection beyond source confusion) can be granted under the special provision for trade marks with a reputation, Art 10(2)(c) TMD, or in cases of double identity under Art 10(2)(a) TMD. Both scenarios will be covered in this chapter. Art 10(2)(c) TMD requires that the sign is identical with, or similar to, the trade mark irrespective of whether it is used in relation to goods or services which are identical with, similar to, or not similar to, those for which the trade mark is registered, where the latter has a reputation in the 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. An additional requirement of the CJEU concerns the existence of a connection or link in the mind of the public between the trade mark and the sign used.¹⁴¹³ Art 10(2)(a) TMD requires that the sign is identical with the trade mark and is used in relation to goods or services which are identical

¹⁴⁰⁸ See *supra*, section 2.5.1.

¹⁴⁰⁹ See *supra*, section 2.3.1.

¹⁴¹⁰ See *supra*, section 2.2.

¹⁴¹¹ See *supra*, section 2.5.

¹⁴¹² See *supra*, section 2.6.

¹⁴¹³ See *infra*, section 5.3.

with those for which the trade mark is registered. The CJEU has furthermore imposed the condition of an adverse effect on one of the trade mark functions.¹⁴¹⁴

This chapter will examine how these criteria should be applied in the case of an advertiser using a third party's trade mark as a keyword. The relevant keyword cases *Google v. Louis Vuitton*¹⁴¹⁵ and *Interflora v. M&S*¹⁴¹⁶ as well as national jurisprudence will receive attention in this regard.

First, the requirements under Art 10(2)(c) TMD of a reputation and of a connection or link in the mind of the public between the trade mark and the sign used will be illuminated. Thereafter, the recognised causes of harm under this provision will be discussed: detriment to the distinctive character of the mark, detriment to the repute of the mark, and unfair advantage taken of the distinctive character or repute of the mark.¹⁴¹⁷ Furthermore, this chapter will examine when there is a due cause for the use of another's trade mark as a keyword. With regard to Art 10(2)(a) TMD, it will be explored under which circumstances an adverse effect on the advertising, investment and communication functions may be assumed. The final section will provide a summary and suggestions for the application of goodwill protection in keyword advertising disputes.

5.2 Reputation

Art 10(2)(c) TMD establishes a wider form of protection for the benefit of trade marks with a reputation than Art 10(2)(a) and (b) TMD.¹⁴¹⁸ It will briefly be explained what is meant by the requirement that the trade mark "has a reputation in the Member State" under Art 10(2)(c) TMD.¹⁴¹⁹ According to the CJEU in *General Motors v. Yplon (Chevy)*,¹⁴²⁰ the trade mark must have a reputation among a significant part of the public concerned by the products or services offered under that mark.¹⁴²¹ Whether this condition is fulfilled depends on all the relevant facts of the case, in particular, the market share held by the trade

¹⁴¹⁴ See *supra*, section 3.4.11.2.

¹⁴¹⁵ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

¹⁴¹⁶ ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011).

¹⁴¹⁷ According to the CJEU, the existence of one of these types of injury, or a serious likelihood that such an injury will occur in the future, must be assessed globally, taking into account all factors relevant to the circumstances of the case. See *Intel v. CPM*, ECLI:EU:C:2008:655 (CJEU case C-252/07 Nov 27, 2008), para. 68, 79 (concerning Art 5(3)(a) TMD). A non-exhaustive list of the relevant factors can be found in para. 42 of this judgment. The stronger the earlier mark's distinctive character and reputation, the easier it will be to accept that detriment has been caused to it. See *General Motors v. Yplon (Chevy)*, [1999] ECR I-5421 (CJEU case C-375/97 Sep 14, 1999), para. 30.

¹⁴¹⁸ See *Leidseplein Beheer v. Red Bull*, ECLI:EU:C:2014:49 (CJEU case C-65/12 Feb 6, 2014), para. 33.

¹⁴¹⁹ For a critical view on the low threshold applied by the CJEU, see Senftleben 2011a, 10-11; and Senftleben 2011b, 384.

¹⁴²⁰ [1999] ECR I-5421 (CJEU case C-375/97 Sep 14, 1999).

¹⁴²¹ See *General Motors v. Yplon (Chevy)*, *id.* at para. 24, 26, 31.

mark, the intensity, geographical extent and duration of its use, and the size of the investment made by the undertaking in promoting it.¹⁴²² The reputation must exist in a substantial part of the Member State.¹⁴²³ With regard to the Benelux territory, this part may consist of a part of one of the Benelux countries.¹⁴²⁴ The CJEU clarified in *PAGO v. Tirolmilch*,¹⁴²⁵ that Art 9(2)(c) EUTMR requires a reputation in a substantial part of the territory of the Community,¹⁴²⁶ while this requirement is satisfied where the trade mark has a reputation throughout the territory of only one Member State.¹⁴²⁷

5.3 Connection or Link in Mind of Public

Art 10(2)(c) TMD (formerly: Art 5(2) TMD) does not require the existence a likelihood of confusion. However, it does require the existence of a connection or link in the mind of the public between the trade mark and the sign used.¹⁴²⁸ In *Adidas v. Fitnessworld*,¹⁴²⁹ the CJEU explained:

The infringements referred to in Article 5(2) of the Directive, where they occur, are the consequence of a certain degree of similarity between the mark and the sign, by virtue of which the relevant section of the public makes a connection between the sign and the mark, that is to say, establishes a link between them even though it does not confuse them [...].¹⁴³⁰

Pursuant to the CJEU, the existence of such a link must be appreciated globally, taking into account all factors relevant to the circumstances of the case.¹⁴³¹ In *Intel v. CPM*,¹⁴³² these factors were more closely examined.¹⁴³³

¹⁴²² See *General Motors v. Yplon (Chevy)*, *id.* at para. 27.

¹⁴²³ See *General Motors v. Yplon (Chevy)*, *id.* at para. 28, 31.

¹⁴²⁴ See *General Motors v. Yplon (Chevy)*, *id.* at para. 29, 31.

¹⁴²⁵ ECLI:EU:C:2009:611 (CJEU case C-301/07 Oct 6, 2009).

¹⁴²⁶ See *PAGO v. Tirolmilch*, *id.* at para. 27, 30.

¹⁴²⁷ See *PAGO v. Tirolmilch*, *id.* at para. 28, 30.

¹⁴²⁸ See *L'Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 36; *Intel v. CPM*, ECLI:EU:C:2008:655 (CJEU case C-252/07 Nov 27, 2008), para. 30-31 (concerning Art 5(3)(a) TMD); *Adidas v. Marca Mode*, ECLI:EU:C:2008:217 (CJEU case C-102/07 Apr 10, 2008), para. 41-42; and *Adidas v. Fitnessworld*, [2003] ECR I-12537 (CJEU case C-408/01 Oct 23, 2003), para. 29-31.

¹⁴²⁹ [2003] ECR I-12537 (CJEU case C-408/01 Oct 23, 2003).

¹⁴³⁰ See *Adidas v. Fitnessworld*, *id.* at para. 29. *Gielen* explained that this decision brought back the criterion of likelihood of association in the context of Art 10(2)(c) TMD, although it had been rejected under Art 10(2)(b) TMD. See *Gielen* 2005, 213-214. See also *Kur* 2008b, 157.

¹⁴³¹ See *Intel v. CPM*, ECLI:EU:C:2008:655 (CJEU case C-252/07 Nov 27, 2008), para. 41 (concerning Art 5(3)(a) TMD); *Adidas v. Marca Mode*, ECLI:EU:C:2008:217 (CJEU case C-102/07 Apr 10, 2008), para. 42; and *Adidas v. Fitnessworld*, *id.* at para. 30.

¹⁴³² ECLI:EU:C:2008:655 (CJEU case C-252/07 Nov 27, 2008).

¹⁴³³ See *Intel v. CPM*, *id.* at para. 40-64 (concerning Art 5(3)(a) TMD).

It is debatable whether the Internet user makes a connection between the trade mark entered by him as a search term and the keyword triggering the ad. After all, the keyword is not visible for the Internet user. Arguably though, he may assume a certain connection between his search term and the appearing ads. In this way, a connection in the mind of the public between the trade mark and the keyword booked by the advertiser could be said to be indirectly established.

The CJEU did not mention the requirement of a connection in the mind of the public in its keyword decisions dealing with Art 10(2)(c) TMD, even though Advocate General Jääskinen had discussed this issue at quite some length.¹⁴³⁴ In *Interflora v. M&S*,¹⁴³⁵ the CJEU merely observed that in so far as Art 10(2)(c) TMD required “some degree of similarity” between the trade mark at issue and the sign used by the third party, this condition was met in the adjudicated case.¹⁴³⁶ The CJEU thus avoided the difficult determination of a connection in the mind of the public in keyword advertising cases.

5.4 *Detriment to Distinctive Character*

Schechter observed in 1927 with regard to the use of another’s trade mark on dissimilar products that the real injury thereof was “the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name”.¹⁴³⁷ The CJEU describes “dilution”, “whittling away”, “blurring” or “detriment to the distinctive character of a trade mark” as the weakening of the mark’s ability to distinguish the goods or services for which it is registered from those which have a different origin. According to the CJEU, at the end of the dilution process, the trade mark is no longer capable of creating an immediate association, in the minds of consumers, with a specific commercial origin.¹⁴³⁸

¹⁴³⁴ See *Interflora v. M&S*, ECLI:EU:C:2011:173 (AG Jääskinen case C-323/09 Mar 24, 2011), para. 65-76 (reasoning that in keyword disputes the existence of a link depends on the “uniqueness” of the trade mark).

¹⁴³⁵ ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011).

¹⁴³⁶ See *Interflora v. M&S*, *id.* at para. 71.

¹⁴³⁷ See *Schechter* 1927, 825, 831 (arguing in this article that the preservation of the “uniqueness” of a trade mark is the only rational basis for its protection). In this regard, *Beebe* explained that, as a semiotic matter, antiblurring protection is concerned with differential distinctiveness, i.e., distinctiveness *from other marks*, rather than with distinctiveness *of source*. This would require absolute, in gross protection of the mark as a signifier instead of merely protecting the relation of signification between a mark’s signifier and its signified. See *Beebe* 2008, 58-59.

¹⁴³⁸ See *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 73, 76; *L’Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 39; and *Intel v. CPM*, ECLI:EU:C:2008:655 (CJEU case C-252/07 Nov 27, 2008), para. 29, 76.

In economic terms, the harm of dilution has been identified as an increase in (internal) consumer search costs.¹⁴³⁹ However, this has been criticized for lack of empirical evidence,¹⁴⁴⁰ and for failing to recognize that anti-dilution law was intended to protect uniqueness as something of social value.¹⁴⁴¹

The use of a trade mark as an invisible keyword differs from the use of a mark in advertising, on a product or on packaging. It is not certain whether mere keyword use is likely to dilute the mark's distinctiveness where the public is not exposed to the sign used by the third party. It may moreover be argued that non-source identifying use does not harm distinctiveness since the trade mark remains associated with the trade mark owner only.¹⁴⁴² This could be a matter for empirical research.

In *Interflora v. M&S*,¹⁴⁴³ the plaintiff, Interflora, argued that the use of its reputed trade mark as a keyword by its competitor, M&S, gradually persuaded Internet users that the word "Interflora" was not a trade mark but a generic word for flower-delivery services. The CJEU dealt with this argument under the heading "Detriment to the distinctive character of a trade mark with a reputation (dilution)". The Court explained that detriment to the mark's distinctive character could be caused by third party use which contributed to turning that mark into a generic term.¹⁴⁴⁴ However, the selection of a reputed trade mark as a keyword did not necessarily contribute to such a development.¹⁴⁴⁵

According to the CJEU, if the ad enabled the reasonably well-informed and reasonably observant Internet user to tell that the goods or services offered originated not from the proprietor of the trade mark but, on the contrary, from a competitor, the conclusion would have to be that the trade mark's distinctiveness had not been reduced, and that the third party use had not contributed to turning the trade mark into a generic term. In such a situation, the use of the trade mark keyword had merely served to draw the Internet user's attention to the existence of an alternative product or service to that of the proprietor of the trade mark.¹⁴⁴⁶

¹⁴³⁹ See, e.g., Jacoby 2003, 19-22 (explaining that "internal search costs" concern information from memory, whereas the term "external search costs" refers to information in the outside world); and Landes & Posner 2003, 207 (arguing that due to blurring more mental time and effort, "imagination cost", is needed to associate the trade mark with a particular product).

¹⁴⁴⁰ See Tushnet 2008a, 527-546. See also Burrell & Gangjee 2010, 552. In addition, *Tushnet* argued that this theory did not take account of the fact that mental associations of brands were largely caused by non-commercial, expressive, or otherwise non-actionable uses. See Tushnet 2008a, 546-561; and Tushnet 2008b, 314-320.

¹⁴⁴¹ See Beebe 2010, 848-850. See also *supra*, fn. 1437.

¹⁴⁴² See Denicola 1982, 187-188 (mentioning comparative advertising, referential use, parodies and decorative use as examples).

¹⁴⁴³ ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011).

¹⁴⁴⁴ See *Interflora v. M&S*, *id.* at para. 79.

¹⁴⁴⁵ See *Interflora v. M&S*, *id.* at para. 80.

¹⁴⁴⁶ See *Interflora v. M&S*, *id.* at para. 81-82. See for a Dutch keyword advertising decision arriving at this conclusion, *Tempur v. Medicomfort*, [2011] ECLI:NL:GHSGR:2011:BU6275 (Hof Den Haag Nov 22, 2011), para. 29.

Whereas, if the ad did not enable the Internet user to tell that M&S' service was independent from that of Interflora, the national court had to determine, based on the submitted evidence, whether the selection of the trade mark keywords had had such an impact on the market for flower-delivery services that the word "Interflora" had come to designate, in the consumer's mind, any flower-delivery service.¹⁴⁴⁷ In an earlier case, *Intel v. CPM*,¹⁴⁴⁸ the CJEU had decided that for finding detriment to the distinctive character of a trade mark it was required to provide evidence of a change in the economic behaviour of the average consumer of the goods or services for which that mark was registered consequent on the use of the later sign, or a serious likelihood that such a change would occur in the future.¹⁴⁴⁹

Within its assessment of the detriment to the distinctive character of the trade mark, the CJEU appears to have taken account of the interests involved in the use of third party trade marks as keywords. Detriment to the distinctive character is denied if the ad clearly offers a competitive product. The Court thus seems to balance the potential prejudice caused to the trade mark's distinctiveness with the benefits of competitive keyword use.

Whereas the CJEU simply denies dilution where the ad is sufficiently clear about its origin, it is suggested here to perform an explicit balance of interests on the basis of the due cause defence in Art 10(2)(c) TMD.¹⁴⁵⁰ The possible harm to the trade mark could then be expressly weighed against conflicting interests, such as competition, product information and the freedom of expression.

The European legislator and the CJEU also acknowledge the prevalence of other interests in cases in which third party trade mark uses may arguably weaken the distinctiveness of those marks, for instance, where one of the statutory limitations in Art 14 TMD, including comparative advertising,¹⁴⁵¹ or the

¹⁴⁴⁷ See *Interflora v. M&S*, *id.* at para. 83.

¹⁴⁴⁸ ECLI:EU:C:2008:655 (CJEU case C-252/07 Nov 27, 2008).

¹⁴⁴⁹ See *Intel v. CPM*, *id.* at para. 77, 81 (concerning Art 5(3)(a) TMD). The CJEU found in this case that the trade mark proprietor could not be required to wait until the injury to its mark actually occurred, though he was supposed to prove that there was a serious risk that such injury would occur in the future. See para. 38. Also in *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 77, the Court made clear that Art 10(2)(c) TMD entitled the trade mark proprietor to prevent all use of identical or similar signs which reduced the mark's distinctiveness "without it being required to wait for the end of the process of dilution, that is to say, the total loss of the trade mark's distinctive character." *Quaedvlieg* observed that the CJEU required a positive finding of a risk of blurring, just like it required a positive finding of a likelihood of confusion, and not merely a presumption, which contributed to the consistency of the system. See *Quaedvlieg* 2009, 807.

¹⁴⁵⁰ See *infra*, section 5.7.

¹⁴⁵¹ Before the reform of the European trade mark system, the CJEU had created an additional, extra-statutory limitation, which it based on Art 4 MCAD. See *L'Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 54; and *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008), para. 45, 51. This limitation is meanwhile included in Art 10(3)(f) TMD. See *infra*, section 6.2.1.3.1.

exhaustion rule in Art 15 TMD applies. Despite the potential risk of blurring in these scenarios, such uses are generally allowed.¹⁴⁵²

5.5 Detriment to Repute

According to the CJEU in *L'Oréal v. Bellure*,¹⁴⁵³ detriment to the repute of a trade mark, also called “tarnishment” or “degradation”, is caused when the goods or services for which the sign is used by the third party may be received by the public in such a way that the trade mark’s power of attraction is reduced. The likelihood of such detriment may arise in particular from the fact that the goods or services offered by the third party possess a characteristic or a quality which is liable to have a negative impact on the image of the mark.¹⁴⁵⁴ Detriment to the repute of a trade mark was not part of any of the preliminary questions asked to the Court in keyword advertising cases.

Helpful in this regard is the judgment of the Court of Appeal in The Hague in *Tempur v. Medicomfort*.¹⁴⁵⁵ That court assumed that in keyword advertising cases exclusively the advertisement and not the goods or services themselves needed to be analysed. According to the court, if the relevant consumer was able to identify the products offered as originating from a competitor, he would not associate the advertiser’s products with those of the trade mark holder, and thus, there was no detriment to the reputation of the mark.¹⁴⁵⁶

Whether and under what circumstances use of a trade mark as a keyword could harm the mark’s reputation would again be a topic for empirical studies. Imaginable is, for instance, that an ad which implicitly or explicitly discredits the goods or services offered under the trade mark could damage its image. In such a case, it is necessary to balance the advertiser’s freedom of expression with the trade

¹⁴⁵² Except if under Art 14(2) TMD, the use is not “in accordance with honest practices in industrial or commercial matters”; under Art 15(2) TMD, “there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods”; or in the case of comparative advertising, the conditions of Art 4 MCAD are not satisfied. Note that these conditions do not include a prohibition of causing detriment to the distinctive character of a trade mark.

¹⁴⁵³ ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009).

¹⁴⁵⁴ See *L'Oréal v. Bellure*, *id.* at para. 40. See also Swann & Davis 1994, 274 (arguing that negative associations are more damaging for the long term than confusion). *Lemley & McKenna* noted that “the predominant producer-side arguments in favor of protection against noncompeting uses have focused on the possibility of negative feedback to the producer’s original market.” Referring to their earlier work, they found “surprisingly little evidence that consumers punished the core brand for what they saw as poor quality extensions into new markets.” See *Lemley & McKenna* 2010, 143.

¹⁴⁵⁵ [2011] ECLI:NL:GHSGR:2011:BU6275 (Hof Den Haag Nov 22, 2011).

¹⁴⁵⁶ See *Tempur v. Medicomfort*, *id.* at para. 24 (with regard to the assessment of an adverse effect on the investment function). See, similarly, *SEB v. Philips*, [2013] IEPT 0123 (Rb. Den Haag Jan 23, 2013), para. 4.12, 4.14 (denying detriment to the trade mark).

mark owner's right to one's good name.¹⁴⁵⁷ This assessment is enabled by the due cause clause in Art 10(2)(c) TMD.¹⁴⁵⁸ It is recommended to take into account the specific circumstances of the case, in particular, the content of the ad and the linked website and the validity and gravity of the statements. That such a scenario is not purely fictitious is demonstrated by a number of national keyword advertising cases concerning ads linking to gripe sites or sites offering legal aid to "victims" of the trade mark or company owner's practices.¹⁴⁵⁹

5.6 *Unfair Advantage of Distinctive Character or Repute*

As opposed to US trade mark law,¹⁴⁶⁰ European trade mark law grants marks with a reputation protection beyond blurring and tarnishment against so-called "free-riding", "parasitism" or "misappropriation", which Art 10(2)(c) TMD describes as the taking of "unfair advantage of the distinctive character or the repute of the trade mark". According to the CJEU in *L'Oréal v. Bellure*,¹⁴⁶¹ this concept does not concern detriment caused to the mark but rather an advantage taken by the third party. In particular, this is the case where there is clear exploitation on the coat-tails of the mark with a reputation by reason of a transfer of its image or characteristics.¹⁴⁶²

This section will analyse the CJEU and national keyword cases to determine under what circumstances the advantage taken by use of another's trade mark as a keyword has to be regarded as "unfair" within the meaning of Art 10(2)(c) TMD.

¹⁴⁵⁷ See Sakulin 2011, 298 (arguing that where commercial third party use is truthful and non-misleading, but causes clear harm, a careful balancing process should be carried out). *Denicola* warned that extending the tarnishment doctrine beyond use as a trade mark threatened to grow it into a powerful vehicle for the suppression of unwelcome speech. See Denicola 1982, 190.

¹⁴⁵⁸ See *infra*, section 5.7.

¹⁴⁵⁹ See, e.g., the Dutch decisions *Liegende juristen*, [2011] B9 9880 (Vzr. Rb. Maastricht June 27, 2011) (decided on the basis of general tort law); *UMG v. VVP*, [2009] ECLI:NL:RBUTR:2009:BK4228 (Vzr. Rb. Utrecht Nov 18, 2009) (decided on the basis of general tort law); *Wijs & Van Oostveen v. Stichting Hulp Gedupeerden*, [2009] IEPT 20090226 (Vzr. Rb. Amsterdam Feb 26, 2009); and *Man v. NHG*, [2005] DomJur 217 (Vzr. Rb. Rotterdam Feb 15, 2005) (concerning meta tags).

¹⁴⁶⁰ See § 43(c) Lanham Act, 15 U.S.C. § 1125(c). This chapter does not contain a comparison with US law since the US keyword advertising debate concentrates on the doctrines of trade mark use and likelihood of confusion.

¹⁴⁶¹ ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009).

¹⁴⁶² See *L'Oréal v. Bellure*, *id.* at para. 41.

5.6.1 *Google v. Louis Vuitton*

In *Google v. Louis Vuitton*,¹⁴⁶³ the advertisers in one of the disputes¹⁴⁶⁴ selected Louis Vuitton's trade marks as keywords for ads offering product imitations. Google allowed them to book those trade marks in combination with keywords which referred to the fact that the products offered were fakes, such as the words "imitation" and "copy". The French Supreme Court (Cour de cassation) asked the CJEU, *inter alia*, whether the owner of a trade mark with a reputation could prohibit the search engine under Art 10(2)(c) TMD to sell that trade mark as a keyword for ads offering infringing products. The CJEU reiterated that the acts of the search engine did not constitute "use" of the mark within the meaning of Art 10 TMD.¹⁴⁶⁵

Although the Cour de cassation had not asked this question, the CJEU briefly addressed the liability of the advertiser under Art 10(2)(c) TMD. It explained that its decision in *L'Oréal v. Bellure*¹⁴⁶⁶ was relevant in cases in which an advertiser on the Internet, through the use of a mark with a reputation, offered for sale imitations of the trade mark proprietor's goods.¹⁴⁶⁷ The Court quoted its reasoning in *L'Oréal v. Bellure*, which case concerned the use of packaging and bottles similar to those of L'Oréal for imitated perfumes:

[...] [in the case of offers of imitations for sale] [...] where a third party attempts, through the use of a sign which is identical with, or similar to, a reputable mark, to ride on the coat-tails of that mark in order to benefit from its power of attraction, its reputation and its prestige, and to exploit, without paying any financial compensation and without being required to make efforts of its own in that regard, the marketing effort expended by the proprietor of that mark in order to create and maintain the image of that mark, the advantage resulting from such use must be considered to be an advantage that has been unfairly taken of the distinctive character or the repute of that mark. [...] ¹⁴⁶⁸

¹⁴⁶³ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

¹⁴⁶⁴ Case C-236/08.

¹⁴⁶⁵ See *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 104-105.

¹⁴⁶⁶ ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009).

¹⁴⁶⁷ See *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 103.

¹⁴⁶⁸ See *Google v. Louis Vuitton*, *id.* at para. 102, quoting *L'Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 49. *Senftleben* noted that the CJEU, by setting this low standard for the taking of an unfair advantage, created a loophole that could be used when a showing of detriment was impossible. He assumed that the brand owner merely had to argue that the defendant attempted to ride on the coat-tails of the mark with a reputation. See *Senftleben* 2011a, 12; and *Senftleben* 2011b, 385.

Based on this formula, it seems likely that the use of a mark with a reputation as a keyword can be enjoined pursuant to Art 10(2)(c) when the ad concerns product imitations. Imitators are therefore warned, even in cases in which the act of imitating itself is permitted.¹⁴⁶⁹

5.6.2 *Interflora v. M&S*

The CJEU judgment *Interflora v. M&S*¹⁴⁷⁰ provided clarity concerning the issue of an unfair advantage in keyword cases involving, instead of an imitator, a competitor of the trade mark owner. In this dispute, M&S had booked the reputed trade mark “Interflora” and variants thereof as keywords to advertise its own flower delivery service.

The CJEU qualified the selection of another’s trade mark with a reputation as a keyword as the taking of an advantage of that mark’s distinctive character and repute.¹⁴⁷¹ This advantage, according to the CJEU, could be considered to be unfair if there was no due cause for it. The Court reasoned that the keyword selection could qualify as “riding on the coat-tails” of the mark with a reputation, within the meaning of the *L’Oréal v. Bellure*¹⁴⁷² formula.¹⁴⁷³ Repeating its observation in *Google v. Louis Vuitton*,¹⁴⁷⁴ the CJEU noted that this was particularly likely to be the conclusion in cases in which advertisers chose keywords corresponding to trade marks with a reputation in order to trigger ads for imitations of the products offered under those marks.¹⁴⁷⁵

However, where the ad offered an alternative to the goods or services of the trade mark proprietor, without offering an imitation, without causing dilution or tarnishment, and without adversely affecting

¹⁴⁶⁹ If there is no intellectual property protection available, or if intellectual property rights have expired, imitation is principally free (unless it is, e.g., prohibited under unfair competition law). See Ohly in: Ohly & Sosnitzer 2016, UWG Einf. D, para. 80; and Sambuc in: Harte-Bavendamm & Henning-Bodewig 2016, UWG Einl. G, para. 213. See also Landes & Posner 2003, 23 (“[...] Freedom to imitate, to copy, is a cornerstone of competition and operates to minimize monopoly profits.”). See also Recital 14 UCPD: “[...] It is not the intention of this Directive to reduce consumer choice by prohibiting the promotion of products which look similar to other products unless this similarity confuses consumers as to the commercial origin of the product and is therefore misleading. [...]”

Jacob LJ, in its final decision in the case *L’Oréal v. Bellure*, criticised the CJEU’s guidance as amounting to a “pointless monopoly” by qualifying all free-riding as “unfair” and thus condemning even lawful copying. See *L’Oréal v. Bellure*, [2010] EWCA (Civ) 535 (May 21, 2010), para. 49-50. *Kur, Bently & Ohly* also rejected the CJEU’s decision in *L’Oréal v. Bellure*. They argued that prohibiting reference to trade marks with a reputation in advertising for lawful product imitations conflicted with consumers’ interest to receive commercially relevant information and the advertisers’ freedom of commercial speech. See *Kur, Bently & Ohly* 2011, 3-5.

¹⁴⁷⁰ ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011).

¹⁴⁷¹ See *Interflora v. M&S*, *id.* at para. 84-87.

¹⁴⁷² ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009).

¹⁴⁷³ See *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 89.

¹⁴⁷⁴ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

¹⁴⁷⁵ See *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 90.

the trade mark functions, the conclusion had to be that such use fell, as a rule, within the ambit of fair competition, and thus qualified as a due cause within the meaning of Art 10(2)(c) TMD.¹⁴⁷⁶ In this situation, the trade mark proprietor was not entitled to prevent the selection of its trade mark with a reputation as a keyword.¹⁴⁷⁷ The CJEU left it to the referring court to determine whether the use of Interflora's reputed trade mark as a keyword without due cause took unfair advantage of the distinctive character or the repute of that mark.¹⁴⁷⁸

By regarding the selection of a trade mark with a reputation as a keyword with the aim of offering an alternative to the trade marked products as fair competition, the CJEU appears to have followed the advice of Advocate General Jääskinen. The Advocate General had pointed out that he found the absence of a requirement of detriment under Art 10(2)(c) TMD very problematic from the point of view of competition. In his opinion, it moved away from a Pareto optimal situation. Prohibiting free-riding did not improve the situation of the trade mark owner, who did not suffer any detriment, but it worsened the situation of the competitor and the consumer.¹⁴⁷⁹ The Advocate General stressed that *L'Oréal v. Bellure* was about imitating luxury products, in contrast to this dispute, in which M&S put forward a commercial alternative to Interflora's flower delivery services.¹⁴⁸⁰ While emphasising the need to promote undistorted competition and the possibilities of consumers to seek information about goods or services, the Advocate General stated that, in his view, the purpose of presenting a commercial alternative to the goods or services protected by a trade mark with a reputation qualified as a due cause in the context of modern marketing relying on keyword advertising on the Internet. After all, the market economy was meant to enable well-informed consumers to make choices according to their preferences.¹⁴⁸¹

The opinion of Advocate General Jääskinen with regard to the issue of free-riding, as well as the CJEU's adoption of this opinion, correctly acknowledge that the mere profiting from the positive externalities of popular third party brands by booking them as keywords without causing confusion among consumers or detriment to the trade mark constitutes fair competition.¹⁴⁸² In such a situation, it

¹⁴⁷⁶ See *Interflora v. M&S*, *id.* at para. 91.

¹⁴⁷⁷ See *Interflora v. M&S*, *id.* at para. 95. If the ad does not offer an alternative, the use of a trade mark with a reputation as a keyword may still be permissible since the Court stated that the proprietor of a trade mark with a reputation was not entitled to prevent "inter alia" advertisements displayed by competitors which put forward an alternative.

¹⁴⁷⁸ See *Interflora v. M&S*, *id.* at para. 92.

¹⁴⁷⁹ See *Interflora v. M&S*, ECLI:EU:C:2011:173 (AG Jääskinen case C-323/09 Mar 24, 2011), para. 94.

¹⁴⁸⁰ See *Interflora v. M&S*, *id.* at para. 95-96.

¹⁴⁸¹ See *Interflora v. M&S*, *id.* at para. 99.

¹⁴⁸² Precisely famous trade marks will often be the ones that third parties want to use, e.g., in expressing their views, or as navigation tools on the Internet. See Dreyfuss 2008, 277, 289.

must be concluded that the trade mark owner's interest in exclusively benefitting from the reputation of its brand is outbalanced by the interests of competitors, consumers and society at large in a transparent, competitive market.¹⁴⁸³

5.6.3 National Jurisprudence

5.6.3.1 *Tempur v. Medicomfort (Hof Den Haag 2011) and SEB v. Philips (Rb. Den Haag 2013)*

Two Dutch courts have applied the CJEU's guidance in keyword advertising cases in which unfair advantage was argued. It is recalled that where the ad offers an alternative, without offering an imitation, without causing dilution or tarnishment, and without adversely affecting the trade mark functions, it qualifies as a due cause under Art 10(2)(c) TMD.¹⁴⁸⁴ The Court of Appeal in The Hague thus concluded in *Tempur v. Medicomfort*¹⁴⁸⁵ that the advantage taken by the advertiser was not to be regarded as unfair.¹⁴⁸⁶ The same conclusion was drawn by the District Court of The Hague in *SEB v. Philips*.¹⁴⁸⁷

5.6.3.2 *Beate Uhse (BGH 2013) and Beate Uhse II (OLG Frankfurt a.M. 2014)*

The CJEU's reasoning was also referred to by the German Federal Supreme Court in the case *Beate Uhse*,¹⁴⁸⁸ which remanded the case since the Court of Appeal had failed to address the issue of unfair advantage of the repute of the trade mark under Art 9(2)(c) EUTMR.¹⁴⁸⁹ On remand, despite the strict requirements imposed by the CJEU, the Court of Appeal in Frankfurt am Main in *Beate Uhse II*¹⁴⁹⁰ considered the advantage taken by the advertiser to be unfair. According to the Court of Appeal, the advertisement imposed a negative image on the retail services offered by the plaintiff. The indication "Savings up to 94% guaranteed" caused the impression among a substantial part of the relevant public

¹⁴⁸³ It is recalled that the CJEU has also found the use of third party trade marks in comparative advertising to be generally lawful, provided that the conditions of Art 4 MCAD are met. See *L'Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 54; and *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008), para. 45, 51. This limitation is meanwhile included in Art 10(3)(f) TMD. See *infra*, section 6.2.1.3.1.

¹⁴⁸⁴ See *Interflora v. M&S*, *id.* at para. 91.

¹⁴⁸⁵ [2011] ECLI:NL:GHSGR:2011:BU6275 (Hof Den Haag Nov 22, 2011).

¹⁴⁸⁶ See *Tempur v. Medicomfort*, *id.* at para. 32.

¹⁴⁸⁷ [2013] IEF 12276 (Rb. Den Haag Jan 23, 2013). See para. 4.18.

¹⁴⁸⁸ [2013] GRUR 1044 (BGH Feb 20, 2013).

¹⁴⁸⁹ See *Beate Uhse*, *id.* at para. 20-25.

¹⁴⁹⁰ [2014] GRUR-RR 245 (OLG Frankfurt a. M. Apr 10, 2014).

(the average consumers interested in erotic products) that the defendant offered the same products as the plaintiff, or comparable alternative products, for a consistently lower, partially extremely lower, price. The court acknowledged that the ad did not expressly refer to the products of the plaintiff. However, it considered that the relevant consumer, after entering the search term “Beate Uhse”, would assume the guaranteed savings to be in relation to the plaintiff’s products. The ad thus went beyond the mere proposal of an alternative offer. The retail services of the plaintiff, that is, the choice and compilation of its product range, were placed in a pejorative context because they appeared as excessively expensive.¹⁴⁹¹

5.7 *Due Cause*

The previous section explained that, according to the CJEU, the use of another’s trade mark with a reputation as a keyword, as a rule, qualifies as a due cause within the meaning of Art 10(2)(c) TMD where the ad offers an alternative to the goods or services of the trade mark proprietor, without offering an imitation, without causing dilution or tarnishment, and without adversely affecting the trade mark functions.¹⁴⁹² This section will examine what other grounds may constitute a due cause under Art 10(2)(c) TMD. It will be advocated here to interpret this defence broadly.

5.7.1 *Balance of Interests*

The notion of “due cause” in Art 10(2)(c) TMD must be interpreted in a uniform manner throughout the European Union.¹⁴⁹³ There appears to be room for applying the due cause defence as an instrument to balance interests.¹⁴⁹⁴ This possibility is of particular importance due to the danger of excessive protection under the flexible terminology of Art 10(2)(c) TMD.¹⁴⁹⁵

¹⁴⁹¹ See *Beate Uhse II*, *id.* at 248. Considering these findings, it is surprising that the court denied detriment to the repute of the mark.

¹⁴⁹² See *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 91.

¹⁴⁹³ See for an overview of Benelux, UK, German and French literature and jurisprudence with regard to the notion of “due cause”, Kooij, van der 2010.

¹⁴⁹⁴ See Di Cataldo 2011, 835-836 (warning that by ignoring the “without due cause” formula, and thus the interests of third parties, the balance of the law might become upset since it creates barriers for newcomers, reduces competition, and worsens communication between consumers and market operators, particularly considering the special protection of trade marks with a reputation which goes beyond the protection of the origin function for which there seems to exist no rationale).

¹⁴⁹⁵ See Griffiths 2008, 262 (appreciating the benefits of this provision for establishing an appropriate degree of protection but at the same time warning that the costs incurred by third parties should be considered).

A restrictive interpretation of the concept of “due cause” can be found in the important judgment *Claeryn v. Klarein*¹⁴⁹⁶ from the Benelux Court of Justice (BenGH), which has been applied by nearly all lower Benelux courts.¹⁴⁹⁷ According to the BenGH, a due cause required in general:

[...] either that there exists such a necessity for the user of the sign to use exactly that sign that it cannot reasonably be expected from him that he, in spite of the detriment caused by that use to the trade mark holder, restrains himself from that use, or that the user has an own right to use the sign which right does not need to give way to that of the trade mark holder for the purposes of [Art 10(2)(c) TMD].¹⁴⁹⁸

After the CJEU decision in *Interflora v. M&S*,¹⁴⁹⁹ it was highly questionable whether the BenGH’s criterion of a “necessity” for the use of the sign could be maintained.¹⁵⁰⁰ The selection of a trade mark with a reputation as a keyword with the aim of offering an alternative to the trade marked product could hardly be considered “necessary”. Rather, within its assessment of the “without due cause” condition in Art 10(2)(c) TMD, the CJEU seemed to have balanced the interests of the right holder with the general interest of a transparent and competitive online market place. This was indeed acknowledged by the CJEU in the case *Leidseplein Beheer v. Red Bull*,¹⁵⁰¹ in which it stated that the concept of “due cause” was intended to strike a balance between the interests in question by taking account of the interests of the third party using the sign and that it could not be interpreted as being restricted to objectively overriding reasons.¹⁵⁰²

5.7.2 Statutory Limitations

Considering the potentially broad scope of the due cause defence in Art 10(2)(c) TMD, a number of possible applications in the context of keyword advertising will be outlined. Firstly, the situations falling

¹⁴⁹⁶ [1975] NJ 472 (CC Wichers Hoeth) (BenGH Mar 1, 1975).

¹⁴⁹⁷ See Kooij, van der 2010, 131. In *Kraßer*’s opinion, put forward in his comment on *Claeryn*, the infringement provision for “other use” in Benelux trade mark law, Art 13(A)(1)(2) BMW (old), lacked appropriate defences to the broad definition of infringement. See *Kraßer* 1975, 390. *Sakulin* criticised the necessity requirement for not enabling an adequate balancing with the freedom of expression in Art 10 ECHR. See *Sakulin* 2011, 288.

¹⁴⁹⁸ See *Claeryn v. Klarein*, [1975] NJ 472 (CC Wichers Hoeth) (BenGH Mar 1, 1975). The former Benelux provision corresponding to Art 10(2)(c) TMD (and Art 10(6) TMD) was Art 13(A)(1)(2) BMW.

¹⁴⁹⁹ ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011).

¹⁵⁰⁰ See also Conclusion of AG D.W.F. Verkade, in: *Leidseplein Beheer v. Red Bull*, [2012] NJ 92 (HR Feb 3, 2012), para. 3.55 (explaining that *Interflora v. M&S* showed that the notion of “due cause” under European Union law was broader than that in the *Claeryn* jurisprudence of the BenGH).

¹⁵⁰¹ ECLI:EU:C:2014:49 (CJEU case C-65/12 Feb 6, 2014).

¹⁵⁰² See *Leidseplein Beheer v. Red Bull*, *id.* at para. 46-48.

under the limitations to the trade mark owners rights in Art 14 TMD may constitute a due cause under Art 10(2)(c) TMD.¹⁵⁰³ Art 14 TMD permits the use of another's trade mark where it concerns one's own name or address, where it is non-distinctive or describes the products, or where it refers to products as those of the trade mark owner.¹⁵⁰⁴ The selection of a third party trade mark with a reputation as a keyword, besides its non-confusing use in the advertisement itself, may in these situations have a due cause within the meaning of Art 10(2)(c) TMD. Such keyword use may serve the advertiser's freedom of commercial expression, enhance competition between the trade mark owner and the advertiser, and increase the flow of information concerning goods and services offered on the market.

Of particular relevance is the amended Art 14(1)(c) TMD, which covers referential use of a trade mark. It would seem inconsistent, for instance, to allow the use of another's trade mark on packaging and in advertisements for spare parts while prohibiting the selection of that same mark as a keyword to trigger a targeted ad promoting those spare parts. Similarly, where the ad is connected with a website containing information about the trade marked product, it is helpful to choose that mark as a keyword. Such an informational website may, for example, provide consumer feedback, a price comparison,¹⁵⁰⁵ or an independent review of the branded product. The keyword use may improve the accessibility of the website by the relevant consumers in accordance with the freedom to receive and impart information.

5.7.3 *Broad Interpretation of Due Cause*

It is proposed to apply a generous interpretation of the due cause defence in Art 10(2)(c) TMD in the context of keyword advertising in order to enable a balance of the trade mark proprietor's interests with the interests of third party advertisers, consumers and society as a whole. Particularly relevant in this regard are the fundamental freedom of expression, the availability of product information and the promotion of competition and online trade. It is finally noted that the due cause defence should not only be available in the case of free-riding but also where there is a risk of dilution or tarnishment.¹⁵⁰⁶

¹⁵⁰³ See Cohen Jehoram, Nispen, van & Huydecoper 2008, 358-359; and Hacker in: Hacker 2018, MarkenG § 14, para. 410 (with regard to the requirement "in unlauterer Weise" (in an unfair manner) under § 14(2)(3) MarkenG (Art 10(2)(c) TMD).

¹⁵⁰⁴ Provided that the use of the mark is "in accordance with honest practices in industrial or commercial matters". The next chapter will examine the application of Art 14 TMD in keyword cases in more detail.

¹⁵⁰⁵ Before the reform of the European trade mark system, the CJEU had created an additional, extra-statutory limitation for comparative advertising fulfilling the conditions of Art 4 MCAD. See *L'Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 54; and *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008), para. 45, 51. This limitation is meanwhile included in Art 10(3)(f) TMD. See *infra*, section 6.2.1.3.1.

¹⁵⁰⁶ See *supra*, sections 5.4 and 5.5.

5.8 Adverse Effect on the Trade Mark Functions

As indicated in the introduction to this chapter, goodwill protection cannot only be granted under Art 10(2)(c) TMD but also under Art 10(2)(a) TMD. Under this provision, the CJEU requires an adverse effect on one of the trade mark functions. The function of indicating origin has been explored in detail in the previous chapter in connection with the issue of a likelihood of confusion. The functions of advertising, investment and communication will be considered in the following. It is recalled that the CJEU in its keyword advertising decisions applied the trade mark functions as inherent limitations to the rights of the trade mark owner by weighing them against other interests, such as that of competition, which is served by offering alternatives to consumers.¹⁵⁰⁷ A parallel can be drawn in this respect with the interpretation by the CJEU in *Interflora v. M&S*¹⁵⁰⁸ of an “unfair advantage” and “due cause” under Art 10(2)(c) TMD.¹⁵⁰⁹ As will be seen in the next chapter, the interest of competition will also play a role in the interpretation of the limitations under Art 14(1) TMD and the requirement that the third party use is “in accordance with honest practices in industrial or commercial matters” under Art 14(2) TMD.

5.8.1 Advertising Function

The CJEU’s interpretation of an adverse effect on the advertising function under Art 10(2)(a) TMD in its keyword advertising decisions has already been discussed earlier in this book.¹⁵¹⁰ It is recalled that the Court, on a balance of interests, decided in *Google v. Louis Vuitton*¹⁵¹¹ that there was no adverse effect on the advertising function.¹⁵¹² While confirming this in *Interflora v. M&S*,¹⁵¹³ the Court clarified that there was not an adverse effect on the advertising function “in every case”¹⁵¹⁴ and that the use of trade marks as keywords concerned a practice inherent in competition because its aim, “as a general rule”, was merely to offer alternatives to the trade mark proprietor’s goods or services.¹⁵¹⁵

It will be interesting to see whether there are any circumstances under which an adverse effect on the advertising function may be found in keyword scenarios. It has already been concluded above that mere

¹⁵⁰⁷ See *supra*, sections 3.5.7.6 and 3.5.7.7.

¹⁵⁰⁸ ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011).

¹⁵⁰⁹ See *supra*, section 5.6.2.

¹⁵¹⁰ See *supra*, sections 3.5.1, 3.5.6. and 3.5.7.6.

¹⁵¹¹ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

¹⁵¹² See *Google v. Louis Vuitton*, *id.* at para. 95, 98.

¹⁵¹³ ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011). See para. 54, 66.

¹⁵¹⁴ See *Interflora v. M&S*, *id.* at para. 57.

¹⁵¹⁵ See *Interflora v. M&S*, *id.* at para. 57-58.

exploitation of the advertising power of a mark does not suffice. An obstacle to the possibility for the trade mark owner to advertise appears to be necessary.¹⁵¹⁶

5.8.2 *Adverse Effect on Investment Function*

The Court's understanding of an adverse effect on the investment function has also been covered already.¹⁵¹⁷ In *Interflora v. M&S*,¹⁵¹⁸ it required a substantial interference with the proprietor's use of its trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty.¹⁵¹⁹ This could be the case where an existing reputation was affected, thereby jeopardising its maintenance.¹⁵²⁰ However, in conditions of fair competition respecting the origin function, the trade mark proprietor could not prevent a competitor from using the sign if the only consequence of that use was to oblige the trade mark proprietor to adapt its efforts to acquire or preserve a reputation. The risk of diversion of customers was not considered relevant in this respect.¹⁵²¹ The CJEU left the concrete assessment to the national court.¹⁵²²

As noted above, the requirements for an adverse effect on the investment function appear strict, again owing to the consideration of the various interests involved in keyword advertising. Mere profiting from the mark's reputation does not suffice. Instead, proof of harm to the reputation seems to be required.¹⁵²³ A parallel can thus be drawn between the issue of an adverse effect on the investment function under Art 10(2)(a) TMD and the issue of tarnishment under Art 10(2)(c) TMD.¹⁵²⁴

The Court of Appeal in Frankfurt am Main in *Beate Uhse II*¹⁵²⁵ denied an adverse effect on the investment function. After summarising the CJEU's guidance, it stated that the plaintiff was not restricted in its possibilities to transport the good image of its products with its mark and to establish customer relations. Despite the use of the mark as a keyword for advertising by the defendant, it was still possible for the plaintiff to have its own advertisement for its own online shop displayed in top

¹⁵¹⁶ See *supra*, section 3.5.7.6.

¹⁵¹⁷ See *supra*, sections 3.5.6 and 3.5.7.7.

¹⁵¹⁸ ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011).

¹⁵¹⁹ See *Interflora v. M&S*, *id.* at para. 62, 66.

¹⁵²⁰ See *Interflora v. M&S*, *id.* at para. 63.

¹⁵²¹ See *Interflora v. M&S*, *id.* at para. 64.

¹⁵²² See *Interflora v. M&S*, *id.* at para. 65.

¹⁵²³ See *supra*, section 3.5.7.7.

¹⁵²⁴ See also *Tempur v. Medicomfort*, [2011] ECLI:NL:GHSGR:2011:BU6275 (Hof Den Haag Nov 22, 2011), para. 24.

¹⁵²⁵ [2014] GRUR-RR 245 (OLG Frankfurt a. M. Apr 10, 2014).

position upon entering of the search term “Beate Uhse” and at the same time to achieve top positions among the algorithmic search results. Hence, the consumer was readily able to distinguish between the retail services of the plaintiff and those of the defendant. The ads and links referred to different domains.¹⁵²⁶

Acknowledging the CJEU’s principles, an adverse effect on the investment function was also rejected by the District Court of The Hague in *SEB v. Philips*¹⁵²⁷ and in *Koelstra v. Van Asten*,¹⁵²⁸ as well as by the Court of Appeal of The Hague in *Tempur v. Medicomfort*.¹⁵²⁹

5.8.3 Adverse Effect on Communication Function

The communication was not addressed by the CJEU in its keyword advertising jurisprudence. It has been noted before that it is not sure whether a separate scope exists for this function since it seems to encompass, and overlap with, the other trade mark functions.¹⁵³⁰ In view of the CJEU’s strict requirements for an adverse effect on those other functions, it appears unlikely that invoking detriment to the communication function in keyword advertising cases could be successful. For instance, in *SEB v. Philips*,¹⁵³¹ the District Court of The Hague negated an adverse effect on the communication function since the plaintiff had put forward the same arguments as with respect to the investment function.¹⁵³²

5.11 Conclusion

Art 10(2)(c) TMD grants trade marks with a reputation protection beyond the situation in which consumers are likely to be confused. This was referred to in this chapter as “goodwill protection”. Since this additional degree of protection is more difficult to justify, a careful balance between the trade mark owner’s interests and those of other market participants and society at large is particularly important.¹⁵³³

¹⁵²⁶ See *Beate Uhse II*, *id.* at 246.

¹⁵²⁷ [2013] IEPT 0123 (Rb. Den Haag Jan 23, 2013). See para. 4.12.

¹⁵²⁸ [2014] ECLI:NL:RBDHA:2014:13292 (Vzr. Rb. Den Haag Oct 22, 2014). See para. 4.27.

¹⁵²⁹ [2011] ECLI:NL:GHSGR:2011:BU6275 (Hof Den Haag Nov 22, 2011). See para. 24.

¹⁵³⁰ See *supra*, section 2.5.5.

¹⁵³¹ [2013] IEPT 0123 (Rb. Den Haag Jan 23, 2013).

¹⁵³² See *SEB v. Philips*, *id.* at para. 4.14.

¹⁵³³ See *supra*, chapter 2.

The first requirement addressed in this chapter was the existence of a reputation, in which regard the relevant criteria were briefly pointed out.¹⁵³⁴ Thereafter, the requirement of a connection or link in the mind of the public between the trade mark and the sign used was addressed.¹⁵³⁵

One of the categories of harm falling under Art 10(2)(c) TMD concerns detriment to the distinctiveness of the trade mark. It was explained that it is uncertain whether the mere invisible use of a keyword is likely to cause such detriment. While the CJEU plainly denies detriment to the distinctive character if the ad clearly identifies an alternative product, it was suggested in this chapter to explicitly balance the potential detriment to the trade mark's distinctive character with the informational and competitive advantages of keyword use.¹⁵³⁶

The second category of harm discussed in this chapter regards detriment to the repute of the trade mark. Guidance of the CJEU is missing with regard to the interpretation of this matter in keyword cases. It is not clear to what extent mere keyword use could prejudice a trade mark's reputation. In the case of disparaging use of the mark in the ad itself, it was suggested to carry out a balance between protection of the trade mark's image and the advertiser's freedom of expression.¹⁵³⁷

The third category of harm under Art 10(2)(c) TMD concerns the taking of "unfair advantage of the distinctive character or the repute of the trade mark". According to the CJEU, the selection of the reputed mark of a third party as a keyword can constitute a form of "riding on the coat-tails" of that mark which can be regarded as the taking of an unfair advantage unless it can be justified by the existence of a due cause. Such a due cause exists where the ad offers an alternative to the goods or services of the trade mark proprietor, without offering an imitation, without causing dilution or tarnishment, and without adversely affecting the trade mark functions. The CJEU thus rightly acknowledged that the advertising of alternatives to branded products benefits society by increasing consumer choice and competition.¹⁵³⁸

This chapter examined what other reasons could constitute a due cause under Art 10(2)(c) TMD for using another's trade mark as a keyword.¹⁵³⁹ It was observed that a generous interpretation of the notion of "due cause" is adequate in the context of keyword advertising to provide room for considering fundamental freedoms and important policy goals, such as the freedom of expression and information,

¹⁵³⁴ See *supra*, section 5.2.

¹⁵³⁵ See *supra*, section 5.3.

¹⁵³⁶ See *supra*, section 5.4.

¹⁵³⁷ See *supra*, section 5.5.

¹⁵³⁸ See *supra*, section 5.6.2.

¹⁵³⁹ See *supra*, section 5.7.

and the enhancement of consumer information, competition and e-commerce.¹⁵⁴⁰ As examples of due causes, it was referred to the situations falling under Arts 14 and 15 TMD.¹⁵⁴¹

With regard to the requirement of an adverse effect on the trade mark functions under Art 10(2)(a) TMD, it was recalled that the CJEU had imposed strict requirements. An adverse effect on the advertising function is principally excluded in keyword advertising cases.¹⁵⁴² An adverse effect on the investment function requires a substantial interference with the proprietor's use of its trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty. To prove this, it seems to be necessary to show detriment to the reputation of the mark. Mere free riding is not sufficient.¹⁵⁴³ No separate scope appears to exist for invoking an adverse effect on the communication function.¹⁵⁴⁴

Instead of the CJEU's implicit importation of a defence into the assessment of the adverse effect on the trade mark functions, it could also be considered to take two separate steps. First, it could be asked if there is detriment to any of the trade mark functions. If this is the case, it could be assessed whether an infringement should nevertheless be denied on a balance with more important opposing values or interests. This two-step method would make the legal assessment more transparent.

Overall, this chapter has shown that the consideration of the interest of competition - served by providing consumers with alternatives - plays a central role with regard to the interpretation of both the trade mark functions and the concepts of "unfair advantage" and "due cause". It will be argued in the next chapter that the limitations to the trade mark owner's rights should also be instrumental in this respect.

¹⁵⁴⁰ See *supra*, sections 5.7.1 and 5.7.3.

¹⁵⁴¹ See *supra*, section 5.7.2.

¹⁵⁴² See *supra*, section 5.8.1.

¹⁵⁴³ See *supra*, section 5.8.2.

¹⁵⁴⁴ See *supra*, section 5.8.3.

6 Limitations

6.1 Introduction

This chapter will examine the applicability of the established limitations to the trade mark holder's rights in the context of keyword advertising.¹⁵⁴⁵ First, the existing limitations under European trade mark law will be addressed. Thereafter, the CJEU's decision in the case *Portakabin v. Primakabin*,¹⁵⁴⁶ which interprets Arts 14 and 15 TMD in relation to the use of trade mark keywords, will be analysed. The next section will examine the applicability of the US fair use doctrine in keyword advertising cases. At the end of this chapter, the results of the examination will be recapitulated and suggestions regarding the limitations in keyword cases will be made.

6.2 Limitations in Europe

Limitations to the trade mark owner's rights have been established in light of, *inter alia*, the interests of third parties,¹⁵⁴⁷ the free movement of goods and services in the internal market,¹⁵⁴⁸ and the fundamental rights and freedoms.¹⁵⁴⁹ This section will briefly point out the limitations currently recognised under European trade mark law that are relevant with regard to keyword use: the statutory limitations in Art 14 TMD, the exhaustion doctrine in Art 15 TMD and the due cause clause in Art 10(2)(c) TMD.

¹⁵⁴⁵ In the situations covered by the limitations, the advertiser will often have to use the trade mark not just as a keyword but in the ad text as well.

¹⁵⁴⁶ ECLI:EU:C:2010:416 (CJEU case C-558/08 July 8, 2010).

¹⁵⁴⁷ See *Leidseplein Beheer v. Red Bull*, ECLI:EU:C:2014:49 (CJEU case C-65/12 Feb 6, 2014), para. 43 (noting that the interests of a third party in using the sign must be considered under the "due cause" defence in Art 10(2)(c) TMD).

¹⁵⁴⁸ See *Portakabin v. Primakabin*, ECLI:EU:C:2010:416 (CJEU case C-558/08 July 8, 2010), para. 57 (explaining that Art 14 TMD seeks to reconcile the fundamental interests of trade mark protection with those of free movement of goods and freedom to provide services in the common market); and Recital 28 TMD (explaining the exhaustion rule in view of the principle of free movement of goods).

¹⁵⁴⁹ See Recital 27 TMD (addressing the permissible fair uses and requiring full respect for fundamental rights and freedoms, and in particular the freedom of expression).

6.2.1 Art 14 TMD: Limitation of the Effects of a Trade Mark

Art 14(1) TMD lists the statutory limitations to the rights of the trade mark owner. Art 14(2) TMD contains its own limitation in that the use must be made by the third party “in accordance with honest practices in industrial or commercial matters”.¹⁵⁵⁰

6.2.1.1 Art 14(1)(a) TMD: Use of Name or Address

According to Art 14(1)(a) TMD, the trade mark shall not entitle the proprietor to prohibit a third party from using its name or address in the course of trade, provided he is a natural person.¹⁵⁵¹

6.2.1.2 Art 14(1)(b) TMD: Descriptive and Non-Distinctive Use

Art 14(1)(b) TMD allows third parties to use in the course of trade signs or indications which are not distinctive or which concern 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.¹⁵⁵² This provision is usually referred to as the “descriptive use” limitation. It has been interpreted restrictively by the CJEU.¹⁵⁵³

However, owing to the addition of the words “which are not distinctive” during the European trade mark law reform, this provision could now be relied on by third parties in a broader range of situations.¹⁵⁵⁴ As an example, it is referred to the decision of the Hamburg Court of Appeal in the case *Partnership*,¹⁵⁵⁵ which was analysed above.¹⁵⁵⁶ In this case, the court assumed that the word “Parship”

¹⁵⁵⁰ In German accurately called a “Schranken-Schranke”.

¹⁵⁵¹ The previous version of this provision, Art 6(1)(a) of Trade Mark Directive 2008/95/EC, had been interpreted by the CJEU as also covering the use of trade names. See *Céline SARL v. Céline SA*, ECLI:EU:C:2007:497 (CJEU case C-17/06 Sep 11, 2007), para. 31-32; and *Anheuser-Busch v. Budějovický Budvar*, [2004] ECR I-10989 (CJEU case C-245/02 Nov 16, 2004), para. 81. The Max Planck Institute’s study criticised this as creating unequal conditions for trade names and trade marks in the case of conflicts. The study therefore recommended to restrict the scope of Art 6(1)(a) TMD to the use of personal names. See MPI Trade Mark Study 2011, para. 2.254-2.255.

¹⁵⁵² The previous version of this limitation, Art 6(1)(b) of Trade Mark Directive 2008/95/EC, did not include signs or indications which are not distinctive. The Max Planck Institute’s study proposed to include this. See MPI Trade Mark Study 2011, para. 2.256.

¹⁵⁵³ See, e.g., *Adidas v. Marca Mode*, ECLI:EU:C:2008:217 (CJEU case C-102/07 Apr 10, 2008), para. 48; and *Adam Opel v. Autec*, [2007] ECR I-1017 (CJEU case C-48/05 Jan 25, 2007), para. 44-45. *Kur* criticised the restrictive interpretation of Art 14(1)(b) TMD by the CJEU in *Adam Opel v. Autec*. See *Kur* 2008a, 7-8, 12; *Kur* 2008b, 170, fn. 82; and *Kur* 2008c, 205.

¹⁵⁵⁴ See *Kur* 2018 (discussing the potential ambit of this new provision based on the example of colours and product shapes).

¹⁵⁵⁵ [2015] BeckRS 02311 (OLG Hamburg Jan 22, 2015).

¹⁵⁵⁶ See *supra*, section 4.6.2.8.

had been chosen as a keyword by the advertiser, who had not proven that he had merely booked the word “Partnership”. In the hypothetical case that the court would have accepted that the word “Partnership” instead of “Parship” had been booked, the advertiser could have argued that the sign used was not distinctive. The court would then have needed to assess, first, whether this was indeed the case and, second, whether the use made thereof by the advertiser was in accordance with honest practices in industrial or commercial matters. Admittedly, the court could have rejected the applicability of the limitation for non-compliance with honest practices under the circumstances of the case. It is recalled that the court found the ad vague due to the use of general terms and the absence of the name of the advertising company in the domain. It also criticised the use of the word “Partnership”, being similar to the trade mark “Parship”, in the text of one of the ads.

Nevertheless, supposed that the court would have found the sign to be non-distinctive, it would at least have had to take a closer look at the circumstances of its use. As will be argued below,¹⁵⁵⁷ an assessment of the conditions for applicability of the limitations should not exactly mirror that of the conditions for infringement, in this case, of whether an adverse effect on the origin function exists. Hence, in the hypothetical *Partnership* case described above, the court could have considered at least with regard to the second ad (in the text of which the word “Partnership” was not used explicitly) that it was in accordance with honest practices. After all, even though the text of the ad might have been somewhat “vague”, in the absence of an explicit reference to the trade mark, it did not *suggest* an economic connection with the trade mark owner.

6.2.1.3 Art 14(1)(c) TMD: Referential Use

Under Art 14(1)(c) TMD, a third party may use another’s trade mark in the course of trade for the purpose of identifying or referring to goods or services as those of the proprietor of that trade mark, in particular, where the use of the trade mark is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts. This limitation is sometimes referred to as the “Gillette” defence, in accordance with a CJEU decision applying this provision.¹⁵⁵⁸

¹⁵⁵⁷ See *infra*, section 6.3.3.

¹⁵⁵⁸ See *Gillette v. LA-Laboratories*, [2005] ECR I-2337 (CJEU case C-228/03 Mar 17, 2005).

Compared with the previous version of Art 14(1)(c) TMD, the scope of this provision has been broadened.¹⁵⁵⁹ It still refers to the specific scenario of indicating the intended purpose of the product as well as to the sub scenario of accessories or spare parts. However, the first part of the limitation, “identifying or referring to goods or services as those of the proprietor of that trade mark”, signifies a broader scope of application. The words “in particular” express that the explicitly mentioned scenario and sub scenario concern non-exhaustive examples. It is therefore submitted here that Art 14(1)(c) TMD provides room for a large range of referential uses as long as they are “in accordance with honest practices in industrial or commercial matters”.¹⁵⁶⁰

6.2.1.3.1 *Comparative Advertising: Within the Scope of Art 14(1)(c) TMD?*

This raises the question of whether the use of a trade mark in comparative advertising falls within the scope of Art 14(1)(c) TMD. Under Trade Mark Directive 2008/95/EC, an additional, extra-statutory limitation based on Art 4 of the Directive concerning Misleading and Comparative Advertising (MCAD) had been established by the CJEU in its decisions *O2 v. Hutchison*¹⁵⁶¹ and *L’Oréal v. Bellure*.¹⁵⁶² A third party use of a trade mark in a comparative advertisement could not be prevented by its proprietor if the conditions for lawful comparative advertising in Art 4 MCAD were met.¹⁵⁶³ In this regard, the Court recognised that the European legislator favoured the promotion of comparative advertising, which required that the right conferred by the trade mark would be limited to a certain extent.¹⁵⁶⁴

Owing to the above-mentioned expansion of the scope of Art 14(1)(c) TMD, it is argued here that it now theoretically covers the reference to another’s trade mark in comparative advertising even though this example is not explicitly mentioned in the text of Art 14(1)(c) TMD. Instead, Art 10(3)(f) TMD expressly mentions “using the sign in comparative advertising in a manner that is contrary to Directive 2006/114/EC” as an example of an infringing use. This puts the burden on the trade mark owner to prove

¹⁵⁵⁹ The previous version of this limitation, Art 6(1)(c) of Trade Mark Directive 2008/95/EC, was more limited in that it did not include referential use in general but merely use as an indication of the intended purpose of a product or service. Besides, use of the trade mark by the third party needed to be “necessary” in this regard. The Max Planck Institute’s study proposed to include an honest referential use limitation. See MPI Trade Mark Study 2011, para. 2.259-2.264.

¹⁵⁶⁰ See Art 14(2) TMD. See also Recital 27 TMD.

¹⁵⁶¹ ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008).

¹⁵⁶² ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009).

¹⁵⁶³ See *L’Oréal v. Bellure*, *id.* at para. 54; and *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008), para. 45, 51.

¹⁵⁶⁴ See *O2 v. Hutchison*, *id.* at para. 38-39.

that the requirements of the MCAD are not fulfilled.¹⁵⁶⁵ The advertiser, in return, will argue that the conditions for lawful comparative advertising are satisfied. Hence, Art 10(3)(f) TMD functions as an inbuilt limitation for comparative advertising on the level of the infringement criteria. Reliance on the referential use limitation in Art 14(1)(c) TMD is therefore not necessary. With regard to comparative advertising, Art 14(1)(c) TMD thus lacks practical importance.¹⁵⁶⁶ However, as will be seen below, this limitation may have relevance with regard to keyword advertising for which no such provision as Art 10(3)(f) TMD exists.

The question whether, and under what circumstances, keyword advertising may be regarded as a form of comparative advertising within the meaning of Art 2(c) MCAD will be examined in the next chapter.¹⁵⁶⁷ In addition, the conditions in Art 4 MCAD will be analysed.¹⁵⁶⁸

6.2.1.3.2 *Keyword Advertising: Within the Scope of Art 14(1)(c) TMD?*

The next question is whether the use of a trade mark in keyword advertising also falls within the scope of Art 14(1)(c) TMD. In this book, a distinction has been made between referential use and “targeting” use. It was argued that rather than referring to the products of the trade mark owner, keyword use indicates the targeted group of consumers.

However, this does not mean that keyword use is excluded from the scope of Art 14(1)(c) TMD. In order to fall within this provision the use must be “for the purpose of identifying or referring to goods or services as those of the proprietor of that trade mark.” In the keyword advertising context, an explicit reference is not always made. Rather, the reference is usually hidden in the invisible keyword choice which triggers the display of the competing ad. Still, it could be argued that such an indirect reference should also qualify as a referential use under Art 14(1)(c) TMD.¹⁵⁶⁹ In the end, as with comparative

¹⁵⁶⁵ See Kur & Senftleben 2017, 422-423.

¹⁵⁶⁶ Theoretically, under the referential use limitation, compliance with the conditions for permissible comparative advertisements as contained in Art 4 MCAD would be part of the test whether the reference to the trade mark complies with “honest practices in industrial or commercial matters” under Art 14(2) TMD. Thus, such a reference would only be considered honest when all the conditions for permissible comparative advertisements as contained in Art 4 MCAD are satisfied. See also *L'Oréal v. Bellure*, *id.* at para. 54; and *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008), para. 45, 51. It is noted that some of these conditions must be critically reviewed, in particular, the prohibition to refer to trade marks with a reputation in advertising for lawful product imitations. See *supra*, fn. 1469.

¹⁵⁶⁷ See *infra*, section 7.3.1.

¹⁵⁶⁸ See *infra*, section 7.3.2.

¹⁵⁶⁹ See Paulus 2014, 8 (subsuming keyword advertising under the category of referential use).

advertising, the keyword advertiser uses the trade mark to offer an alternative product (or an alternative source of supply).¹⁵⁷⁰

In favour of this position, it could be advanced that the referential use limitation would provide an adequate instrument to balance the interests of trade mark owners and third parties in various situations. The same policy arguments applying in the case of comparative advertising are valid with regard to keyword advertising. In both cases, competition is increased by providing consumers with information about alternative products.¹⁵⁷¹ The distinction between these two parallel situations is that for comparative advertising the balance of interests is performed on the level of the infringement criteria in accordance with Art 10(3)(f) TMD, whereas for keyword advertising this is done on the level of the limitation for referential use in Art 14(1)(c) TMD.

The existing CJEU case law on keyword advertising could be incorporated in the evaluation of whether the keyword use complies with “honest practices in industrial or commercial matters” under Art 14(2) TMD. As a result, reliance on the trade mark functions as an external balancing instrument would become redundant.¹⁵⁷²

In the present situation, courts are thus advised to make broad use of the existing referential use limitation by applying it in keyword advertising cases. Still, as argued above, it would be preferable to codify a more explicit general fair use limitation, which could also accommodate possible new technologies.¹⁵⁷³

6.2.2 Art 15 TMD: Exhaustion

Art 15(1) TMD allows the use of another’s trade mark in relation to goods which have been put on the market in the EEA¹⁵⁷⁴ by the proprietor or with its consent.¹⁵⁷⁵ By virtue of this provision, third parties

¹⁵⁷⁰ *Id.*

¹⁵⁷¹ See Recitals 6 and 8 MCAD. Advocate General Jääskinen observed with regard to the use of trade mark keywords in *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 45, fn. 34: “[...] In my opinion, the purpose of economic competition is to enhance consumer welfare by the introduction of better (in terms of quality, characteristics or price) substitutes to existing products, thereby promoting efficiency and innovations leading to more rational allocation of the factors of production.”

¹⁵⁷² Reliance on the trade mark functions was rejected above. See *supra*, section 3.5.7.8. Alternative solutions were presented thereafter, including the introduction of additional limitations. See *supra*, section 3.6.

¹⁵⁷³ See *supra*, section 3.6.1.

¹⁵⁷⁴ See Art 65(2) EEA Agreement; in conjunction with Annex XVII (last amendment 07.07.2017); Protocol 1 (last amendment 07.07.2017), para. 8; and Protocol 28 (last amendment 01.01.1994), Art 2(1).

¹⁵⁷⁵ Since the exhaustion rule is restricted to the EEA, it may be argued (on the basis of the principle of international exhaustion) that Art 15 TMD establishes an additional exclusive right for the trade mark holder rather than a limitation for the sake of third parties and the public at large.

are allowed to sell the goods under the original trade mark and may also use that mark in their advertisements.¹⁵⁷⁶ However, according to Art 15(2) TMD, the exhaustion doctrine does not apply “where there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.”

6.2.3 Art 10(2)(c) TMD: Due Cause

An infringement under Art 10(2)(c) TMD requires the third party’s use to be “without due cause”. The concept of due cause allows considerable room for interpretation. It is referred to the previous chapter for a discussion of this defence.¹⁵⁷⁷

6.3 *Portakabin v. Primakabin*

This section will illuminate the CJEU’s judgment in the keyword advertising case *Portakabin v. Primakabin*,¹⁵⁷⁸ which is concerned with the limitations in Art 6 TMD 2008 (now: Art 14 TMD) and the exhaustion doctrine in Art 7 TMD 2008 (now: Art 15 TMD). The owner and licensee of the trade mark “Portakabin” sued competitor Primakabin for trade mark infringement. Primakabin had selected “portakabin” and similar keywords for its ads. Both companies manufactured and sold mobile buildings. Primakabin, apart from its own units, also sold and leased second-hand units manufactured by Portakabin. The Dutch Supreme Court (Hoge Raad) asked the CJEU, among other questions, how Arts 6(1)(b), 6(1)(c) and 7 TMD 2008 had to be applied to the facts of this case.

¹⁵⁷⁶ See *Dior v. Evora*, [1997] ECR I-6013 (CJEU case C-337/95 Nov 4, 1997), para. 38: “[...] when trade-marked goods have been put on the Community market by the proprietor of the trade mark or with his consent, a reseller, besides being free to resell those goods, is also free to make use of the trade mark in order to bring to the public’s attention the further commercialization of those goods.” This has been confirmed in later judgments.

¹⁵⁷⁷ See *supra*, section 5.7.

¹⁵⁷⁸ ECLI:EU:C:2010:416 (CJEU case C-558/08 July 8, 2010).

6.3.1 *The CJEU's Interpretation of the Statutory Limitations*

With regard to the descriptive use limitation, the CJEU observed that, in general, the use of a trade mark as a keyword was not intended to provide a descriptive indication, so that Art 6(1)(b) TMD 2008 (now: Art 14(1)(b) TMD) did not apply.¹⁵⁷⁹ However, in special circumstances, which had to be assessed by the national court, a finding to the contrary could be necessary.¹⁵⁸⁰

With regard to Art 6(1)(c) TMD 2008 (now: Art 14(1)(c) TMD), the Court noted that its objective was to enable providers of supplementary goods or services to those of the trade mark proprietor to use the mark in order to inform the public of the practical link between their goods or services and those of the proprietor of the mark.¹⁵⁸¹ The CJEU left the assessment whether Art 6(1)(b) TMD 2008 was applicable in the present case to the national court.¹⁵⁸²

Whether the condition under Art 6(1) TMD 2008 (now: Art 14(2) TMD), that the use of the sign must be in accordance with honest practices in industrial or commercial matters, had been fulfilled needed to be assessed by taking account of the extent to which the public established a link between the third party's goods and those of the trade mark owner, and the extent to which the third party ought to have been aware of that.¹⁵⁸³

The CJEU recalled that the use of a trade mark keyword came within the scope of Art 5(1)(a) and (b) TMD 2008 (now: Art 10(2)(a) and (b) TMD) where the ad did not enable normally informed and reasonably attentive Internet users, or enabled them only with difficulty, to ascertain whether the goods or services referred to by the ad originated from the trade mark proprietor or from an undertaking economically linked to it or, on the contrary, originated from a third party.¹⁵⁸⁴ Thus, the circumstances under which keyword use could be prohibited under Art 5(1)(a) and (b) TMD 2008 could easily correspond with those under which the third party failed to act in accordance with honest practices in industrial or commercial matters. As a result, the limitation in Art 6(1) TMD 2008 could not successfully be invoked.¹⁵⁸⁵ According to the CJEU, this was the general rule. The national court, however, had to

¹⁵⁷⁹ See *Portakabin v. Primakabin id.* at para. 60.

¹⁵⁸⁰ See *Portakabin v. Primakabin, id.* at para. 61.

¹⁵⁸¹ See *Portakabin v. Primakabin, id.* at para. 64. This judgment was rendered under the former Art 6(1)(c) of Trade Mark Directive 2008/95/EC, which was more limited in scope than the current Art 14(2)(c) TMD. See *supra*, fn. 1559.

¹⁵⁸² See *Portakabin v. Primakabin, id.* at para. 65.

¹⁵⁸³ See *Portakabin v. Primakabin, id.* at para. 67.

¹⁵⁸⁴ See *Portakabin v. Primakabin, id.* at para. 68.

¹⁵⁸⁵ See *Portakabin v. Primakabin, id.* at para. 68-71.

carry out an overall assessment of all the relevant circumstances to determine whether a contrary finding was justified.¹⁵⁸⁶

6.3.2 *The CJEU's Interpretation of the Exhaustion Rule*

Since Primakabin sold and leased second-hand mobile buildings manufactured and first put on the market in the EEA by Portakabin, the trade mark rights were exhausted, unless Portakabin could demonstrate legitimate reasons to oppose further commercialisation of the goods under Art 7(2) TMD 2008 (now: Art 15(2) TMD). The CJEU pointed out that the exhaustion rule in Art 7 TMD 2008 did not only apply to the use of the trade mark on the products but also to its use in advertising¹⁵⁸⁷ as well as to its use as a keyword.¹⁵⁸⁸

Legitimate reasons to oppose further commercialisation existed, for instance, where the use of the sign seriously damaged the mark's reputation,¹⁵⁸⁹ or where the advertisement gave the impression of a commercial connection with the trade mark owner, in particular an affiliation to its distribution network or a special relationship.¹⁵⁹⁰ The Court concluded that the latter situation corresponded with the circumstances under which the use of a trade mark keyword was prohibited pursuant to Art 5(1)(a) and (b) TMD 2008 (now: Art 10(2)(a) and (b) TMD).¹⁵⁹¹ Thus, if the keyword use could be prohibited under Art 5(1)(a) and (b) TMD 2008, the advertiser could not rely on the exhaustion rule.¹⁵⁹²

Although the CJEU left it to the national court to determine whether Primakabin's ads were sufficiently transparent on the origin of the goods,¹⁵⁹³ it provided a few guidelines with regard to the particular issue of the sale of second-hand goods.¹⁵⁹⁴ Firstly, the mere mentioning of the trade mark in the ad in combination with words such as "used" or "second-hand" did not amount to a legitimate reason to oppose further commercialisation because it neither created the impression of an economic link, nor

¹⁵⁸⁶ See *Portakabin v. Primakabin*, *id.* at para. 71-72 (using the terms "in principle" and "in general").

¹⁵⁸⁷ See *Portakabin v. Primakabin*, *id.* at para. 77 (referring to *Dior v. Evora*, [1997] ECR I-6013 (CJEU case C-337/95 Nov 4, 1997), para. 38; and *BMW v. Deenik*, [1999] ECR I-905 (CJEU case C-63/97 Feb 23, 1999), para. 48).

¹⁵⁸⁸ See *Portakabin v. Primakabin*, *id.* at para. 78.

¹⁵⁸⁹ See *Portakabin v. Primakabin*, *id.* at para. 79 (referring to *Dior v. Evora*, [1997] ECR I-6013 (CJEU case C-337/95 Nov 4, 1997), para. 46; and *BMW v. Deenik*, [1999] ECR I-905 (CJEU case C-63/97 Feb 23, 1999), para. 49).

¹⁵⁹⁰ See *Portakabin v. Primakabin*, *id.* at para. 80 (referring to *BMW v. Deenik*, *id.* at para. 51-52; and *Boehringer Ingelheim et al. v. Swingward and Dowelhurst*, [2007] ECR I-3391 (CJEU case C-348/04 Apr 26, 2007), para. 46).

¹⁵⁹¹ See *Portakabin v. Primakabin*, *id.* at para. 81.

¹⁵⁹² See *Portakabin v. Primakabin*, *id.* at para. 81.

¹⁵⁹³ See *Portakabin v. Primakabin*, *id.* at para. 82.

¹⁵⁹⁴ See *Portakabin v. Primakabin*, *id.* at para. 83. It is not clear whether these guidelines concern Art 10(2)(a) and (b) TMD or Art 15(2) TMD. The CJEU seems to mix them up.

was it seriously detrimental to the mark's reputation.¹⁵⁹⁵ Secondly, the facts of the dispute indicated that Primakabin had removed the "Portakabin" mark from some products and replaced it by its own name. According to the CJEU, this so-called "de-branding" entitled the trade mark owner to prevent the advertising since it interfered with the trade mark's essential origin function.¹⁵⁹⁶ Thirdly, it did not constitute a legitimate reason to oppose further commercialisation that the use of the trade mark granted the business of the advertiser an aura of quality.¹⁵⁹⁷

Primakabin's website did not only offer used products of the mark "Portakabin" but also of other marks. The Court of Appeal in Amsterdam had ruled that the use of the trade mark keyword was only justified to the extent that it was used for second-hand "Portakabin" goods, and thus solely where the ad directly linked to the subpage on which those goods were offered.¹⁵⁹⁸ The CJEU was less strict and set out that linking to web-pages on which different brands were sold only constituted a problem if the sale of the other goods threatened to seriously damage the image of the trade mark in light of their volume, presentation or poor quality.¹⁵⁹⁹

6.3.3 Evaluation of *Portakabin v. Primakabin*

The CJEU correctly decided that not every use of a trade mark keyword can be considered a descriptive use under Art 6(1)(b) TMD 2008 (now: Art 14(2)(b) TMD). However, purely descriptive uses of trade mark keywords can very well exist. An example can be found in the *pcb*-judgment of the German Federal Supreme Court.¹⁶⁰⁰ During the reform of European trade mark law, the use of a non-distinctive

¹⁵⁹⁵ See *Portakabin v. Primakabin*, *id.* at para. 84. In this regard, the CJEU took account of the interest of economic operators and consumers that the sales of second-hand goods via the Internet should not be unduly restricted. See para. 83-84.

¹⁵⁹⁶ See *Portakabin v. Primakabin*, *id.* at para. 86. This led to the assumption that the CJEU considered the mere removal of a mark to constitute a trade mark infringement, although it was not clear that the mark was "used" at all in this situation. See Ingerl & Rohnke 2010, MarkenG § 14, para. 353; and § 24, para. 85. With its later judgment in *Mitsubishi v. Duma*, ECLI:EU:C:2018:594 (CJEU case C-129/17 July 25, 2018), the CJEU confirmed that de-branding involved trade mark infringement. First, this deprived the trade mark owner of the benefit of the essential right to control the initial marketing in the EEA of goods bearing the trade mark. Second, this adversely affected the trade mark functions. Third, this was contrary to the objective of ensuring undistorted competition. Finally, it could be regarded as a use in the course of trade. See para. 42-49. In this case, the de-branding took place while the products were under a warehousing procedure before they were imported or marketed in the EEA.

¹⁵⁹⁷ See *Portakabin v. Primakabin*, *id.* at para. 89 (citing *BMW v. Deenik*, [1999] ECR I-905 (CJEU case C-63/97 Feb 23, 1999), para. 53).

¹⁵⁹⁸ See *Portakabin v. Primakabin*, [2006] ECLI:NL:GHAMS:2006:AZ6457 (Hof Amsterdam Dec 14, 2006), para. 3.6, although this reasoning concerned the "fairness" of the use within the meaning of Art 2.20(1)(d) BVIE (Art 10(6) TMD).

¹⁵⁹⁹ See *Portakabin v. Primakabin*, ECLI:EU:C:2010:416 (CJEU case C-558/08 July 8, 2010), para. 91.

¹⁶⁰⁰ [2009] GRUR 502 (BGH Jan 22, 2009) (concerning the selection of the keyword "PCB", which is the acronym for "Printed Circuit Board").

sign was added to Art 14(2)(b) TMD. This provision could also be of relevance in certain cases, as has already been noted above.¹⁶⁰¹

With regard to the current Art 14(1)(c) TMD, it must be noted that its scope has meanwhile been broadened to include general referential use compared to the former Art 6(1)(c) of Trade Mark Directive 2008/95/EC,¹⁶⁰² which was limited to use necessary to indicate the intended purpose of a product or service. The old provision still applied when the CJEU's decision in *Portakabin v. Primakabin*¹⁶⁰³ was rendered. As argued above, this new referential use provision could nowadays be applied to keyword use.¹⁶⁰⁴ It is not sure, though, whether the national courts, and finally the CJEU, will take this path.

The consequence of the CJEU's near equation of the circumstances under which keyword use may be prohibited under Art 10(2)(a) and (b) TMD with those under which such a use fails to be in accordance with honest practices under Art 14(2) TMD is that Art 14 TMD is largely deprived of its meaning in the context of keyword use.¹⁶⁰⁵ Still, it is essential that, particularly in the legitimate situations specifically described in Art 14 TMD, keyword uses can be exercised to provide consumers with relevant information.

If Art 14 TMD is to retain any significance in relation to keyword use, it could be considered to apply different standards of the likelihood of confusion under Art 10(2)(a) and (b) TMD and Art 14 TMD, respectively. It could be argued in this regard that a likelihood of confusion should be found more readily on the level of the infringement provision than on the level of the limitations.¹⁶⁰⁶ For instance, when an ad is merely vague without suggesting an economic connection with the trade mark owner, it could be maintained that it should be possible to successfully invoke the limitations.¹⁶⁰⁷ It is worth recalling that the limitations were created to protect other values than the avoidance of confusion.¹⁶⁰⁸

¹⁶⁰¹ See *supra*, section 6.2.1.2 (revisiting the *Partnership* decision under the new non-distinctive use limitation of Art 14(1)(b) TMD).

¹⁶⁰² See *supra*, section 6.2.1.3.

¹⁶⁰³ ECLI:EU:C:2010:416 (CJEU case C-558/08 July 8, 2010).

¹⁶⁰⁴ See *supra*, section 6.2.1.3.2.

¹⁶⁰⁵ *Senfleben* noted in this regard that defences should be independent from the infringement criteria. See *Senfleben* 2011a, 23-24; and *Senfleben* 2010a, 352.

¹⁶⁰⁶ An argument for this interpretation may be found in *Gerolsteiner Brunnen v. Putsch*, [2004] ECR I-691 (CJEU case C-100/02 Jan 7, 2004), para. 25: "The mere fact that there exists a likelihood of aural confusion between a word mark registered in one Member State and an indication of geographical origin from another Member State is therefore insufficient to conclude that the use of that indication in the course of trade is not in accordance with honest practices [...]."

¹⁶⁰⁷ See also *supra*, section 6.2.1.2 (revisiting the *Partnership* decision under the new non-distinctive use limitation of Art 14(1)(b) TMD).

¹⁶⁰⁸ See *supra*, section 6.2.

The same comments are valid with regard to the CJEU's application of Art 15 TMD. The Court found that there existed legitimate reasons to oppose further commercialisation under Art 15(2) TMD where the infringement criteria in Art 10(2)(a) and (b) TMD were met. Such a restrictive interpretation of the exhaustion doctrine in keyword cases could harm the reseller's freedom to inform consumers about its lawfully offered products.

To be sure, it is recommended to implement an adequate likelihood of confusion test already at the stage of the infringement criteria in Art 10(2)(a) and (b) TMD.¹⁶⁰⁹ This also ensures that even in situations which are not expressly listed in Arts 14 and 15 TMD trade marks may be chosen as keywords.

6.4 *Fair Use in the US*

In the US, the use of another's trade mark is non-infringing if it qualifies as a "fair use". There are two types of fair use: "classic/descriptive fair use" and "nominative fair use".¹⁶¹⁰ This section will address their relevance in the context of keyword advertising.

6.4.1 *Classic/Descriptive Fair Use*

The first type of fair use is referred to as "classic" or "descriptive" fair use.¹⁶¹¹ This defence is recognised under common law and codified in § 33(b)(4) Lanham Act, 15 U.S.C. § 1115(b)(4), as a defence against infringement of registered trade marks which have become incontestable:

That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device

¹⁶⁰⁹ See *supra*, chapter 4.

¹⁶¹⁰ In addition, US common law recognises the first sale doctrine, which is equivalent to the doctrine of exhaustion. See Dinwoodie & Janis 2018, 817-835 for an outline of this doctrine. Other permissible uses exist with regard to expressive use. See Dinwoodie & Janis 2018, 835-873. Furthermore, § 43(c) Lanham Act, 15 U.S.C. § 1125(c), contains the following list of exclusions from the dilution cause of action:

“(3) Exclusions

The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:

(A) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services, including use in connection with—

(i) advertising or promotion that permits consumers to compare goods or services; or

(ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.

(B) All forms of news reporting and news commentary.

(C) Any noncommercial use of a mark.”

¹⁶¹¹ For an overview of the classic/descriptive fair use doctrine, see McCarthy 2019, § 11:45-49.

which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin; [...]

The US Supreme Court determined in *KP Permanent Make-Up Inc. v. Lasting Impression I Inc.*¹⁶¹² that in the case of fair use, the defendant had no independent burden to negate the likelihood of any confusion,¹⁶¹³ and that a certain degree of confusion on the part of consumers had to be tolerated.¹⁶¹⁴ However, the court also suggested that the extent of confusion could be relevant in assessing whether a defendant's use was objectively fair.¹⁶¹⁵

The case *Playboy Enterprises Inc. v. Netscape Communications Corp.*¹⁶¹⁶ concerned Netscape and Excite's practice of keying ads to a fixed list of keywords for a particular business category. Adult-oriented companies were required to accept a keyword list which included the two trade marks "playboy" and "playmate". As noted above,¹⁶¹⁷ the Court of Appeals for the Ninth Circuit found that a genuine issue of fact existed as to the likelihood of confusion.¹⁶¹⁸ The court denied summary judgment as to the classic/descriptive fair use defence reasoning that "A fair use may not be a confusing use".¹⁶¹⁹ This statement seems contrary to the Supreme Court's opinion in *KP Permanent*, although a trial could indeed be necessary in order to assess the degree of consumer confusion and other relevant factors for determining the fairness of the use.¹⁶²⁰

6.4.2 Nominative Fair Use

"Nominative" fair use is the use of another's trade mark to identify the trade mark owner's goods or services instead of those of the third party.¹⁶²¹ Unlike the classic fair use defence, the nominative fair

¹⁶¹² 543 U.S. 111 (U.S. Dec 8, 2004).

¹⁶¹³ See *KP Permanent Make-Up Inc. v. Lasting Impression I Inc.*, *id.* at 118-121, 124.

¹⁶¹⁴ See *KP Permanent Make-Up Inc. v. Lasting Impression I Inc.*, *id.* at 121-122.

¹⁶¹⁵ See *KP Permanent Make-Up Inc. v. Lasting Impression I Inc.*, *id.* at 123. This has been criticised by *Austin*. See *Austin* 2008, 398 (arguing in this article that the fair use defences should take account of other important policies than protecting consumers from confusion). *McGeeran* noted several problems with section 33(b)(4): some courts still performed a likelihood of confusion enquiry, the "otherwise than as a mark" and "good faith" requirements resulted in fact-intensive analysis, and the scope of the defense was unclear. See *McGeeran* 2008b, 82-88.

¹⁶¹⁶ 354 F.3d 1020, 1024 (9th Cir. Jan 14, 2004).

¹⁶¹⁷ See *supra*, section 4.7.2.

¹⁶¹⁸ See *Playboy Enterprises Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. Jan 14, 2004), 1029.

¹⁶¹⁹ See *Playboy Enterprises Inc. v. Netscape Communications Corp.*, *id.* at 1029.

¹⁶²⁰ See *McCarthy* 2019, § 11:47 (discussing the relevance of other factors and evidence of confusion).

¹⁶²¹ See *McCarthy* 2019, § 23:11.

use doctrine is not recognised in every circuit in the US,¹⁶²² and there exists controversy concerning the question whether it constitutes an affirmative defence or rather an alternative method for assessing the likelihood of confusion.¹⁶²³ In its decision *New Kids on the Block v. News America Publishing Inc.*,¹⁶²⁴ the Court of Appeals for the Ninth Circuit formulated the following three-prong test for nominative fair use:

[...] First, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.
[...]¹⁶²⁵

Reliance on nominative fair use in keyword advertising disputes has generally not been successful in the US,¹⁶²⁶ although a few cases were won by defendants.¹⁶²⁷ Nominative fair use was, for instance, accepted by the Ninth Circuit in the meta tag case *Playboy Enterprises Inc. v. Welles*.¹⁶²⁸ The defendant, Tori Welles, who had been Playboy Playmate of the Year in 1981, used the title “Playboy Playmate of the Year 1981” and other trade marked terms on her website and in meta tags for that website. The court found the meta tag use to be a permissible, nominative use which satisfied the *New Kids* three-factor

¹⁶²² See Goldman 2008, 422, 427; and Rothman 2005, 177.

¹⁶²³ The Ninth Circuit did not intend nominative fair use to constitute an affirmative defence. See McCarthy 2019, § 23:11. In *Century 21 Real Estate Corp. v. Lendingtree Inc.*, 425 F.3d 211 (3rd Cir. Oct 11, 2005), the majority of the Third Circuit qualified nominative fair use as an affirmative defence. Judge Fisher dissented by arguing that it was a question of likely confusion. In *ISC Inc. v. Security University LLC*, 823 F.3d 153 (2d Cir. May 18, 2016), the Second Circuit held that nominative fair use was not an affirmative defence.

¹⁶²⁴ 971 F.2d 302 (9th Cir. July 24, 1992).

¹⁶²⁵ See *New Kids on the Block v. News America Publishing Inc.*, *id.* at 308. *McGeeveran* observed some difficulties regarding the nominative use doctrine: most courts did not allow it as an early defense, the distinction with section 33(b)(4) was not clear, and the third requirement that “the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder” resulted in a likelihood of confusion analysis. See *McGeeveran* 2008b, 88-97.

In *ISC Inc. v. Security University LLC*, 823 F.3d 153 (2d Cir. May 18, 2016), the Second Circuit defined the following test for nominative fair use “[...] that in cases involving nominative use, in addition to considering the Polaroid factors, courts are to consider (1) whether the use of the plaintiff’s mark is necessary to describe both the plaintiff’s product or service and the defendant’s product or service, that is, whether the product or service is not readily identifiable without use of the mark; (2) whether the defendant uses only so much of the plaintiff’s mark as is necessary to identify the product or service; and (3) whether the defendant did anything that would, in conjunction with the mark, suggest sponsorship or endorsement by the plaintiff holder, that is, whether the defendant’s conduct or language reflects the true or accurate relationship between plaintiff’s and defendant’s products or services.”

¹⁶²⁶ See Goldman Blog 2015a for references.

¹⁶²⁷ See, e.g., *Bijur Lubricating Corp. v. Devco Corp.*, 332 F. Supp. 2d 722 (D.N.J. Aug 26, 2004) (applying the Ninth Circuit’s test for nominative fair use with regard to the use of the plaintiff’s trade marks as meta tags by a competitor which offered replacement parts for the plaintiff’s products); and *International Payment Services LLC v. CardPaymentOptions.com*, 2:14-cv-02604-CBM-JC (C.D. Cal. June 5, 2015) (applying the Ninth Circuit’s test for nominative fair use with regard to the use of the plaintiff’s trade mark as a keyword for an ad linking to the defendant’s review website).

¹⁶²⁸ 279 F.3d 796 (9th Cir. Feb 1, 2002).

test. Welles had no practical way of identifying the content of her website without referring to the trade marks. She, as well as the Internet users, could not be expected to use absurd turns of phrase, such as “the nude model selected by Mr. Hefner’s organization”. Precluding the use of Playboy’s trade marks in Welles’ meta tags would have the unwanted effect of hindering the free flow of information on the Internet, which was contrary to the goals of trade mark law. The second and third elements of the *New Kids* test were fulfilled as well. The meta tags used only so much of the marks as reasonably necessary and nothing was done in conjunction with them to suggest sponsorship or endorsement by the trade mark holder.¹⁶²⁹

However, the Ninth Circuit does not generally regard the use of third party trade marks as meta tags or keywords as a nominative fair use. Though the meta tag use by Welles was considered necessary to describe the website’s content, the Ninth Circuit denied a nominative fair use in the keyword case *Playboy Enterprises Inc. v. Netscape Communications Corp.*¹⁶³⁰ The nominative fair use defence failed because it did not satisfy the first prong of the *New Kids* test. Netscape and Excite’s use of the trade marks “playboy” and “playmate” in the keyword list was not indispensable. The search engines could, and already did, use other words to trigger adult-oriented banner ads. Furthermore, the keyword use did not qualify as a nominative use because the search engines did not wish to identify the trade mark owner or its products. Rather, they wished to identify consumers who were interested in adult-oriented entertainment so they could draw them to competitors’ websites.¹⁶³¹

6.5 Conclusion

This chapter pointed out the limitations to the trade mark owner’s rights created in view of the interests of third parties and important values and policy objectives, such as the free movements of goods and services and the freedom of expression. After addressing the various limitations under European trade mark law,¹⁶³² the CJEU decision *Portakabin v. Primakabin*¹⁶³³ was discussed.¹⁶³⁴ This decision gives a narrow scope to Arts 14 and 15 TMD in the context of keyword advertising. In particular, a keyword

¹⁶²⁹ See *Playboy Enterprises Inc. v. Welles, id.* at 803-804.

¹⁶³⁰ 354 F.3d 1020, 1024 (9th Cir. Jan 14, 2004).

¹⁶³¹ See *Playboy Enterprises Inc. v. Netscape Communications Corp., id.* at 1029-1030.

¹⁶³² See *supra*, section 6.2.

¹⁶³³ ECLI:EU:C:2010:416 (CJEU case C-558/08 July 8, 2010).

¹⁶³⁴ See *supra*, section 6.3.

use falling under Art 10(2)(a) and (b) TMD, due to a failure to meet the CJEU's transparency requirement, does usually not comply with the condition in Art 14(2) TMD that the use must be in accordance with honest practices in industrial or commercial matters.¹⁶³⁵ Similarly, such a use provides the trade mark proprietor with a legitimate reason to oppose further commercialisation of the goods under Art 15(2) TMD.¹⁶³⁶ The CJEU's restrictive interpretation of Arts 14 and 15 TMD practically renders these provisions meaningless in the keyword advertising context.¹⁶³⁷ However, it was observed that this decision relates to the provisions valid under the previous Trade Mark Directive 2008/95/EC. The scope of the current Art 14 TMD is broader than that of the former corresponding provision. In particular, it now includes non-distinctive and referential use.¹⁶³⁸

The non-distinctive use limitation in Art 14(1)(b) TMD provides defendants with the opportunity to assert that the sign used was non-distinctive. As an example, the decision of the Hamburg Court of Appeal in the case *Partnership*¹⁶³⁹ was revisited in view of this new limitation.¹⁶⁴⁰

It was argued that Art 10(3)(f) TMD establishes an inbuilt limitation for comparative advertising on the level of the infringement criteria. As a result, the referential use provision of Art 14(1)(c) TMD is practically not important though theoretically applicable.¹⁶⁴¹

With regard to keyword advertising, though strictly rather a targeting tool than a referential use, it was suggested that courts apply Art 14(1)(c) TMD. The existing CJEU case law on keyword advertising could be incorporated in the evaluation of whether the use is honest under Art 14(2) TMD. The functional analysis would hence become unnecessary. Due to the uncertain, and still to some extent, limited, scope of the new limitations, it was nonetheless advised to introduce a general fair use limitation, also for future, not yet foreseen forms of use.¹⁶⁴²

The examination of the European limitations was followed by a comparative analysis of US law. It was shown that, similarly to the situation in Europe, the classic/descriptive fair use and the nominative fair use doctrines cannot always be safely relied upon in keyword advertising cases.¹⁶⁴³

In view of the narrow scope that courts sometimes give to the limitations, it is (even more) important to apply adequate criteria for determining the likelihood of confusion/adverse effect on the origin

¹⁶³⁵ See *supra*, section 6.3.1.

¹⁶³⁶ See *supra*, section 6.3.2.

¹⁶³⁷ See *supra*, section 6.3.3.

¹⁶³⁸ *Id.*

¹⁶³⁹ [2015] BeckRS 02311 (OLG Hamburg Jan 22, 2015). See *supra*, section 4.6.2.8.

¹⁶⁴⁰ See *supra*, section 6.2.1.2.

¹⁶⁴¹ See *supra*, section 6.2.1.3.1.

¹⁶⁴² See *supra*, section 6.2.1.3.2.

¹⁶⁴³ See *supra*, section 6.4.

function under Art 10(2)(a) and (b) TMD. In this regard, it is referred to the recommendations made in chapter 4. With respect to the situations listed in Arts 14 and 15 TMD, namely the use of one's own name or address, descriptive and non-distinctive use, referential use, and use in the context of resale, it would be desirable to recognize the important reasons behind these limitations. These require that sometimes a small amount of confusion may have to be accepted. It was therefore warned against applying the same standards on the level of the infringement criteria as on the level of the limitations. The evaluation of whether a third party use is in compliance with "honest practices in industrial or commercial matters" under Art 14(2) TMD should thus not be a copy of the likelihood of confusion test but provide room for a true balance of interests. The same applies in the exhaustion context with regard to the question "where there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods" under Art 15(2) TMD.¹⁶⁴⁴

In conclusion, the potential scope of the limitations since the reform of the European trade mark system is much broader than has so far been applied in practice. This is of particular relevance for referential uses. There are good reasons to qualify keyword advertising as a use falling under Art 14(1)(c) TMD. By doing so, many of the problems identified earlier, particularly with respect to the CJEU's reliance on the trade mark functions as an external balancing instrument,¹⁶⁴⁵ could be addressed. An expansion of the scope of the limitations was also advocated above as a solution to achieve a systematic approach for weighing the interests involved without having to rely on different methods for each kind of situation.¹⁶⁴⁶ In order to ensure sufficient flexibility and predictability for future scenarios, it was moreover recommended to further enlarge the ambit of the limitations by introducing a general fair use provision.¹⁶⁴⁷ After examining the limitations in this chapter, the preliminary conclusion taken above can thus be confirmed.¹⁶⁴⁸

¹⁶⁴⁴ See *supra*, section 6.3.3.

¹⁶⁴⁵ See *supra*, section 3.5.7.8.

¹⁶⁴⁶ See *supra*, section 3.6.1.

¹⁶⁴⁷ *Id.*

¹⁶⁴⁸ See *supra*, section 3.6.4.

7 Unfair Competition Law

7.1 Introduction

The previous chapters of this book examined the use of third party trade marks as keywords from the angle of trade mark law. This chapter will explore the same issue from the point of view of unfair competition law. This field of law aims at safeguarding fair market behaviour in the interest of consumers, competitors and society at large.¹⁶⁴⁹ Protection against unfair competition is regulated in the Paris Convention,¹⁶⁵⁰ numerous EU instruments¹⁶⁵¹ and national law.¹⁶⁵²

In principle, unfair competition law can be applied besides trade mark law. Recital 7 of the Trade Mark Directive reads:

This Directive should not exclude the application to trade marks of provisions of law of the Member States other than trade mark law, such as the provisions relating to unfair competition, civil liability or consumer protection.¹⁶⁵³

Within the context of keyword advertising, it is questionable whether there exists a separate scope for the application of unfair competition law.¹⁶⁵⁴ For instance, it may be argued that an ad cannot be misleading under unfair competition law without at the same time constituting a likelihood of confusion under trade mark law.¹⁶⁵⁵ In addition, whereas trade mark law used to protect only the classical origin

¹⁶⁴⁹ See *supra*, fn. 434.

¹⁶⁵⁰ See Art 10bis Paris Convention.

¹⁶⁵¹ See, e.g., the directives mentioned in this chapter (ECD, UCPD, MCAD) as well as the directives in the area of consumer protection.

¹⁶⁵² See *infra*, section 7.4.

¹⁶⁵³ In the Benelux, Art 2.20(1) BVIE contains the following wording: “[...] without prejudice to the potential application of the *ius commune* regarding tort liability [...]”. Although this provision only refers to tort liability, it must be assumed that it was the intention of the legislator that all actions of the *ius commune* are available to the trade mark holder. See Gielen 2017, 349. However, as a corollary to the broad scope of protection under Art 2.20 BVIE, the *ius commune* does not grant protection going beyond that, e.g., against a mere likelihood of association. See Cohen Jehoram, Nispen, van & Huydecoper 2008, 390. In Germany, § 2 MarkenG states: “Application of other provisions: The protection of trade marks, company names and indications of geographical origin under this Act shall not exclude the application of other provisions to protect these signs.”

¹⁶⁵⁴ The potential advantage of being able to invoke both trade mark and unfair competition law in keyword cases lies in the different rules regarding the standing to sue, the sanctions and the statute of limitations. See Hacker 2009, 336 (with respect to comparative advertising); and Ingerl & Rohnke 2010, MarkenG § 2, para. 3 (misleading advertising).

¹⁶⁵⁵ See *infra*, section 7.2.

function of the mark,¹⁶⁵⁶ it meanwhile covers various other functions and interests,¹⁶⁵⁷ which were traditionally part of unfair competition law.¹⁶⁵⁸ Furthermore, the CJEU has imported a rule of transparency based on consumer protection and fair trading into trade mark law.¹⁶⁵⁹

An overlap between trade mark and unfair competition law can be observed in other respects as well, such as the presence of certain legal concepts in both fields of law. For example, the notion of confusion, known from trade mark law, also figures in unfair competition law.¹⁶⁶⁰ And the concept of fairness does not only play a role under unfair competition law but also under trade mark law.¹⁶⁶¹ Moreover, the CJEU has connected both laws on several occasions in its jurisprudence. The yardstick for the average consumer in trade mark law, for instance, was borrowed from a case on unfair competition.¹⁶⁶² Another example concerns the limitation to trade mark rights on the basis of Art 4 of the Directive concerning Misleading and Comparative Advertising (MCAD). This had been established as an extra-statutory limitation under Trade Mark Directive 2008 by the CJEU.¹⁶⁶³ It is now covered by Art 10(3)(f) TMD.¹⁶⁶⁴

In the previous chapters, a specific interpretation of European trade mark law in keyword disputes was recommended in order to achieve a careful balance of interests, values and policies. When assessing keyword use under unfair competition law, it must be ensured that this balance is not undermined.¹⁶⁶⁵ It

¹⁶⁵⁶ See *supra*, section 2.5.

¹⁶⁵⁷ See Art 10(2)(c) and (6) TMD. Even under Art 10(2)(a) TMD, the CJEU has recognised the protection of several additional functions beyond the origin function, for instance, those of advertising and investment. See, *inter alia*, *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 38-40; *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 77, 79; and *L'Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 58, 65. See also, *supra* sections 3.4.11.2 and 3.5.7.4.

¹⁶⁵⁸ E.g., in the Netherlands before 1971, uses which did not indicate the origin of the product but which otherwise impaired the trade mark were assessed under the tort law provision in the Dutch Civil Code, Art 1401 BW (now: Art 6:162 BW). See Verkade 1992, 93, para. 6. In Germany, in times of the WZG, non-trade mark uses could be examined under the former general unfair competition clause, § 1 UWG. If that was not applicable for lack of a competitive relationship, the German Civil Code, §§ 823, 1004 BGB, protected famous marks against dilution by use of the sign for dissimilar goods. See Baumbach & Hefermehl 1985, WZG § 15, para. 42.

¹⁶⁵⁹ See *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 86. See also *supra*, section 4.4.

¹⁶⁶⁰ See, e.g., Art 4(h) MCAD; Art 6(2)(a) UCPD; and Art 10bis(3)(i) Paris Convention.

¹⁶⁶¹ See, e.g., Art 10(2)(c) and (6) TMD.

¹⁶⁶² According to the CJEU in the trade mark case *Lloyd v. Klijsen (Lloyd v. Loint's)*, [1999] ECR I-3819 (CJEU case C-342/97 June 22, 1999), para. 25, the average consumer is deemed to be "reasonably well-informed and reasonably observant and circumspect", which notion originates from the unfair competition case *Gut Springenheide v. Office for the Supervision of Foodstuffs*, [1998] ECR I-4657 (CJEU case C-210/96 July 16, 1998), para. 31, 37 (concerning misleading labelling of eggs). See also *supra*, section 4.3.

¹⁶⁶³ Comparative advertising which fulfills the conditions of Art 4 MCAD does not constitute a trade mark infringement. See *L'Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 54; and *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008), para. 45, 51.

¹⁶⁶⁴ See *supra*, section 6.2.1.3.1.

¹⁶⁶⁵ Even though unfair competition law may be applied besides trade mark law, contradictions with value judgments under trade mark law must be avoided. See Ingerl & Rohnke 2010, MarkenG § 2, para. 2; and Ohly in: Ohly & Sosnitzer 2016, UWG Einf. D, para. 82 (referring to the principle of assessment unity of trade mark and unfair competition law)

is therefore suggested to apply, as far as possible, a coherent interpretation of unfair competition and trade mark law in keyword advertising cases.

This chapter will first deal with the question under what circumstances keyword use constitutes misleading advertising, and whether the assessment differs from that of the likelihood of confusion in trade mark law. The following section will examine the question whether the use of a competitor's trade mark as a keyword qualifies as comparative advertising within the meaning of Art 2(c) MCAD. In addition, the conditions in Art 4 MCAD will be interpreted in the context of keyword use, particularly in relation to the infringement criteria in Art 10 TMD. Thereafter, the potential applicability of unharmonised causes of action under national unfair competition laws will be addressed. Finally, an outline of the main observations and recommendations put forward in this chapter will be provided.

7.2 *Misleading Advertising*

This section will consider the question under what conditions the use of another's trade mark as a keyword constitutes misleading advertising, and how this assessment compares to that of the likelihood of confusion in trade mark law.

On the European level,¹⁶⁶⁶ misleading advertising is regulated in the Directive concerning Misleading and Comparative Advertising (MCAD), which aims at protecting traders against misleading advertising and the unfair consequences thereof by providing for minimum harmonisation of the rules on misleading advertising.¹⁶⁶⁷ In addition, the Unfair Commercial Practices Directive (UCPD) protects consumers against unfair commercial practices by way of full harmonisation of the Member States' laws.¹⁶⁶⁸

Pursuant to Art 5(4)(a) UCPD, misleading commercial practices are unfair and shall be prohibited. Arts 6 and 7 UCPD define the concepts of misleading actions and omissions. Relevant for the purposes of this research is Art 6(2)(a) UCPD, according to which a misleading action may involve the "marketing of a product, including comparative advertising, which creates confusion with any products, trade marks, trade names or other distinguishing marks of a competitor".

The question arises whether a likelihood of confusion within the meaning of trade mark law necessarily constitutes a misleading commercial practice or misleading advertising under unfair

¹⁶⁶⁶ In the Netherlands, misleading commercial practices are addressed in Arts 6:193c-6:193g BW. In Germany, they are covered by §§ 5-5a UWG.

¹⁶⁶⁷ Furthermore, the MCAD fully harmonises the conditions under which comparative advertising is permitted. See Arts 1 and 8(1) MCAD.

¹⁶⁶⁸ See Arts 3(1) and 4 UCPD.

competition law. The Unfair Commercial Practices Directive seems to require, as an additional condition, that the defendant's behaviour disturbs the consumer's purchasing decision. Art 5(2)(b) UCPD states that a commercial practice shall be unfair if:

it materially distorts or is likely to materially distort the economic behaviour with regard to the product of the average consumer whom it reaches or to whom it is addressed, or of the average member of the group when a commercial practice is directed to a particular group of consumers.¹⁶⁶⁹

Similarly, Art 6(2)(a) UCPD presupposes that the commercial practice "causes or is likely to cause the average consumer to take a transactional decision that he would not have taken otherwise." The definition of misleading advertising in Art 2(b) MCAD also implies an effect on the economic behaviour of the recipients.¹⁶⁷⁰

With regard to the use of trade mark keywords, this could mean that, in order to find a breach of unfair competition law, it must be shown that the average consumer has mistakenly purchased the product from the advertiser instead of the trade mark owner. However, the CJEU has interpreted the concept of a "transactional decision"¹⁶⁷¹ broadly by including not only the decision whether or not to purchase a product, but also the decision directly related to that decision, in particular the decision to enter the shop.¹⁶⁷² According to the German Federal Supreme Court, the same applies to a visit to a website on which products or services can directly be ordered.¹⁶⁷³

The CJEU has formulated a special test for the likelihood of confusion in keyword advertising disputes, which includes unfair competition and consumer protection considerations. Not only must a likelihood of confusion be found where the normally informed and reasonably attentive Internet user assumes an economic connection between the advertiser and the trade mark owner but also where the

¹⁶⁶⁹ The definition in Art 2(e) UCPD states: " 'to materially distort the economic behaviour of consumers' means using a commercial practice to appreciably impair the consumer's ability to make an informed decision, thereby causing the consumer to take a transactional decision that he would not have taken otherwise;"

¹⁶⁷⁰ The definition in Art 2(b) MCAD states: " 'misleading advertising' means any advertising which in any way, including its presentation, deceives or is likely to deceive the persons to whom it is addressed or whom it reaches and which, by reason of its deceptive nature, is likely to affect their economic behaviour or which, for those reasons, injures or is likely to injure a competitor;" See also *SEB v. Philips*, [2013] IEF 12276 (Rb. Den Haag Jan 23, 2013), para. 4.21 (explaining that an effect on the economic behaviour of the relevant consumer is necessary for a communication to be found misleading).

¹⁶⁷¹ The definition in Art 2(k) MCAD states: " 'transactional decision' means any decision taken by a consumer concerning whether, how and on what terms to purchase, make payment in whole or in part for, retain or dispose of a product or to exercise a contractual right in relation to the product, whether the consumer decides to act or to refrain from acting;"

¹⁶⁷² See *Trento Sviluppo v. AGCM*, ECLI:EU:C:2013:859 (CJEU case C-281/12, Dec 19, 2013), para. 36.

¹⁶⁷³ See *Geo-Targeting*, [2016] GRUR 1073 (BGH Apr 28, 2016), para. 34. See also *Post It*, [2017] MMR 417 (OLG Frankfurt a.M. Feb 2, 2017), para. 11 (regarding a search engine ad).

ad does not clearly convey if such a connection exists or not.¹⁶⁷⁴ In this regard, the CJEU referred to Recital 29 and Art 6 of the E-Commerce Directive, according to which commercial communications through the Internet must meet a number of transparency requirements, such as clearly identifying the advertiser.¹⁶⁷⁵ Thus, in order to protect consumers and promote fair trading, the CJEU insists on transparency already at the stage at which the consumer is first confronted with the ad.

Suggestions for the interpretation of the CJEU's transparency requirement in keyword cases have been made above¹⁶⁷⁶ with the aim of ensuring a reasonable balance between the trade mark owner's interests and those of third parties and society at large. Assumed that a likelihood of confusion would constitute an act of unfair competition, irrespective of any effect on the consumer's purchasing decision, it is recommended to apply the advocated likelihood of confusion standard also when assessing keyword cases from the unfair competition perspective. This would avoid diverging value judgments under trade mark law and unfair competition law.

It may be argued that applying the same yardsticks under trade mark law and unfair competition law is problematic in view of the full harmonisation approach adopted by the Unfair Commercial Practices Directive with regard to business-to-consumer relationships. However, the Member States still have a certain freedom to interpret their national laws. Since the facts of the cases are the same, whether judged under trade mark law or unfair competition law, courts strive towards uniform concepts and consistency.¹⁶⁷⁷

Finally, it is doubtful whether situations exist in which the use of a trade mark keyword is misleading under unfair competition law without at the same time causing a likelihood of confusion under trade mark law. It appears unlikely that the mere use of a trade mark keyword in combination with a non-confusing ad would be regarded as a misleading practice. However, it is imaginable that, although the origin of the ad is clear, the text of the ad is misleading in other respects.¹⁶⁷⁸ It should furthermore be

¹⁶⁷⁴ See *Bergspechte v. trekking.at*, ECLI:EU:C:2010:163 (CJEU case C-278/08 Mar 25, 2010), para. 39-41; and *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 89-90. See also *supra*, section 4.4.

¹⁶⁷⁵ See *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 86. See also *supra*, section 4.4.

¹⁶⁷⁶ See *supra*, chapter 4.

¹⁶⁷⁷ For the influence of unfair competition law on trade mark law (and *vice versa*), see Kur & Ohly 2020.

¹⁶⁷⁸ E.g., with regard to the price or the quality of the advertised product, the conditions for delivery, and so on. See, e.g., the French decision *Multipass v. Smart & Co*, Case No. RG 09/022/85 (CA de Paris May 19, 2010), in which the Court of Appeal in Paris found the advertising of free delivery to be clearly misleading because delivery was only free if the purchase exceeded €100. On grounds of unfair competition and misleading advertising, the court ordered the advertiser to pay damages to its competitor for selecting its company and domain names as keywords. In *Kaspersky v. Eptimum*, Case No. 13-17200 (Cass. Comm. May 20, 2014), the French Supreme Court found unfair practices by Eptimum, which resulted in a risk of confusion regarding the origin of the products. Eptimum had not only used Kasperky's mark as a keyword but also in the title and URL

noted that in some countries, unfair competition law may be applicable where the sign used does not concern a trade mark but another distinctive sign, such as a company or domain name.¹⁶⁷⁹

7.3 Comparative Advertising

This section will examine whether the use of a competitor's trade mark as a keyword constitutes a form of comparative advertising within the meaning of Art 2(c) MCAD.¹⁶⁸⁰ While the CJEU in *Google v. Louis Vuitton*¹⁶⁸¹ mentioned this question, it did not consider it necessary to provide an answer.¹⁶⁸² However, the answer to this question is relevant, at least in theory. Supposed that keyword use would qualify as comparative advertising, the trade mark owner would have an additional claim against the advertiser where the ad does not satisfy the conditions for lawful comparative advertising contained in Art 4 MCAD.¹⁶⁸³ On the other hand, the advertiser would be able to invoke a defence to trade mark

of the ad. The text of the ad was furthermore deceptive in other respects, e.g., regarding the year of the activation key and the year of edition of the software offered.

In the Dutch case *SEB v. Philips*, [2013] IEF 12276 (Rb. Den Haag Jan 23, 2013), Philips used SEB's trade marks "Tefal" and "ActiFry" as keywords for an ad offering a competing frying machine. While the District Court in The Hague denied a trade mark infringement, it found the ads and further promotional messages to be misleading in several respects: the assertion that French fries could be fried without the use of oil; the allegedly short cooking time; and the claim that two-thirds of consumers preferred French fries from Philips' Airfryer. See para. 4.2-4.18 for the trade mark claims; and para. 4.19-4.36 for the claims of misleading advertising. In *Koelstra v. Van Asten*, [2014] ECLI:NL:RBDHA:2014:13292 (Vzr. Rb. Den Haag Oct 22, 2014), the same court found the ad of the defendant misleading since it suggested wrongly that "buggyshop.eu" offered the entire product range of buggy's of the trade mark, that these were all in stock and readily available with best price guarantee. See para. 4.16.

In *Post It*, [2017] MMR 417 (OLG Frankfurt a.M. Feb 2, 2017), the OLG Frankfurt found an ad misleading since a not insubstantial part of the relevant public expected, based on the content and presentation of the ad, that the advertiser offered on the linked website exclusively or at least mainly, meaning more than 50 %, products of the disputed trade mark, which was not the case. See para. 4.

¹⁶⁷⁹ See, e.g., the French decisions *Multipass v. Smart & Co*, Case No. RG 09/022/85 (CA de Paris May 19, 2010); *Google v. Cobrason*, Case No. 11-21011, 11-24713 (Cass. Comm. Jan 29, 2013); *Google v. Auto IES*, Case No. 11-18110 (Cass. Comm. Sep 25, 2012); and *Ami de la 2 CV v. Der Franzose*, Case No. 14-22744 (Cass. Comm. June 7, 2016).

An example of a Dutch case in which (also) other signs than trade marks were used as keywords is *Prescan v. Privatescan*, [2012] IEF 11704 (Rb. Den Haag Aug 22, 2012). The defendant had selected keywords reflecting the titles of television shows in which the trade mark owner regularly appeared. The court found the defendant liable for tort through misleading consumers regarding the origin of the services offered. See para. 3.64-3.71.

In the Netherlands, the use of company names is covered by the Dutch Trade Name Act (Handelsnaamwet). In Germany, the use of company names forms part of trade mark law and is regulated in the German Trade Mark Act (§ 15).

¹⁶⁸⁰ Art 6:194a(1) BW; and § 6(1) UWG.

¹⁶⁸¹ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

¹⁶⁸² See *Google v. Louis Vuitton*, *id.* at para. 71.

¹⁶⁸³ Art 6:194a(2) BW; and § 6(2) UWG.

However, trade mark owners do not always have standing to sue on this basis. For instance, in the UK, unlawful comparative advertising can only be invoked by the Office of Fair Trading, an administrative authority. See *Jacob LJ in: L'Oréal v. Bellure*, [2010] EWCA (Civ) 535 (May 21, 2010), para. 42.

infringement where the ad fulfills the conditions in Art 4 MCAD.¹⁶⁸⁴ How these conditions are to be interpreted, particularly in relation to the infringement criteria in Art 10 TMD, will also be explored in this section. In addition, keyword advertising decisions of national courts with regard to the issue of comparative advertising will be outlined.

7.3.1 Definition Art 2(c) MCAD: Does It Cover Keyword Advertising?

It is disputed whether the use of a competitor's trade mark as a keyword, in order to target one's ad at a specific public, constitutes comparative advertising within the meaning of Art 2(c) MCAD.¹⁶⁸⁵ The definition of comparative advertising is broad. According to Recital 8 MCAD, it is "desirable to provide a broad concept of comparative advertising to cover all modes of comparative advertising." Art 2(a) MCAD defines "advertising" as "the making of a representation in any form [...] in order to promote the supply of goods or services [...]." Pursuant to Art 2(c) MCAD, "comparative advertising" means "any advertising which explicitly or by implication identifies a competitor or goods or services offered by a competitor." In light of these broad definitions, the CJEU has repeatedly stated that the forms which comparative advertising may take are very varied.¹⁶⁸⁶

Despite its broad scope, it is questionable whether the definition in Art 2(c) MCAD applies in the case of mere keyword use. The average consumer would need to perceive the use of the disputed sign as a reference to the advertiser's competitor or the products thereof.¹⁶⁸⁷ Since the keyword is not visible,

¹⁶⁸⁴ See *L'Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 54; and *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008), para. 45, 51. This limitation is meanwhile included in Art 10(3)(f) TMD, according to which using the sign in comparative advertising in a manner that is contrary to Directive 2006/114/EC is in particular prohibited. See *supra*, section 6.2.1.3.1. The reason for this insertion was apparently to ensure legal certainty and full consistency with specific Union legislation. See Recital 20 TMD.

Senftleben viewed the creation of an extra-statutory limitation for comparative advertising by the CJEU as evidence of the particular importance attached to commercial freedom of speech in the context of trade mark protection. See *Senftleben* 2011a, 24-25. It was suggested by the MPI to have an express limitation in the Trade Mark Directive. See MPI Trade Mark Study 2011, para. 2.262. This would codify the CJEU's position and reconcile the legal instruments in the fields of trade mark law and unfair competition law. Within the reform of European trade mark law, it was omitted to expressly include such a limitation (although introduced by the European Parliament at first reading. See European Parliament 2014, Art 14(1)(c)(ii)). However, the referential use limitation in Art 14(1)(c) TMD could theoretically cover comparative use. See *supra*, section 6.2.1.3.1.

¹⁶⁸⁵ See, e.g., Henning-Bodewig 2011, 598 (finding it likely that keyword advertising constitutes comparative advertising); Knaak & Venohr 2010, 398 (denying qualification as comparative advertising as a rule for ads in which the mark is not mentioned); Ohly 2010a, 784 (stating that the matter is controversial); and Ohly 2009, 716 (finding it plausible that keyword advertising concerns comparative advertising while acknowledging that this is not undisputed).

¹⁶⁸⁶ See *L'Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 52 (with references to earlier decisions).

¹⁶⁸⁷ See *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008), para. 44.

there can be no more than an indirect reference by reason of the fact that the consumer's entry of the trade mark as a search term causes the display of the ad.

Even supposed that the use of a trade mark keyword meets the definition in Art 2(c) MCAD, it seems likely that "comparative" advertising presupposes the existence of a "comparison".¹⁶⁸⁸ This is not only suggested by its wording but also by the legal requirements for permissible comparative advertising. According to Art 4(c) MCAD, it is a condition for lawful comparative advertising that "it objectively compares one or more material, relevant, verifiable and representative features of those goods and services, which may include price."¹⁶⁸⁹

Considering its shortness,¹⁶⁹⁰ it is difficult to imagine an objective comparison of product features in a search engine ad. The Internet user would have to visit the websites of both the trade mark owner and the advertiser in order to compare the characteristics of their respective products.¹⁶⁹¹

For the above reasons, it is maintained here that (except in special circumstances) the use of another's trade mark as a keyword does not constitute comparative advertising within the meaning of Art 2(c) MCAD. However, the policy considerations which underlie the rules on comparative advertising are also relevant in the context of keyword use. Comparative advertising may inform consumers about the various products available on the market and thereby stimulate competition.¹⁶⁹² The same is true for the

¹⁶⁸⁸ See Sack 2008 (providing an in-depth analysis of the jurisprudence of the CJEU and the BGH, the opinions expressed in legal commentary, and the recitals, provisions, objectives and system of the MCAD).

¹⁶⁸⁹ If every reference to a competitor or the products thereof constituted comparative advertising, it would often fail to meet the condition in Art 4(c) MCAD for lack of a comparison. For instance, indicating the purpose of accessories or spare parts by reference to the trade mark of the original product, without making a comparison, would constitute unlawful comparative advertising. This would be contrary to Art 14(1)(c) TMD, which principally allows such references. See Sack 2008, 173; and *Toshiba Europe v. Katun*, [2001] ECR I-7945 (CJEU case C-112/99 Oct 25, 2001), para. 33-35. Similarly, the use of a competitor's trade mark as a keyword could, in the absence of a comparison, be considered to be unlawful. It is clear from the CJEU's keyword jurisprudence that such a general prohibition of keyword use is not desired. See *supra*, fn. 1138.

¹⁶⁹⁰ See *supra*, fn. 18.

¹⁶⁹¹ In this sense, the search engine ad could be regarded as an "invitation to compare" (in German: "Aufforderung zum Vergleich"). See Knaak & Venohr 2010, 398.

¹⁶⁹² See Recitals 6 and 8 MCAD. Already in 1981, *Kur* argued that there were good reasons for principally allowing comparative advertisements which satisfied the information needs of the relevant public through objectively raised criticism. In this regard, she also explained that a general reversal of the burden of proof was not justified by the fact that the advertisement impaired the interests of the competitor, as basically every advertisement that emphasised the benefits of the own product did so. See *Kur* 1981, 208-209.

use of another's trade mark as a keyword.¹⁶⁹³ For this reason, it was advocated above that the referential use limitation of Art 14(1)(c) TMD should cover keyword advertisements.¹⁶⁹⁴

In exceptional cases, in which the trade mark is also mentioned in the text of the ad, as part of an objective comparison of product features, the definition of comparative advertising could be met. In such cases, the comparison must fulfill the conditions for lawful comparative advertising. In this regard, it may be argued that the limited space available in the ad should be taken into account,¹⁶⁹⁵ and that the full comparison could be provided on the linked website. Where the comparison satisfies the conditions in Art 4 MCAD, the advertisement must be considered lawful. As a consequence, the advertiser could invoke the inbuilt limitation to trade mark infringement contained in Art 10(3)(f) TMD.¹⁶⁹⁶ It may be assumed that a limitation does not only apply to the mentioning of the trade mark in the ad but also to the selection of the trade mark as a keyword.¹⁶⁹⁷

7.3.2 Conditions Art 4 MCAD

Supposed that, contrary to the opinion expressed here, the use of a competitor's trade mark as a keyword would in general constitute comparative advertising within the meaning of Art 2(c) MCAD, or that the particular ad in question would qualify as such, the question arises how the conditions in Art 4 MCAD relate to the infringement criteria in Art 10 TMD. This question is worth exploring because, as noted above, unlawful comparative advertising may provide an additional claim against the advertiser,¹⁶⁹⁸

¹⁶⁹³ Advocate General Jääskinen observed with regard to the use of trade mark keywords in *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 45, fn. 34: "[...] In my opinion, the purpose of economic competition is to enhance consumer welfare by the introduction of better (in terms of quality, characteristics or price) substitutes to existing products, thereby promoting efficiency and innovations leading to more rational allocation of the factors of production."

¹⁶⁹⁴ See *supra*, section 6.2.1.3.2.

¹⁶⁹⁵ See Art 7(3) UCPD, which states that the limitations of the medium shall be taken into account. See for the full text, *supra*, fn. 1133. *Henning-Bodewig* discussed this provision with regard to the CJEU's transparency requirement. See *Henning-Bodewig* 2011, 596; and *supra*, section 4.4.2.

¹⁶⁹⁶ See *supra*, section 6.2.1.3.1 (explaining that non-compliance with the conditions of Art 4 MCAD must be proven by the trade mark owner).

¹⁶⁹⁷ See *Tempur v. Energy+*, [2010] IEPT 20101220 (Vzr. Rb. Den Haag Dec 20, 2010), para. 4.4 (finding the use of trade mark keywords necessary for effective comparative advertising on the Internet because it ensures that the ad reaches the public primarily interested in the products of the competitor). In 2005, *Kabel* commented on the case *Pretium v. Yiggers*, [2005] IER 25 (CC Kabel) (Vzr. Rb. Den Haag Nov 12, 2004) in which a preliminary injunction had been issued regarding the use of a trade mark keyword for an ad containing a lawful comparison between telephone services. *Kabel* was concerned about the prohibition of the keyword use because this could have consequences for referring to comparison sites. Taking into account the lawfulness of mentioning a trade mark in comparative advertising, this could not have been intended.

With regard to the keyword use, it has been argued above that the referential use limitation in Art 14(1)(c) could be applicable. See *supra*, section 6.2.1.3.2.

¹⁶⁹⁸ See *supra*, fn. 1683.

while fulfilment of the conditions in Art 4 MCAD could be invoked as a defence against trade mark infringement.¹⁶⁹⁹ Since comparative advertising now falls within the ambit of Art 10(3)(f) TMD, the conditions in Art 4 MCAD should be taken into account within the assessment of whether the reference to the trade mark is “in a manner that is contrary to Directive 2006/114/EC”.¹⁷⁰⁰ In order for the trade mark claim to be successful, failure to meet these conditions needs to be proven by the trade mark owner.¹⁷⁰¹

The various conditions contained in Art 4 MCAD are discussed below with particular focus on the provisions dealing with the issues of confusion, unfair advantage, imitation, and discredit or denigration. As a preliminary remark, it is observed that the rules on comparative advertising are fully harmonised in Europe,¹⁷⁰² so that the Member States are not allowed to apply more restrictive conditions than those laid down in the Directive. In addition, it is settled case law of the CJEU that these conditions must be interpreted in the sense most favourable to permitting comparative advertisements.¹⁷⁰³

7.3.2.1 Art 4(h) MCAD: Confusion

According to Art 4(h) MCAD, a comparative advertisement must:

“[...] not create confusion among traders, between the advertiser and a competitor or between the advertiser’s trade marks, trade names, other distinguishing marks, goods or services and those of a competitor.

The CJEU clarified in *O2 v. Hutchison*¹⁷⁰⁴ that the term “confusion” means the same in Art 4(h) MCAD as in Art 10(2)(b) TMD.¹⁷⁰⁵ As a consequence of the parallel interpretation of these provisions, the advertiser is not able to rely on the lawful comparative advertising defence where the use of the trade

¹⁶⁹⁹ See *supra*, fn. 1684.

¹⁷⁰⁰ See *supra*, section 6.2.1.3.1.

¹⁷⁰¹ Art 10(3)(f) TMD mentions “using the sign in comparative advertising in a manner that is contrary to Directive 2006/114/EC” as an example of an infringing use. This puts the burden on the trade mark owner to prove that the requirements of the MCAD are not fulfilled. See Kur & Senftleben 2017, 422-423.

¹⁷⁰² See Art 8(1) MCAD.

¹⁷⁰³ See *L’Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 69; and *De Landtsheer v. the VIVC and Veuve Clicquot*, [2007] ECR I-03115 (CJEU case C-381/05 Apr 19, 2007), para. 35 (with references to earlier case law), para. 63.

¹⁷⁰⁴ ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008).

¹⁷⁰⁵ See *O2 v. Hutchison*, *id.* at para. 49. Note, though, that Art 10(2)(b) TMD speaks of a “likelihood of confusion”, whereas Art 4(h) MCAD merely says “confusion”.

mark keyword causes a likelihood of confusion under trade mark law. Thus, in cases in which the ad is not sufficiently transparent with regard to the origin of the goods or services offered therein,¹⁷⁰⁶ the inbuilt limitation of Art 10(3)(f) is of no practical importance.¹⁷⁰⁷ In such a situation, the advertiser is liable for both trade mark infringement and unlawful comparative advertising.

This is consistent with the underlying aims of the respective laws.¹⁷⁰⁸ If advertisements are confusing, consumers will not benefit from a broader range of products and a more competitive market. However, as was explained above,¹⁷⁰⁹ it is essential to adopt an appropriate interpretation of the likelihood of confusion test to enable the fair use of third parties' trade marks as keywords with benefits for consumers, competitors and society at large.

7.3.2.2 Art 4(f) MCAD: Unfair Advantage

Art 4(f) MCAD requires that the comparative advertisement:

[...] does not take unfair advantage of the reputation of a trade mark, trade name or other distinguishing marks of a competitor or of the designation of origin of competing products;

With regard to Art 4(f) MCAD and Art 10(2)(c) TMD, the CJEU determined in *L'Oréal v. Bellure*¹⁷¹⁰ that the expression "take[s] unfair advantage" must in principle be given the same interpretation under both provisions.¹⁷¹¹ The question under what circumstances keyword use can be regarded as taking an unfair advantage of the mark's distinctive character or repute has already been discussed above.¹⁷¹² Due to the uniform meaning of this criterion in Art 10(2)(c) TMD and Art 4(f) MCAD, an unfair advantage caused by the use of a trade mark keyword breaches both trade mark and unfair competition law. In addition, there is no room for a potential defence to trade mark infringement by reason of lawful comparative advertising.

¹⁷⁰⁶ See *supra*, section 4.4 for the CJEU's likelihood of confusion test in keyword cases.

¹⁷⁰⁷ See also Ohly 2010a, 784.

¹⁷⁰⁸ See *supra*, fn. 434.

¹⁷⁰⁹ See *supra*, chapter 4.

¹⁷¹⁰ ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009).

¹⁷¹¹ See *L'Oréal v. Bellure*, *id.* at para. 77. Note, though, that Art 4(f) MCAD merely mentions unfair advantage of reputation, whereas Art 10(2)(c) TMD also covers unfair advantage of distinctive character.

¹⁷¹² See *supra*, section 5.6.

7.3.2.3 Art 4(g) MCAD: Imitation

The use of a trade mark keyword to advertise an imitation of the trade marked product does not only infringe Art 10(2)(c) TMD and Art 4(f) MCAD.¹⁷¹³ It also violates Art 4(g) MCAD, which stipulates as a condition for a permissible comparative advertisement that:

it does not present goods or services as imitations or replicas of goods or services bearing a protected trade mark or trade name;

Pursuant to the CJEU in *L'Oréal v. Bellure*,¹⁷¹⁴ this condition applies to any imitation or replica, whether or not it concerns counterfeit goods.¹⁷¹⁵

7.3.2.4 Art 4(d) MCAD: Discredit or Denigration

According to Art 4(d) MCAD, it is a legal requirement for a lawful comparative advertisement that:

it does not discredit or denigrate the trade marks, trade names, other distinguishing marks, goods, services, activities or circumstances of a competitor;

This condition is not satisfied where the advertiser denigrates the competitor or its product in a manner that goes beyond mere criticism, for instance, by using aggressive language.¹⁷¹⁶ The concepts of discredit and denigration in Art 4(d) MCAD appear narrower than those of detriment to the distinctive character and detriment to the repute of the trade mark in Art 10(2)(c) TMD. This may be explained by the intention of the European legislator to generally allow comparative advertising in order to promote competition and consumer choice.¹⁷¹⁷ Any advertisement which refers to the advertiser's product as a better choice than the competitor's product could be said to necessarily cause some detriment to the

¹⁷¹³ See *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011), para. 90. See also *supra*, section 5.6.

¹⁷¹⁴ ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009).

¹⁷¹⁵ See *L'Oréal v. Bellure*, *id.* at para. 73. At para. 79-80, the Court held that advertising presenting the products as imitations had to be regarded as taking unfair advantage of the mark's reputation. See *supra*, fn. 1469 for criticism on this prohibition of advertising lawful product imitations. The BGH decided that the marketing of perfume imitations only violated Art 4(f) and (g) MCAD (§§ 6(2)(4) and (6) UWG) where there was a clear statement of imitation. It did not suffice that the original product was merely recognisable due to the design and labelling of the imitations and that the advertising caused corresponding associations. See *Creation Lamis*, [2011] GRUR 1153 (BGH May 5, 2011), para. 27.

¹⁷¹⁶ See Henning-Bodewig 2010a, 556.

¹⁷¹⁷ See Recitals 6 and 8 MCAD.

reputation of the competitor's trade mark. In addition, the trade mark's distinctive character could potentially become diluted when it is mentioned in a competitor's advertisement.¹⁷¹⁸

Thus, it seems that if a trade mark is used in a comparative advertisement, some harm to its repute and distinctive character must be accepted, provided that the advertisement is not discrediting or denigrating, and that the other conditions in Art 4 MCAD are met. With respect to keyword advertising, detriment to the trade mark's distinctiveness and reputation has been discussed above.¹⁷¹⁹ Supposed that the rules on comparative advertising would apply to keyword advertising, a mere risk of dilution or insubstantial detriment to the reputation of the trade mark would probably not suffice to establish an infringement.

7.3.2.5 Remaining Conditions

Apart from the conditions discussed above, Art 4 MCAD requires that the comparative advertisement:

- (a) [...] is not misleading within the meaning of [Arts 2(b), 3 and 8(1) MCAD and Arts 6 and 7 UCPD];
- (b) [...] compares goods or services meeting the same needs or intended for the same purpose;
- (c) [...] objectively compares one or more material, relevant, verifiable and representative features of those goods and services, which may include price;
[...] [and]
- (e) for products with designation of origin, it relates in each case to products with the same designation;
[...].

The issue of misleading advertising has been analysed above.¹⁷²⁰ With regard to the condition under (c), it has already been observed that the small size of search engine ads would have to be taken into consideration.¹⁷²¹ Since there is not enough space for a comprehensive comparison in the ad, the details could be disclosed on the linked website.

¹⁷¹⁸ In this regard, it is noted that, in contrast to Art 10(2)(c) TMD, Art 4 MCAD does not refer to unfair advantage of, or detriment to, the distinctive character of the trade mark. In *Gielen's* opinion, the Trade Mark Directive seemed to retain an independent position in this regard. In his view, even if the conditions for lawful comparative advertising were fulfilled, the trade mark owner had to be able to invoke Art 10(2)(c) TMD where the trade mark's distinctive character was impaired. This could apply where the advertiser did not use the exact trade mark of its competitor but a similar sign, as was the case in *O2 v. Hutchison*, ECLI:EU:C:2008:339 (CJEU case C-533/06 June 12, 2008). See *Gielen* 2010, 148-149.

¹⁷¹⁹ See *supra*, sections 5.4. and 5.5.

¹⁷²⁰ See *supra*, section 7.2.

¹⁷²¹ See *supra*, section 7.3.1, fn. 1695.

7.3.3 National Jurisprudence

This section will outline national court decisions concerning the issue of comparative advertising in the context of keyword use.

7.3.3.1 *Google v. Cobrason* (Trib. Comm. Paris 2008)

The French case *Google v. Cobrason*¹⁷²² concerned the selection by Home Cine Solutions of the keyword “Cobrason” for an ad offering competing Hifi video products:

Home Cinema Hifi Equipment

why pay more, choice, quality
and service since 5 years
www.Homecinesolutions.fr & amp...

The Commercial District Court in Paris denied the applicability of the law on comparative advertising. According to the court, the disputed ad did not contain any comparison between the products and their price, even though it clearly displayed the sentence “why pay more”. The fact that it was possible to move from Cobrason’s website to the website of Home Cine Solutions did not mean that the Internet user could implicitly compare the different products and their price.¹⁷²³

7.3.3.2 *Tempur v. Energy+* (Rb. Den Haag 2010)

In contrast, in two proceedings for interim relief, the District Court of The Hague performed a parallel analysis of the trade mark infringement criteria and the conditions for lawful comparative advertising in Art 4 MCAD.¹⁷²⁴ In *Tempur v. Energy+*,¹⁷²⁵ trade mark owner Tempur and advertiser Energy+ were both active in the manufacture and sale of mattresses. Energy+ used the signs “tempur” and “tempoer”,

¹⁷²² <https://www.legalis.net/jurisprudences/tribunal-de-commerce-de-paris-15eme-chambre-jugement-du-23-octobre-2008/> (Trib. Comm. de Paris Oct 23, 2008).

¹⁷²³ See *Google v. Cobrason*, *id.* This decision has been appealed. The decisions of the Court of Appeal and of the Supreme Court did not deal with the issue of comparative advertising. See *infra*, section 8.3.5.4.

¹⁷²⁴ Art 6:194a(2) BW.

¹⁷²⁵ [2010] IEPT 20101220 (Vzr. Rb. Den Haag Dec 20, 2010).

inter alia, as keywords. The judge was of the opinion that the ads qualified as comparative advertising within the broad definition of Art 2(c) MCAD.¹⁷²⁶ According to the judge, the average consumer established a link between the ads and the trade mark entered as a search term with the result that the ads implicitly mentioned Tempur and its products.¹⁷²⁷

The mere fact that Energy+' ad appeared after the entry of Tempur's trade mark did not amount to an unfair advantage in terms of Art 4(f) MCAD¹⁷²⁸ and Art 9(2)(c) EUTMR. Citing *Siemens v. VIPA*,¹⁷²⁹ the judge stated that it was not decisive that the display of the ad involved an advantage. The advantage was not to be regarded as unfair if the use of the trade mark was necessary in light of the objective of the rules on comparative advertising, namely to inform the consumer and to stimulate competition. The use of trade marks as keywords was necessary for effective comparative advertising on the Internet because it ensured that the advertisement reached the public primarily interested in the products of the competitor.¹⁷³⁰

However, the judge found the particular ads in dispute to contravene the conditions for lawful comparative advertising and to infringe the trade mark. The ads did not clearly contrast the products of Tempur with those of Energy+. On the contrary, the ads contained mostly generic indications that could just as well refer to "Tempur" products. The only references to Energy+ were the domain names mentioned in the ads.¹⁷³¹ The ads of Energy+ read:

Pressure relieving top mattress

www.Energy-Plus.info/Matras Sleep in until the morning. Possible with pressure relieving quality mattress

Pressure relieving mattress

Wake up without backache? Free of charge 14 days at Home Test sleeping
www.Medi-Active.nl/Matrassen

Tempoer

www.Energy-Plus.info/Matras Highest Quality, Lowest Price! From €199 Order Now Online

¹⁷²⁶ Art 6:194a(1) BW.

¹⁷²⁷ See *Tempur v. Energy+*, [2010] IEPT 20101220 (Vzr. Rb. Den Haag Dec 20, 2010), para. 4.3.

¹⁷²⁸ Art 6:194a(2)(g) BW.

¹⁷²⁹ [2006] ECR I-2147 (CJEU case C-59/05 Feb 23, 2006). See para. 25.

¹⁷³⁰ See *Tempur v. Energy+*, [2010] IEPT 20101220 (Vzr. Rb. Den Haag Dec 20, 2010), para. 4.4.

¹⁷³¹ See *Tempur v. Energy+*, *id.* at para. 4.5.

Judge Blok left the question open whether the lack of a clear distinction between the products of Tempur and those of Energy+ could cause confusion within the meaning of Art 4(h) MCAD¹⁷³² and Art 9(2)(b) EUTMR. In any case, the ads took an unfair advantage of the reputation of the “Tempur” mark. The ads could cause the public to transfer the reputation of Tempur’s products to those of Energy+.¹⁷³³ It played a role that the ads emphasised exactly those features which the reputation of the “Tempur” mark was based upon, namely the quality and the pressure relieving effect of the mattresses. Citing *L’Oréal v. Bellure*,¹⁷³⁴ the judge concluded that Energy+ exploited, without paying any financial compensation and without being required to make efforts of its own in that regard, the marketing effort expended by Tempur in order to create and maintain the mark’s image.¹⁷³⁵ As a consequence, the advantage taken by Energy+ was unfair within the meaning of Art 4(f) MCAD¹⁷³⁶ and Art 9(2)(c) EUTMR.¹⁷³⁷

7.3.3.3 *Tempur v. Medicomfort (Hof Den Haag 2011)*

This case has already been discussed above with regard to the adverse effect on the origin function.¹⁷³⁸ It concerns an appeal from a decision of the same judge as in *Tempur v. Energy+*.¹⁷³⁹ In *Tempur v. Medicomfort*,¹⁷⁴⁰ Tempur sued another competitor in the mattress business. The Court of Appeal of The Hague denied an adverse effect on the origin function. Other grounds for trade mark infringement were rejected as well.¹⁷⁴¹

Tempur alleged on appeal, in addition to trade mark infringement, that the conditions for lawful comparative advertising were not satisfied. The Court of Appeal agreed with the District Court that the ad in dispute had to be regarded as comparative advertising. Neither Tempur, nor its products, were

¹⁷³² Art 6:194a(2)(d) BW.

¹⁷³³ In this regard, the judge cited *Toshiba Europe v. Katun*, [2001] ECR I-7945 (CJEU case C-112/99 Oct 25, 2001), para. 57-58.

¹⁷³⁴ ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009).

¹⁷³⁵ See *Tempur v. Energy+*, [2010] IEPT 20101220 (Vzr. Rb. Den Haag Dec 20, 2010), para. 4.6.

¹⁷³⁶ Art 6:194a(2)(g) BW.

¹⁷³⁷ See *Tempur v. Energy+*, [2010] IEPT 20101220 (Vzr. Rb. Den Haag Dec 20, 2010), para. 4.6. In this respect, the judge cited *L’Oréal v. Bellure*, ECLI:EU:C:2009:378 (CJEU case C-487/07 June 18, 2009), para. 77, where it is stated that the expression “take[s] unfair advantage” must in principle be given the same interpretation under both provisions. Note that the decision *Tempur v. Energy+* was taken before the CJEU’s guidance on the notion of “unfair advantage” in the keyword advertising case *Interflora v. M&S*, ECLI:EU:C:2011:604 (CJEU case C-323/09 Sep 22, 2011).

¹⁷³⁸ See *supra*, section 4.6.1.1.

¹⁷³⁹ [2010] IEPT 20101220 (Vzr. Rb. Den Haag Dec 20, 2010).

¹⁷⁴⁰ [2011] ECLI:NL:GHSGR:2011:BU6275 (Hof Den Haag Nov 22, 2011).

¹⁷⁴¹ See *Tempur v. Medicomfort*, *id.* at para. 24 (adverse effect on investment function); para. 29 (detriment to distinctive character); para. 30 (detriment to repute); and para. 32 (unfair advantage).

explicitly mentioned in the ad, but the ad appeared after typing in the search term “tempur” and it referred to “other top brands”. Hence, taking into account that “Tempur” was a famous trade mark, it was sufficiently clear for the public that Medicomfort compared its products with those of, *inter alia*, Tempur in the disputed ad.¹⁷⁴²

The Court of Appeal also agreed with the District Court that the conditions in Art 4 MCAD¹⁷⁴³ were fulfilled. With reference to its considerations with regard to trade mark infringement, the court determined that Medicomfort’s ad was not confusing and did not take an unfair advantage. The ad contained a price comparison, which Tempur had not proven to be false or otherwise misleading. The court considered it relevant that the consumer could obtain further information about the characteristics and prices of the products in question by visiting the websites of Tempur and Medicomfort.¹⁷⁴⁴

7.3.3.4 *Fleurop v. Topbloemen (Rb. Den Haag 2016)*

In 2016, the District Court in The Hague denied the existence of comparative advertising in the case *Fleurop v. Topbloemen*.¹⁷⁴⁵ Some of the disputed ads included the phrase “lower delivery costs”. According to the court, the relevant public would not understand those ads as an implicit comparison with competitor Fleurop.¹⁷⁴⁶

7.4 *National Unfair Competition Law*

This section will address some decisions of national courts in keyword cases which concern other unfair competition law issues than comparative advertising. Although numerous European Directives and Regulations exist in the field of unfair competition law, it has not yet been fully harmonised.¹⁷⁴⁷ Each law on unfair competition has historically been developed and adapted to the legal tradition of the particular Member State.¹⁷⁴⁸ Some countries have codified their law on unfair competition in a single code, like Germany in its Act against Unfair Competition (*Gesetz gegen den unlauteren Wettbewerb*:

¹⁷⁴² See *Tempur v. Medicomfort*, *id.* at para. 38.

¹⁷⁴³ Art 6:194a(2) BW.

¹⁷⁴⁴ See *Tempur v. Medicomfort*, [2011] ECLI:NL:GHSGR:2011:BU6275 (Hof Den Haag Nov 22, 2011), para. 39.

¹⁷⁴⁵ [2016] ECLI:NL:RBDHA:2016:8293 (Rb. Den Haag July 20, 2016).

¹⁷⁴⁶ See *Fleurop v. Topbloemen*, *id.* at para. 4.23.

¹⁷⁴⁷ See Henning-Bodewig 2010b, 273.

¹⁷⁴⁸ See Henning-Bodewig 2010a, 557.

UWG), which protects both competitors and consumers. Other countries, such as the Netherlands, rely on general principles of tortious liability in conjunction with specific rules on, for instance, consumer protection.¹⁷⁴⁹ National differences also exist on the level of enforcement, which can be left to private parties, administrative authorities or public prosecution, or which may rely on self-control mechanisms.¹⁷⁵⁰

Without going into detail about national laws, where the purported harm caused by the use of a trade mark keyword is the same, there appear to be no grounds for applying diverging legal assessments under unfair competition and trade mark law.¹⁷⁵¹ A more restrictive approach towards the permissibility of using third party trade marks as keywords under national unfair competition laws would not only impair effective competition and the free flow of information on the Internet. It would also bypass the European harmonisation of trade mark law and thereby jeopardise the free movement of goods and services within the internal market.

7.4.1 *Bananabay II (BGH 2011)*

The judgment *Bananabay II*¹⁷⁵² of German Federal Supreme Court (Bundesgerichtshof: BGH) provides an example of the dismissal of both trade mark infringement and unfair competition claims. The BGH had denied a trade mark infringement since the trade mark functions were not prejudiced by the disputed keyword ad.¹⁷⁵³ The court also refused to qualify the keyword use as a breach of unfair competition law.¹⁷⁵⁴

The plaintiff had invoked several provisions of the German Act against Unfair Competition. The court determined that there was no evidence that the defendant offered imitations of the plaintiff's goods or services.¹⁷⁵⁵ Furthermore, the keyword use did not constitute unfair obstruction (“unlautere Behinderung”)¹⁷⁵⁶ of the plaintiff through misappropriation of reputation (“Rufausbeutung”). The

¹⁷⁴⁹ See Nispen, van, Huydecoper & Cohen Jehoram 2012, 280-281.

¹⁷⁵⁰ See for a comparative account of the different national approaches on unfair competition protection, Henning-Bodewig 2010a, 557-559. For a more detailed description of the unfair competition laws of the EU Member States, see Henning-Bodewig 2010b; and Harte-Bavendamm & Henning-Bodewig 2016, UWG Einl. F.

¹⁷⁵¹ See *supra*, fn. 1665.

¹⁷⁵² [2011] GRUR 828 (BGH Jan 13, 2011).

¹⁷⁵³ See *supra*, section 4.6.2.2.

¹⁷⁵⁴ See *Bananabay II*, [2011] GRUR 828 (BGH Jan 13, 2011), para. 32.

¹⁷⁵⁵ See *Bananabay II*, *id.* at para. 33. See § 4(3)(b) UWG (formerly: § 4(9)(b) UWG).

¹⁷⁵⁶ See §4(4) UWG (formerly: §4(10) UWG).

required transfer of image was missing since there was no noticeable reference to the trade mark owner or its products.¹⁷⁵⁷ An unfair obstruction in the sense of diversion of customers (“Kundenfang”) presupposed an undue influence on a competitor’s existing customers in order to win them as one’s own customers, for instance, by placing oneself in between the competitor and its customers with the aim of manipulating their purchasing decision. In the opinion of the court, the display of a competitor’s ad upon entry of the trade mark as a search term did not establish such an undue influence.¹⁷⁵⁸ Finally, the BGH denied the existence of a misleading commercial practice for the same reason it did not find the ad to cause a likelihood of confusion.¹⁷⁵⁹

7.4.2 *Uhrenankauf im Internet - Rolex (BGH 2015)*

Interestingly, unfair competition law can also be invoked by competitors of the trade mark owner to ensure their right to use the trade mark in their advertising. In the case *Rolex*,¹⁷⁶⁰ the BGH found in favour of a reseller of second hand “Rolex” watches. The reseller intended to insert the following ad on Google:¹⁷⁶¹

Purchase: Rolex Watches

Purchase: easy, fast, competent

Purchase: Rolex-watch urgently sought

Google had rejected the display of the ad as a consequence of the trade mark owner’s general trade mark complaint. The reseller had asked the trade mark owner several times for permission to show the ad, which the trade mark owner had denied. In all three instances, the reseller succeeded with its claim to enjoin the trade mark owner to authorise towards Google the use of the term “Rolex” in the above-mentioned ad.

The unfair competition cause of action relied upon in this case is called “targeted obstruction of competitors” (“gezielte Behinderung von Mitbewerbern”).¹⁷⁶² The BGH did not regard the mere fact

¹⁷⁵⁷ See *Bananabay II*, [2011] GRUR 828 (BGH Jan 13, 2011), para. 34 (citing its earlier decision *Beta Layout*, [2009] GRUR 500 (BGH Jan 22, 2009), para. 22).

¹⁷⁵⁸ See *Bananabay II*, *id.* at para. 35 (citing its earlier decision *Beta Layout*, *id.* at para. 23).

¹⁷⁵⁹ See *Bananabay II*, *id.* at para. 36. See § 5(2) UWG.

¹⁷⁶⁰ [2015] GRUR 607 (BGH Mar 12, 2015).

¹⁷⁶¹ This case only dealt with the use of the trade mark in the text of the ad. Keyword use was not in dispute.

¹⁷⁶² See §4(4) UWG (formerly: §4(10) UWG).

that the trade mark owner had filed a general trade mark complaint with Google to prevent the use of its trade mark in ad text as targeted obstruction of competitors.¹⁷⁶³ However, such an obstruction was established by the fact that the trade mark owner had refused its permission to display the ad, even though it was not infringing due to exhaustion of trade mark rights.¹⁷⁶⁴

7.4.3 *Fleurop v. Topbloemen (Rb. Den Haag 2016)*

The District Court in The Hague found an adverse effect on the origin function and a likelihood of confusion in the case *Fleurop v. Topbloemen*.¹⁷⁶⁵ The claims based on tortious liability (“onrechtmatige daad”, Art 6:162 BW) were rejected. The court reasoned that the EUTMR and the Benelux Convention concerning Intellectual Property (Benelux-verdrag inzake de intellectuele eigendom: BVIE) offered broad protection against the unauthorised use of distinctive signs. The scope of Art 6:162 BW was reserved for exceptional cases in which additional circumstances existed that caused unlawfulness.¹⁷⁶⁶

7.5 *Conclusion*

At the beginning of this chapter, it was explained that, in principle, the application of unfair competition law is not pre-empted by trade mark law. It was observed that a broad overlap exists between the two areas of law and that current European trade mark law already encompasses numerous unfair competition considerations. The question was therefore raised whether unfair competition law still has any role to play in the context of keyword advertising. It was warned against applying diverging legal assessments of keyword use under trade mark and unfair competition law.¹⁷⁶⁷

With respect to the issue of misleading advertising, it was noted that where the use of a trade mark keyword does not cause a likelihood of confusion, it usually does not constitute an act of misleading

¹⁷⁶³ See *Uhrenankauf im Internet - Rolex*, [2015] GRUR 607 (BGH Mar 12, 2015), para. 15.

¹⁷⁶⁴ See *Uhrenankauf im Internet - Rolex*, *id.* at para. 19, 26. Already in 2010, the OLG Köln had decided along the same lines in *Unlautere Verhinderung von AdWord-Werbung*, [2010] MMR 761 (OLG Köln July 2, 2010). In this case, a seller of original sanitary products of the disputed trade mark was hindered from using that trade mark as a keyword for its ads due to a trade mark complaint filed with Google by the trade mark owner. The seller’s attempt to obtain the authorisation of the trade mark owner had been fruitless. The court held the trade mark owner liable for targeted obstruction of competitors under §4(4) UWG (formerly: §4(10) UWG).

¹⁷⁶⁵ [2016] ECLI:NL:RBDHA:2016:8293 (Rb. Den Haag July 20, 2016). See *supra*, section 4.6.1.6.

¹⁷⁶⁶ See *Fleurop v. Topbloemen*, *id.* at para. 4.30.

¹⁷⁶⁷ See *supra*, section 7.1.

advertising either. It was advised not to apply more restrictive criteria in relation to misleading advertising than those proposed in this book for the likelihood of confusion under trade mark law.¹⁷⁶⁸

It was recalled that in the case of comparative advertising it is up to the trade mark owner to establish that the advertisement fails to satisfy the conditions of Art 4 MCAD in compliance with the new Art 10(3)f TMD, which includes an inbuilt limitation for lawful comparative advertising.¹⁷⁶⁹

It was analysed whether keyword advertising constitutes comparative advertising within the meaning of Art 2(c) MCAD. It was found that this only holds true where the ad itself contains a comparison.¹⁷⁷⁰ Nonetheless, the conditions for lawful comparative advertising in Art 4 MCAD were examined. This inquiry revealed that these conditions and the infringement criteria in Art 10 TMD largely coincide. As a consequence, the inbuilt defence of lawful comparative advertising in Art 10(3)(f) TMD has no practical importance where the use of a keyword results in a trade mark infringement.¹⁷⁷¹

The analysis of national case law on the issue of comparative advertising in keyword advertising cases includes decisions of the District Court and the Court of Appeal of The Hague, which applied the rules on comparative advertising in parallel with the trade mark infringement provisions. These decisions suggest that, in order to satisfy the conditions for lawful comparative advertising, the ad must clearly contrast the products of the advertiser with those of the trade mark owner.¹⁷⁷² It was maintained in this chapter that an objective comparison of product features cannot reasonably be required within the short text of a search engine ad.¹⁷⁷³

With regard to the application of national unfair competition laws in keyword disputes, it was again emphasised that the values and principles of trade mark law should not be undermined.¹⁷⁷⁴ For this purpose, it is referred to the suggestions in the previous chapters of this book regarding the interpretation of the trade mark infringement criteria. A few court decisions on national unfair competition claims were discussed.¹⁷⁷⁵ In Germany, unfair competition law can remarkably be relied upon by advertisers to prevent trade mark owners from blocking the lawful use of their marks in keyword advertising.¹⁷⁷⁶

¹⁷⁶⁸ See *supra*, section 7.2.

¹⁷⁶⁹ See *supra*, sections 6.2.1.3.1 and 7.3.2.

¹⁷⁷⁰ See *supra*, section 7.3.1.

¹⁷⁷¹ See *supra*, section 7.3.2.

¹⁷⁷² See *supra*, section 7.3.3.

¹⁷⁷³ See *supra*, sections 7.3.1 and 7.3.2.5.

¹⁷⁷⁴ See *supra*, section 7.4.

¹⁷⁷⁵ See *supra*, sections 7.4.1-7.4.3.

¹⁷⁷⁶ See *supra*, section 7.4.2.

8 Liability of the Search Engine

8.1 Introduction

This chapter will examine the potential liability of the search engine for the sale of third party trade marks as keywords under trade mark law as well as under theories of secondary liability.¹⁷⁷⁷ First, the question will be dealt with whether the acts of the search engine should qualify as “use” of a trade mark falling within the scope of trade mark law. Thereafter, it will be analysed when the search engine is secondarily liable for trade mark infringements by its advertisers. The requirement to distinguish the advertisements from the algorithmic search results on search engine pages will also receive attention. After the examination of the relevant regulations and jurisprudence in Europe, an overview will be provided of interesting US court decisions with respect to search engine liability. The final section will summarise the analysis and the recommendations made in this chapter.

It must be noted in advance that the issue of intermediary liability cannot be examined in detail in this dissertation, which is mainly concerned with the criteria for primary trade mark infringement. The search engine’s liability in keyword advertising cases will thus merely be touched upon.

8.2 Primary Liability Under Trade Mark Law

The CJEU clarified in *Google v. Louis Vuitton*¹⁷⁷⁸ that even though the search engine operated in the course of trade when it sold trade mark keywords, it did not itself “use” these signs within the terms of Art 10 TMD.¹⁷⁷⁹ In this respect, the CJEU introduced the condition that the alleged infringer had to use the sign in its “own commercial communication” in order to constitute a “use” within the meaning of Art 10 TMD.¹⁷⁸⁰ The Court reasoned that the search engine merely allowed its clients to use trade mark keywords by creating the necessary technical conditions. The fact that the search engine received a payment in return was considered irrelevant. The CJEU concluded that the search engine’s role needed

¹⁷⁷⁷ See with regard to the terminology used to describe the various doctrines of secondary liability, *supra*, fn. 987.

¹⁷⁷⁸ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

¹⁷⁷⁹ See *Google v. Louis Vuitton*, *id.* at para. 55.

¹⁷⁸⁰ See *Google v. Louis Vuitton*, *id.* at para. 56. This condition has been confirmed by the CJEU in subsequent cases. See *supra*, fn. 703.

to be examined, not under trade mark law, but according to national laws on secondary liability, including the national equivalents of the liability exemptions in the E-Commerce Directive.¹⁷⁸¹ As a consequence of this ruling, a search engine selling trade mark keywords cannot be held liable for primary trade mark infringement in Europe. This section will examine whether the CJEU has come to the right conclusion from a legal and political point of view.

8.2.1 *Meaning of Use*

Formally, there seems to be no problem with classifying the search engine's acts as a "use". This term is not defined in the Trade Mark Directive, and its meaning in other contexts, such as the acquisition of rights or the requirement of genuine use, does not appear relevant with respect to infringement.¹⁷⁸² Thus, the word "use" can be understood according to its ordinary meaning. In this sense, there is no reason to exclude the search engine's internal processing of trade mark keywords from the scope of the term "use". The search engine's conduct also falls within the definition of a use "in the course of trade" since it takes place in the context of commercial activity with a view to economic advantage and not as a private matter.¹⁷⁸³

8.2.2 *Infringement Depends on Advertiser*

Apart from the meaning of the language in Art 10 TMD, it must also be asked what kind of conduct trade mark law is intended to address. As concluded earlier in this book,¹⁷⁸⁴ the major objective of trade mark law is to enable consumers to make informed choices on the basis of the quality and features of the products on offer. Trade mark law therefore protects the trade mark functions against confusing third party use.

This book examined the interpretation of the Trade Mark Directive's infringement criteria and limitations with regard to keyword use.¹⁷⁸⁵ It was shown that the question of infringement is dependent

¹⁷⁸¹ See *Google v. Louis Vuitton*, *id.* at para. 57. Dutch and German tort law theories on secondary liability are founded in Art 6:162 BW and §§ 830, 826, 1004 BGB. The provisions implementing the exemptions from Arts 12-15 ECD are: Art 6:196c BW and §§ 7-10 TMG.

¹⁷⁸² See *supra*, section 3.3.1.

¹⁷⁸³ See *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 50, 53-55; and *Arsenal v. Reed*, [2002] ECR I-10273 (CJEU case C-206/01 Nov 12, 2002), para. 40. See also *supra*, section 3.5.7.1.

¹⁷⁸⁴ See *supra*, chapter 2.

¹⁷⁸⁵ See *supra*, chapters 4-6.

on the content of the specific advertisement. In general, the trade mark is infringed by its use as a keyword where the corresponding ad is not clear about the origin of the advertised products.¹⁷⁸⁶ The use of another's trade mark as a keyword is not *per se* infringing. Since it is the advertiser who drafts the ad text, it would make sense to hold him responsible for any resulting infringement.¹⁷⁸⁷

The search engine's sale of keywords is a neutral act, which does not necessarily give rise to a trade mark infringement, although it provides advertisers with the means to commit such an infringement.¹⁷⁸⁸ Search engines' advertising programmes allow the selection of any keyword that could be relevant in relation to the advertised product. The use of third party trade marks as keywords is merely a coincidence of this business model. Unlike, for instance, file sharing systems which are specifically aimed at the exchange of copyrighted material, keyword advertising services are not focused on trade marks.¹⁷⁸⁹ Most keywords are non-trade mark terms which describe the product offered in the ad. And even though some keywords are identical or similar to trade marks of third parties, their use may still be legitimate,¹⁷⁹⁰ as set out in the previous chapters of this book.

Hence, there exists a fundamental difference between the role of the advertiser, which itself chooses the keywords and the wording of the ad to promote its own goods or services, and the search engine, which merely provides an advertising platform to its customers. The moral wrong of which the search engine is accused is not that of creating confusion with the trade mark owner's goods or services but of failing to monitor the use of trade marks by its advertisers and to remove infringing ads. These claims,

¹⁷⁸⁶ See *supra*, chapter 4.

¹⁷⁸⁷ See also Dogan 2010a, 144 (“In short, neither infringement nor its defenses can meaningfully be evaluated in the abstract. In the keyword advertising context, evaluating the likelihood of confusion caused by a particular keyword-generated ad requires a contextual inquiry into a number of facts that have little to do with the search engine's sale of the trademark to the advertiser, and everything to do with the advertiser's product, statements, and other behavior. Maintaining the law's focus on these factors – by treating the advertiser as the direct infringer – would result in more accurate, contextual, and reality-driven outcomes in these keyword suits.”).

¹⁷⁸⁸ See also Dogan & Lemley 2007, 1692 (“[...] If some unauthorized keyword-based ads are legitimate and others are confusing, then the wrong in the latter case occurs not in the act of selling keywords that signal information to consumers, but in placing an ad that deceives those consumers. The viability of a trademark claim, in other words, turns on the context of the advertiser's statements and status rather than that of the intermediary. The intermediary's use of the mark bears a relationship to the ad and, in fact, plays a causal link in enabling the advertiser to infringe; but its mere sale of the keyword, without more, is an entirely neutral act that can lead to either infringing or non-infringing use by its advertisers. [...]”).

¹⁷⁸⁹ According to Dogan, courts in the US apply a “we know it when we see it” analysis to distinguish between bad faith intermediaries, which face liability, and good faith intermediaries, which only have a retroactive obligation to address infringement upon notice. See Dogan 2011.

¹⁷⁹⁰ See also Dogan 2010a, 149-150; Dogan 2010b, 477-478 (explaining that trade mark-triggered keyword advertisements have significant non-infringing applications and should thus not lead to strict liability); and *Google v. Louis Vuitton*, ECLI:EU:C:2009:569 (AG Poiares Maduro case C-236-238/08 Sep 22, 2009), para. 110 (“[...] Keywords are therefore, in themselves, content-neutral: they enable internet users to reach sites associated with such words. Many of these sites will be perfectly legitimate and lawful even if they are not the sites of the trade mark proprietor.”).

which *Dogan* calls “failure-to-police” and “failure-to-respond” claims, are typical of contributory liability since they depend on primary trade mark infringements by the search engine’s advertising customers.¹⁷⁹¹

Since the search engine’s liability is the result of the behaviour of its advertisers, theories of secondary liability are better suited to deal with it than trade mark law. Under such theories, the search engine can only be held liable in certain circumstances, for instance, where it refuses to act upon notice of a specific infringement.¹⁷⁹²

8.2.3 *Separation of Ads*

According to *Dinwoodie & Janis*, the search engine not only facilitated harm by its advertisers. It also potentially created independent harm itself, due to the manner in which it presented the search results.¹⁷⁹³ They argued that trade mark law could serve a regulatory role in this regard, for instance, by taking the distinction between organic and sponsored links into consideration when assessing the likelihood of confusion.¹⁷⁹⁴

However, the design of the search engine’s website, including the separation and labelling of the ads, is a general concern, which exists independent from the use of trade marks.¹⁷⁹⁵ Also if consumers use non-trade mark search terms, they have an interest in a clear differentiation between algorithmic results and advertisements. Apart from the influence of market forces, this issue is addressed by special regulations in the fields of advertising, media and consumer law.¹⁷⁹⁶

It does not appear appropriate to apply trade mark law in order to deal with this problem.¹⁷⁹⁷ Confusion regarding the distinction between ads and algorithmic results is different from confusion concerning the source of goods or services in the trade mark law sense. Therefore, the design of the search engine’s website should not constitute a ground for primary trade mark infringement.

¹⁷⁹¹ See *Dogan* 2010b, 476-485.

¹⁷⁹² See *infra*, section 8.3.

¹⁷⁹³ See *Dinwoodie & Janis* 2007b, 1717.

¹⁷⁹⁴ See *Dinwoodie & Janis* 2007a, 1633-1636. See also *supra*, section 3.7.6.2.

¹⁷⁹⁵ *Dogan* therefore suggested to restrict relief with regard to such “general-confusion” claims to an injunction requiring a careful distinction between the search results and ads, rather than imposing a general obligation to police the use of the service. See *Dogan* 2010b, 476, 487.

¹⁷⁹⁶ See *infra*, section 8.4.

¹⁷⁹⁷ See also *Dogan* 2010a, 139-141 (arguing that duping consumers about the difference between search results and ads has little to do with trade mark law, but that it might violate consumer protection and false advertising provisions).

8.2.4 Consequences of Primary Liability Under Trade Mark Law

Holding the search engine liable as a primary trade mark infringer could have serious consequences in terms of the freedom of expression, consumer information, competition and e-commerce, which would conflict with the goals of trade mark law and with the policy objectives and values of the European Union.¹⁷⁹⁸ There are multiple competition and information enhancing ways of using another's trade mark in keyword advertising.¹⁷⁹⁹ If the search engine could be held primarily liable under trade mark law, it might have to adopt a policy according to which the use of third party trade marks as keywords and in ad text is generally prohibited. This would result in a reduced possibility to direct advertising to the relevant public,¹⁸⁰⁰ and it would deprive advertisers of the legitimate use of third party trade marks.¹⁸⁰¹

Primary liability would necessitate the search engine to engage in a legal assessment of every single ad in order to avoid the risk of liability.¹⁸⁰² It is very difficult to estimate whether the use of a third party trade mark as a keyword constitutes an infringement.¹⁸⁰³ As seen in the previous chapters, even courts do not agree on the exact criteria for infringement in keyword disputes. Preventive monitoring of search engine ads could jeopardise the search engine's entire business model, thereby impairing the freedom to conduct a business, established in Art 16 EU Charter. This fundamental right of ISPs must be fairly balanced with the intellectual property rights in question.¹⁸⁰⁴

¹⁷⁹⁸ See *supra*, chapter 2.

¹⁷⁹⁹ See *supra*, section 1.3.

¹⁸⁰⁰ According to *Goldman*, search engines should be able to use brand spillovers, such as keyword triggering, to reduce consumer search costs, promote marketplace competition and increase social knowledge. See *Goldman* 2009, 417-418; and *Goldman* 2005, 592-593.

¹⁸⁰¹ See also *Dogan* 2010b, 479, 482 (observing, with regard to the case *Playboy Enterprises Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. Jan 14, 2004), that removing the terms "playboy" and "playmate" from the keyword list would cut off their use by numerous parties with a legitimate interest in using them, and more in general, that risk aversion would lead to incursions on legitimate speech).

¹⁸⁰² *Dogan & Lemley* noted that a legal assessment of the ads beforehand would cause an unreasonable delay in their display. See *Dogan & Lemley* 2004, 834. Art 15(1) ECD provides that "Member States shall not impose a general obligation on [hosting providers falling under Art 14], to monitor the information which they transmit or store, nor a general obligation actively to seek facts or circumstances indicating illegal activity."

¹⁸⁰³ With regard to US law, see *Dogan & Lemley* 2004, 832-833.

¹⁸⁰⁴ See *UPC Telekabel v. Constantin Film and Wega*, ECLI:EU:C:2014:192 (CJEU case C-314/12 Mar 27, 2014), para. 47; *SABAM v. Netlog*, ECLI:EU:C:2012:85 (CJEU case C-360/10 Feb 16, 2012), para. 44; and *Scarlet v. Sabam*, ECLI:EU:C:2011:771 (CJEU case C-70/10 Nov 24, 2011), para. 46.

8.2.5 Own Commercial Communication

For the above reasons, the CJEU was right to exclude the sale of trade mark keywords by the search engine from primary liability under trade mark law. Whether the criterion of a use in the third party's own commercial communication provides sufficient certainty for distinguishing primary from secondary liability will be seen in future cases.

Since *Google v. Louis Vuitton*,¹⁸⁰⁵ the CJEU has already applied the same criterion in other cases in order to exempt the alleged infringers from trade mark liability.¹⁸⁰⁶ In *L'Oréal v. eBay*,¹⁸⁰⁷ the CJEU cited *Google v. Louis Vuitton* and determined that the operator of the marketplace did not itself "use" the trade marks within the meaning of Art 10 TMD by merely displaying them on its website in offers for sale from its customer-sellers.¹⁸⁰⁸ Also in *Frisdranken Industrie Winters v. Red Bull*,¹⁸⁰⁹ a "use" was denied by the CJEU. In this case, the alleged infringer was instructed by another company to fill empty cans bearing signs similar to the disputed trade mark. Although the CJEU did not explicitly mention the requirement of a use in the third party's own commercial communication, it again referred to *Google v. Louis Vuitton* and explained that it was not sufficient for finding a "use" that the service provider created the technical conditions necessary for the use of the sign and that it was being paid for that service.¹⁸¹⁰ In the recent case *Coty v. Amazon*,¹⁸¹¹ the CJEU denied a "use" by Amazon with regard to the storage of infringing products on behalf of third party sellers. Amazon had no knowledge of the infringements and did not intend to offer those products or put them on the market. The CJEU concluded that Amazon did not use the sign in its own commercial communication and there was no "stocking" within the

¹⁸⁰⁵ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

¹⁸⁰⁶ An exception is the decision *Mitsubishi v. Duma*, ECLI:EU:C:2018:594 (CJEU case C-129/17 July 25, 2018), which seems to concern a special situation in which the CJEU applied a broad use concept in order to ensure the trade mark owner's right to control the initial marketing in the EEA. See *supra*, fn. 1596

¹⁸⁰⁷ ECLI:EU:C:2011:474 (CJEU case C-324/09 July 12, 2011).

¹⁸⁰⁸ See *L'Oréal v. eBay*, *id.* at para. 102-103.

¹⁸⁰⁹ ECLI:EU:C:2011:837 (CJEU case C-119/10 Dec 15, 2011).

¹⁸¹⁰ See *Frisdranken Industrie Winters v. Red Bull*, *id.* at para. 29-30. The CJEU explained that under certain conditions a use "for goods or services" could include goods or services of another person on whose behalf the third party acted. This was the case in *L'Oréal v. eBay*, ECLI:EU:C:2011:474 (CJEU case C-324/09 July 12, 2011) with regard to eBay's use of trade mark keywords to advertise the fact that products under those trade marks were sold on its marketplace. In *UDV v. Brandtraders*, ECLI:EU:C:2009:111 (CJEU case C-62/08 Feb 19, 2009), a broker concluded in its own name but on behalf of a vendor a contract with a purchaser of the trade marked products. The CJEU found the broker's use of the trade mark in business papers to constitute a "use" within the meaning of Art 9(2)(a) EUTMR (Art 10(2)(a) TMD), even though the goods were not the broker's own goods. In *Frisdranken*, the CJEU clarified that in these cases, a link was established between the sign and the service, which was not true with regard to the mere filling of cans because that service was not apparent to the consumer. See para. 31-33.

¹⁸¹¹ ECLI:EU:C:2020:267 (CJEU case C-567/18 Apr 2, 2020).

meaning of Art 9(3)(b) EUTMR.¹⁸¹² In *Coty v. Amazon*, *L'Oréal v. eBay* and *Frisdranken*, the CJEU suggested, just like in *Google v. Louis Vuitton*, that the intermediary's role should be examined under secondary liability rules, instead of under trade mark law.¹⁸¹³

8.2.6 *Borderline Cases*

To be sure, situations are conceivable in which the search engine's behaviour may be regarded as equivalent to that of a primary trade mark infringer. This could be the case if the search engine not just passively enabled the infringement by the advertiser but actively participated in the infringement. Whether this kind of conduct falls within the scope of Art 10 TMD depends on the interpretation of the CJEU's requirement that the use of the sign by the third party must take place in its own commercial communication.¹⁸¹⁴ In any case, such behaviour is subject to secondary liability, as will be discussed below.¹⁸¹⁵ A certain grey area between primary and secondary infringement will always remain.¹⁸¹⁶

8.2.7 *Search Engine Not Primarily Liable Under Trade Mark Law*

In conclusion, the search engine's sale of trade mark keywords should not be regarded as an act of primary trade mark infringement. The CJEU's decision was correct in this regard.¹⁸¹⁷ This does not mean that trade mark owners are left without remedies when advertisers use their marks in an infringing manner. First, they can sue the party that is directly responsible for causing the infringement, namely

¹⁸¹² See *Coty v. Amazon*, *id.* at para. 47, 53.

¹⁸¹³ See *Coty v. Amazon*, *id.* at para. 49; *L'Oréal v. eBay*, ECLI:EU:C:2011:474 (CJEU case C-324/09 July 12, 2011), para. 104; *Frisdranken Industrie Winters v. Red Bull*, ECLI:EU:C:2011:837 (CJEU case C-119/10 Dec 15, 2011), para. 35; and *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 57.

¹⁸¹⁴ See *Google v. Louis Vuitton*, *id.* at para. 55-58.

¹⁸¹⁵ See *infra*, section 8.3.1.3.

¹⁸¹⁶ Whether the search engine's acts of automatic broad matching, recommending or inserting trade marks as keywords constitute a "use" within the terms of Art 10 TMD is questionable because they would need to qualify as a use in the search engine's own commercial communication. See *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 55-58. See also *Google v. SFL*, Case No. RG 08/00620 (CA de Paris Nov 19, 2010). See *infra*, section 8.3.5.3. In contrast, the US Court of Appeals for the Second Circuit found the fact that the disputed trade mark was suggested by Google's Keyword Suggestion Tool decisive for qualifying Google's acts as a "use in commerce" within the meaning of the Lanham Act. See *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. Apr 3, 2009), 129. The various matching options and keyword suggestion and insertion tools, as well as their consequences for the applicability of the hosting exemption in Art 14 ECD, will be addressed below. See *infra*, section 8.3.4.

¹⁸¹⁷ But see, e.g., Kur 2011, 475 (arguing that Google's sale of trade mark keywords is a use in external commercial communication which should fall within the ambit of harmonised trade mark law).

the advertiser.¹⁸¹⁸ Second, where appropriate, they can bring an action against the search engine as a secondary infringer for encouraging or knowingly enabling the advertiser's infringement,¹⁸¹⁹ which will be discussed in the next section.

8.3 Secondary Liability

This section will examine when the search engine is liable as an intermediary for trade mark infringements by its advertising customers. It must first be observed that the conditions for intermediary liability are laid down in the national laws of the European Member States.¹⁸²⁰ Because it would go beyond the scope of this dissertation to examine these laws, the focus will be on the harmonised liability exemption for hosting providers in Art 14 E-Commerce Directive (ECD).¹⁸²¹

8.3.1 Hosting Exemption

Art 14 ECD reads:

Hosting

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.

¹⁸¹⁸ In contrast to, e.g., multiple Internet users who illegally download copyright infringing content, it is normally no problem to identify and sue an online advertiser. Therefore, the argument that the party which is in the best position to prevent an infringement should be liable is not valid with regard to the search engine.

¹⁸¹⁹ See also Dogan 2010a, 137-138.

¹⁸²⁰ See also *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 107. A remarkable international private law question is whether secondary infringers should be subject to the same law as primary trade mark infringers. See Neumann 2014.

¹⁸²¹ As Advocate General Jääskinen noted with regard to Arts 12 to 14 ECD in *L'Oréal v. eBay*, ECLI:EU:C:2010:757 (AG Jääskinen case C-324/09 Dec 9, 2010), para. 136: "[...] these provisions are better qualified as restatements or clarifications of existing law than exceptions thereto."

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.

8.3.1.1 *Google v. Louis Vuitton (CJEU 2010)*

In the case *Google v. Louis Vuitton*,¹⁸²² it was disputed whether the liability exemption for hosting providers was applicable to the search engine's keyword advertising service. The CJEU first determined that Google's AdWords programme met the definition of "information society service" in Art 14 ECD.¹⁸²³ According to the E-Commerce Directive, an information society service is "any service normally provided for remuneration, at a distance, by electronic means and at the individual request of a recipient of services".¹⁸²⁴ The CJEU observed that the search engine stored on its server information provided by its advertising customers, such as the selected keywords, the text of the ad and the link to the advertiser's website.¹⁸²⁵

However, in order to qualify for the hosting exemption, the CJEU formulated additional criteria, which it based on the recitals in the preamble to the E-Commerce Directive. According to the CJEU, the conduct of the service provider had to be limited to that of an "intermediary service provider",¹⁸²⁶ which meant that the activity had to be "of a mere technical, automatic and passive nature".¹⁸²⁷ This furthermore implied that the service provider "[had] neither knowledge of nor control over the information which [was] transmitted or stored".¹⁸²⁸

It had to be examined whether or not Google played such a neutral role.¹⁸²⁹ Although the CJEU left that assessment to the national court,¹⁸³⁰ it provided some guidelines. The mere facts that the service was subject to payment, that Google set the payment terms or that it provided general information to its

¹⁸²² ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

¹⁸²³ See *Google v. Louis Vuitton*, *id.* at para. 110.

¹⁸²⁴ See Art 2(a) ECD in conjunction with Article 1(2) Technical Standards and Regulations Directive.

¹⁸²⁵ See *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 111.

¹⁸²⁶ See *Google v. Louis Vuitton*, *id.* at para. 112.

¹⁸²⁷ See *Google v. Louis Vuitton*, *id.* at para. 113.

¹⁸²⁸ See *Google v. Louis Vuitton*, *id.* at para. 113. The Court's reference to Recital 42 ECD is questionable. As Advocate General Jääskinen observed, Recital 42 seems to refer to the exemptions mentioned in the following recital, namely those of "mere conduit" and "caching" in Arts 12 and 13 ECD. The conditions with regard to Art 14 ECD are listed in Recital 46. See *L'Oréal v. eBay*, ECLI:EU:C:2010:757 (AG Jääskinen case C-324/09 Dec 9, 2010), para. 138-142.

¹⁸²⁹ See *Google v. Louis Vuitton*, *id.* at para. 114.

¹⁸³⁰ See *Google v. Louis Vuitton*, *id.* at para. 119.

clients could not deprive Google of the hosting exemption.¹⁸³¹ In addition, concordance between the keyword and the search term was not sufficient of itself to maintain that Google had knowledge of, or control over, the information it stored.¹⁸³² By contrast, the role Google played in the drafting of the ad text or in the choice of keywords was considered relevant by the Court.¹⁸³³

8.3.1.2 *Hosting Exemption Applies to Search Engine*

Based on the criteria defined by the CJEU,¹⁸³⁴ it seems that the search engine's role in keyword advertising cases should normally be regarded as that of a neutral hosting provider within the meaning of Art 14 ECD. The search engine does not focus its business specifically on trade marks and does certainly not aim at facilitating trade mark infringements. In fact, the vast majority of keyword uses are entirely lawful. The sale of keywords and the display of corresponding ads moreover appears to be a "mere technical, automatic and passive"¹⁸³⁵ activity.

As seen in the previous chapters, the specific content of the ad is decisive for the question of trade mark infringement. In the usual keyword advertising scenario, it is the advertiser who determines the text of the ad.¹⁸³⁶ The search engine hosts this information, hence acting as an "intermediary service provider".¹⁸³⁷

In order to qualify for the hosting exemption in the case of a specific trade mark infringement, it is required that the search engine had "neither knowledge of nor control over"¹⁸³⁸ the content of the advertisement. The condition of knowledge or awareness, which will be analysed below,¹⁸³⁹ reflects the nature of the search engine's liability as being secondary to the infringement by the advertiser.¹⁸⁴⁰ At the same time, Art 14 ECD protects the trade mark owner by stipulating that the intermediary is under

¹⁸³¹ See *Google v. Louis Vuitton*, *id.* at para. 116.

¹⁸³² See *Google v. Louis Vuitton*, *id.* at para. 117.

¹⁸³³ See *Google v. Louis Vuitton*, *id.* at para. 118.

¹⁸³⁴ See *supra*, section 8.3.1.1.

¹⁸³⁵ See *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 113.

¹⁸³⁶ See also *supra*, section 8.2.2.

¹⁸³⁷ See *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 112.

¹⁸³⁸ See *Google v. Louis Vuitton*, *id.* at para. 113.

¹⁸³⁹ See *infra*, section 8.3.2.

¹⁸⁴⁰ See *supra*, section 8.2.2.

a duty of care¹⁸⁴¹ to quickly and effectively take down the infringing information as soon as it becomes aware of an infringement.

In the absence of a special liability exemption for search engines,¹⁸⁴² Art 14 ECD may ensure that the search engine is not liable for infringements by its advertisers of which it should not have been aware. The search engine is not expected to examine each ad before it is displayed for potential trade mark infringement.¹⁸⁴³

In this regard, it is noted that the Directive on Copyright in the Digital Single Market (DSM Directive) recently introduced strict liability¹⁸⁴⁴ and related filtering obligations¹⁸⁴⁵ for online content-sharing service providers with regard to copyrighted material. The applicability of the hosting exemption has expressly been excluded in this regard.¹⁸⁴⁶ However, these rules from the DSM Directive do not apply with regard to trade mark rights.¹⁸⁴⁷

8.3.1.3 Borderline Cases

In exceptional cases, it may not be appropriate to grant the search engine the benefit of Art 14 ECD.¹⁸⁴⁸ Suppose that a search engine would actively encourage advertisers to infringe, this would not constitute neutral hosting of information. In addition, in such a case, the search engine would not be able to assert that it was not aware of the infringement. Hence, this kind of conduct should fall outside the scope of Art 14 ECD, which is in line with the national laws on secondary liability, according to which it constitutes a tortious act to deliberately stimulate law violations by others.¹⁸⁴⁹

¹⁸⁴¹ In an elaborate article, *Leistner* attempted to detect common principles in German law underlying the different forms of secondary liability in the areas of unfair competition and intellectual property. *Leistner* proposed a uniform concept of secondary liability based on the notion of duty of care, which can be found in general civil law. See *Leistner* 2010.

¹⁸⁴² At the time of drafting the ECD, it was decided not yet to include search engine liability. See Art 21(2) ECD; and *Verbiest, Spindler & Riccio* 2007, 17. Some Member States nonetheless decided to provide liability exemptions for search engines. See European Commission 2003, 13, fn. 68-69.

¹⁸⁴³ It was discussed above that such previous screening would not be desirable. See *supra*, section 8.2.4.

¹⁸⁴⁴ See Art 17(1) DSM Directive.

¹⁸⁴⁵ See Art 17(4)(b) DSM Directive.

¹⁸⁴⁶ See Art 17(3) DSM Directive.

¹⁸⁴⁷ See *Senftleben* 2019 (warning against introducing filtering obligations from the DSM Directive into trade mark law).

¹⁸⁴⁸ See also *supra*, section 8.2.6.

¹⁸⁴⁹ See, e.g. § 830(2) BGB (stipulating the liability for damages of, *inter alia*, instigators); and *Wagner* in: *Säcker et al.* 2017, BGB § 830, para. 22. See also, e.g., the Dutch case *Brein v. Mininova*, [2009] ECLI:NL:RBUTR:2009:BJ6008 (Rb. Utrecht Aug 26, 2009) (holding the BitTorrent platform Mininova liable under Art 6:162 BW for the tort of facilitating, encouraging and profiting from copyright and related rights infringements. Para. 4.31-35 deal with encouragement.).

8.3.2 Level of Knowledge

The hosting exemption in Art 14 ECD can only be invoked on the condition that 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. Furthermore, upon obtaining such knowledge or awareness, the provider is required to act expeditiously to remove or to disable access to the information. These conditions were not analysed in *Google v. Louis Vuitton*,¹⁸⁵⁰ but they received attention in the case *L'Oréal v. eBay*.¹⁸⁵¹

In this case, L'Oréal claimed that eBay was jointly liable for infringements on its online market place by unauthorised sellers of products sold under L'Oréal's trade marks. Relevant with respect to the liability of the search engine for keyword advertising is the question how the condition of the absence of actual knowledge or awareness under Art 14 ECD must be interpreted. According to the CJEU in *L'Oréal v. eBay*, Art 14 ECD could not be invoked if the provider had been aware of facts or circumstances on the basis of which "a diligent economic operator should have identified the illegality in question" and should have expeditiously removed or disabled access to the information.¹⁸⁵²

The Court did not find it important in which way the provider had become aware of such facts or circumstances. This could, for instance, happen as the result of its own investigation, or owing to a notification by the right holder. Such notifications had to be taken into account by the national court, although they could sometimes turn out to be insufficiently precise or inadequately substantiated.¹⁸⁵³

Mere general knowledge of the fact that trade mark infringements occur through the use of the search engine's keyword advertising service does not seem to suffice.¹⁸⁵⁴ If such general knowledge were enough, it would effectively make the search engine strictly liable for every infringement by its advertisers.¹⁸⁵⁵

Art 15(1) ECD determines that hosting providers should not be imposed a general obligation to monitor the information they store, nor to actively seek facts or circumstances indicating illegal

¹⁸⁵⁰ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

¹⁸⁵¹ ECLI:EU:C:2011:474 (CJEU case C-324/09 July 12, 2011).

¹⁸⁵² See *L'Oréal v. eBay*, *id.* at para. 120.

¹⁸⁵³ See *L'Oréal v. eBay*, *id.* at para. 121-122. In fact, the Paris Court of Appeal in *Google v. SFL* came to this conclusion with regard to the notice sent by the trade mark owner. See *Google v. SFL*, Case No. RG 08/00620 (CA de Paris Nov 19, 2010). See *infra*, section 8.3.5.3.

¹⁸⁵⁴ According to Advocate General Jääskinen, the service provider needed to have actual knowledge and not a mere suspicion or assumption or construed knowledge of illegal activity. See *L'Oréal v. eBay*, ECLI:EU:C:2010:757 (AG Jääskinen case C-324/09 Dec 9, 2010), para. 162-163.

¹⁸⁵⁵ See also Dogan 2010b, 483. That strict liability should be avoided has been argued above. See *supra*, section 8.2.4.

activity.¹⁸⁵⁶ However, if the trade mark owner sends the search engine a sufficiently specific and well-founded notice of infringement, for example, through a complaint form, the search engine can be expected to examine whether the notice is justified.¹⁸⁵⁷

It must be reiterated, though, that it is not always easy to determine whether the use of a third party trade mark as a keyword is infringing,¹⁸⁵⁸ as the analysis in the previous chapters has demonstrated. In view of important principles and policies, including the fundamental freedom of expression, the free flow of information, and the furtherance of competition, it must be avoided that legitimate keyword uses are banned.¹⁸⁵⁹ This appears to be in line with the CJEU's opinion.¹⁸⁶⁰ Hence, the search engine should only be required to take down ads if it can clearly be established that they are confusing,¹⁸⁶¹ denigrating,¹⁸⁶² or that they offer counterfeit products.¹⁸⁶³ In uncertain cases, the trade mark owner may be expected to sue the advertiser in court rather than demand the search engine to act.¹⁸⁶⁴

¹⁸⁵⁶ This was also acknowledged by the CJEU in *L'Oréal v. eBay*, ECLI:EU:C:2011:474 (CJEU case C-324/09 July 12, 2011), para. 139. A Dutch court of appeal found that Art 14 ECD did not require an online marketplace to examine all relevant ads in order to determine whether they offered infringing products, not even with regard to infringing ads that were reinserted after they had been removed. See *Stokke v. Marktplaats*, [2012] ECLI:NL:GHLEE:2012:BW6296 (Hof Leeuwarden May 22, 2012), para. 5.14-5.15. See with regard to US law, *Dogan* 2010b, 476-482 (reasoning that online intermediaries should not be imposed monitoring obligations with regard to trade mark infringements).

¹⁸⁵⁷ See also *Dogan* 2010b, 483-484.

¹⁸⁵⁸ See also *Dogan* 2010b, 484-485 (observing that trade mark infringement turns on a complex set of factors and that the defences are context-specific. In *Dogan*'s opinion, given the importance of preserving non-infringing uses and given the availability of direct infringement claims against advertisers, courts should only impose liability on the intermediary for failure-to-respond if the claim of infringement is verifiable and clear.).

¹⁸⁵⁹ See *supra*, chapter 2. *Senfleben* argued that a potential notice and takedown system had to reflect both the context-specific scope and the limitations of trade mark rights in order to avoid that trade mark owners obtained overbroad control over online communications, which would have a chilling effect on legitimate uses serving economic, social or cultural needs. See *Senfleben* 2012, 13-20. He noted that "[...] keyword advertising can be a tool for conveying important market-related information that enjoys protection under the fundamental guarantee of freedom of expression and freedom of competition. Advertising by resellers, comparative advertising and advertising putting forward an alternative product or service serve the objective to inform consumers properly about competing offers in the marketplace. Besides the interests of trademark owners, a safe harbour regime for providers of keyword advertising services must necessarily reflect these speech interests of other market participants and the consuming public." See p. 22-23. See with regard to the German "Störerhaftung" (interferer liability), Ahrens 2007, 1289 (thesis 18) (arguing that an organiser of communication processes should not be urged to prohibit potentially legitimate statements or acts by third parties in order to avoid liability).

¹⁸⁶⁰ See *supra*, fn. 1138.

¹⁸⁶¹ See *supra*, chapter 4.

¹⁸⁶² See *supra*, sections 5.4 and 5.9.

¹⁸⁶³ See *supra*, section 5.6.1.

¹⁸⁶⁴ "Secondary" liability might suggest that it only applies where effective protection against the primary infringer is not available. See with regard to the German "Störerhaftung" (interferer liability), Ahrens 2007, 1288-1289 (thesis 14).

The search engine must obey court orders to terminate infringements. See also Art 14(3) ECD. In Finland, national legislation implementing the Enforcement Directive provides that a hosting service provider, in the case of a trade mark infringement, only has to remove the information after having received a court order to that effect. See *L'Oréal v. eBay*, ECLI:EU:C:2010:757 (AG Jääskinen case C-324/09 Dec 9, 2010), para. 159; and Verbiest, Spindler & Riccio 2007, 35.

8.3.3 Injunction

Art 11 of the Enforcement Directive states:

[...] Member States shall also ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right, [...].¹⁸⁶⁵

Arnold J asked the CJEU in the case *L'Oréal v. eBay*¹⁸⁶⁶ whether such an injunction against an intermediary could entail the prevention of further infringements, and if so, what the scope of the injunction was. The CJEU replied that, in view of the Enforcement Directive's objective of ensuring effective intellectual property protection, national courts had to be able to order an online service provider, such as eBay, not only to terminate infringements but also to prevent further infringements.¹⁸⁶⁷ The conditions and procedures for such injunctions were a matter for national law,¹⁸⁶⁸ but the measures had to be effective, dissuasive, fair, proportionate and not excessively costly.¹⁸⁶⁹

According to the Court, certain limitations had to be observed as well.¹⁸⁷⁰ For instance, an online service provider could not be required to actively monitor all the data of each of its customers.¹⁸⁷¹ Furthermore, in order to avoid barriers to legitimate trade, the injunction was not supposed to give rise to a general and permanent prohibition to sell goods under the disputed trade mark on eBay.¹⁸⁷² On the other hand, an online market place could be ordered to suspend the infringing seller with the aim of preventing further infringements by the same seller in respect of the same trade mark.¹⁸⁷³ In addition,

¹⁸⁶⁵ Similarly, Art 9(1)(a) Enforcement Directive, which deals with preliminary injunctions, reads: “[...] an interlocutory injunction may also be issued, under the same conditions, against an intermediary whose services are being used by a third party to infringe an intellectual property right; [...]”. The Dutch implementation of these provisions can be found in Art 2.22(3) and (6) BVIE. The German legislator did not find it necessary to implement these provisions since the (preliminary) injunction against intermediaries already existed under the German tort law theory of “Störerhaftung” (interferer liability). See Deutscher Bundestag, 16. Wahlperiode, Drucksache 16/5048, 20.04.2007, Gesetzesentwurf der Bundesregierung, *Entwurf eines Gesetzes zur Verbesserung der Durchsetzung von Rechten des geistigen Eigentums*, 30-32.

¹⁸⁶⁶ ECLI:EU:C:2011:474 (CJEU case C-324/09 July 12, 2011).

¹⁸⁶⁷ See *L'Oréal v. eBay*, *id.* at para. 131.

¹⁸⁶⁸ See *L'Oréal v. eBay*, *id.* at para. 135 (referring to Recital 23 Enforcement Directive).

¹⁸⁶⁹ See *L'Oréal v. eBay*, *id.* at para. 136 (referring to Art 3 Enforcement Directive and to the principle of effectiveness), 139 (referring to Art 3 Enforcement Directive).

¹⁸⁷⁰ See *L'Oréal v. eBay*, *id.* at para. 138.

¹⁸⁷¹ See *L'Oréal v. eBay*, *id.* at para. 139 (referring to Art 15 ECD in conjunction with Art 2(3) Enforcement Directive and to Art 3 Enforcement Directive). See also *Internetversteigerung - ROLEX*, [2004] MMR 668 (CC Hoeren) (BGH Mar 11, 2004), 671 (considering that an auction website cannot be required to check each offer before publication for potential infringement since that would put the entire business model into question).

¹⁸⁷² See *L'Oréal v. eBay*, *id.* at para. 140 (referring to Art 3 Enforcement Directive).

¹⁸⁷³ See *L'Oréal v. eBay*, *id.* at para. 141. See also *Internetversteigerung - ROLEX*, [2004] MMR 668 (CC Hoeren) (BGH Mar 11, 2004), 671-672 (requiring an auction website to prevent further similar trade mark infringements by applying filter software). In *Internetversteigerung II*, [2007] MMR 507 (CC Spindler) (BGH Apr 19, 2007), 510-511, the BGH went further

the market place could be required to facilitate the identification of its customer-sellers.¹⁸⁷⁴ In any case, the measures imposed on the provider had to strike a fair balance between the rights and interests involved.¹⁸⁷⁵

When trying to apply these principles to a search engine providing keyword advertising services, the following could be concluded. Injunctions should, in principle, be available. The search engine may be ordered to take down infringing ads and also to prevent the display of particular ads in the future. However, it would be disproportionate to require the search engine to preventively screen all the ads. Moreover, an injunction should not entail the systematic blocking of ads which mention, or are triggered by, a particular trade mark. But when there are concrete indications that an advertiser, who has infringed before, will again infringe the same trade mark, the search engine may be ordered to bar that advertiser from using the trade mark as a keyword or in ad text.¹⁸⁷⁶

The relatively narrow scope of such injunctions is justified by the concern that legitimate trade mark uses should not be discouraged.¹⁸⁷⁷ Ordering the search engine to take down lawful ads would contravene the freedoms of expression and information,¹⁸⁷⁸ as well as the European Union's policy goals of protecting competition and stimulating e-commerce.¹⁸⁷⁹

The scope of injunctions against Internet intermediaries is also confined by the fundamental freedom to conduct a business. The CJEU ruled on this in respect of copyright and related rights in the cases *UPC Telekabel v. Constantin Film and Wega*,¹⁸⁸⁰ *SABAM v. Netlog*,¹⁸⁸¹ and *Scarlet v. Sabam*.¹⁸⁸² The

by demanding preventive measures even if an infringement had not yet taken place but was merely feared to occur in the future. *Spindler* criticised this judgment in his case comment for interfering with Art 15 ECD. See p. 511-514. In a Dutch judgment, it was reasoned that suspension on the own initiative of the website owner after the first infringement did not in all circumstances constitute an appropriate measure. In this case, the claimed injunction against an online marketplace to prevent the reinsertion of the same infringing ads after they had been removed was found to contravene the principle of proportionality. See *Stokke v. Marktplaats*, [2012] ECLI:NL:GHLEE:2012:BW6296 (Hof Leeuwarden May 22, 2012), para. 10.1-10.5.

¹⁸⁷⁴ See *L'Oréal v. eBay*, *id.* at para. 142.

¹⁸⁷⁵ See *L'Oréal v. eBay*, *id.* at para. 143.

¹⁸⁷⁶ See also *L'Oréal v. eBay*, ECLI:EU:C:2010:757 (AG Jääskinen case C-324/09 Dec 9, 2010), para. 182.

¹⁸⁷⁷ See *supra*, fn. 1859. See also Dogan 2010b, 488-489 (suggesting that courts should ensure that injunctions neither proscribe nor chill legitimate uses of marks).

¹⁸⁷⁸ See *SABAM v. Netlog*, ECLI:EU:C:2012:85 (CJEU case C-360/10 Feb 16, 2012), para. 50; and *Scarlet v. Sabam*, ECLI:EU:C:2011:771 (CJEU case C-70/10 Nov 24, 2011), para. 52 (concerned that the disputed filtering system might not distinguish adequately between unlawful content and lawful content with the result that its introduction could lead to the blocking of lawful communications, thereby undermining the freedom of information). Recital 46 ECD states that the removal or disabling of access has to be undertaken in the observance of the principle of freedom of expression.

¹⁸⁷⁹ See *supra*, chapter 2.

¹⁸⁸⁰ ECLI:EU:C:2014:192 (CJEU case C-314/12 Mar 27, 2014).

¹⁸⁸¹ ECLI:EU:C:2012:85 (CJEU case C-360/10 Feb 16, 2012).

¹⁸⁸² ECLI:EU:C:2011:771 (CJEU case C-70/10 Nov 24, 2011).

CJEU determined that a fair balance had to be struck between the protection of the intellectual property right and the freedom to conduct a business.¹⁸⁸³

8.3.4 *Keyword Matching, Suggestion and Insertion*

Search engines provide advertisers with several keyword matching options to choose from. These options determine to what extent the keyword and the search term need to correspond in order to trigger the ad. Furthermore, search advertising programmes offer tools to advertisers which suggest relevant keywords in relation to the product they offer. In addition, advertisers can have search terms included into the text of their ads by the search engine. This section will examine whether these instruments have a bearing on the applicability of the hosting exemption in Art 14 ECD. According to the CJEU in *Google v. Louis Vuitton*,¹⁸⁸⁴ the search engine's role in drafting the ad and selecting the keywords is relevant with regard to the question whether its conduct is sufficiently neutral.¹⁸⁸⁵

8.3.4.1 *Keyword Matching*

The keyword matching options offered by Google are called “broad match”, “broad match modifier”, “phrase match”, “exact match” and “negative keywords”.¹⁸⁸⁶ Broad match is the default option. It makes sure that the ad is not only shown on a complete correspondence of the search term with the selected keyword but also if the search term is a variation of the keyword, such as a misspelling or synonym.¹⁸⁸⁷

¹⁸⁸³ See *UPC Telekabel v. Constantin Film and Wega*, ECLI:EU:C:2014:192 (CJEU case C-314/12 Mar 27, 2014), para. 46-47; *SABAM v. Netlog*, ECLI:EU:C:2012:85 (CJEU case C-360/10 Feb 16, 2012), para. 47; and *Scarlet v. Sabam*, ECLI:EU:C:2011:771 (CJEU case C-70/10 Nov 24, 2011), para. 49.

In *SABAM v. Netlog* and *Scarlet v. Sabam*, the Court found the installation of the contested filtering systems to result in serious infringements of the freedom of the service providers to conduct their business since it would require them to install complicated, costly, permanent computer systems at their own expense. See *SABAM v. Netlog*, *id.* at para. 46; and *Scarlet v. Sabam*, *id.* at para. 48.

In *UPC Telekabel v. Constantin Film and Wega*, the injunction left its addressee to determine the specific measures to be taken. In addition, the ISP could avoid liability by proving that he had taken all reasonable measures. Hence, the injunction did not infringe the very substance of the ISP's freedom to conduct a business. See *UPC Telekabel v. Constantin Film and Wega*, *id.* at para. 51-53.

¹⁸⁸⁴ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

¹⁸⁸⁵ See *Google v. Louis Vuitton*, *id.* at para. 118. See also *supra*, section 8.3.1.1.

¹⁸⁸⁶ See Keyword Matching Options 2019.

¹⁸⁸⁷ This could trigger the question of active involvement.

The broad match modifier and the phrase match option function in a similar way.¹⁸⁸⁸ The exact match option ensures that the ad only appears on exact correspondence of the search query with the selected keyword, or if the search query is a close variant of that keyword. Under the negative keywords option, the advertiser can select terms which it wants to exclude from triggering its ad.

8.3.4.2 *Keyword Suggestion*

By entering a word or website related to the advertised product in Google's "Keyword Planner",¹⁸⁸⁹ the advertiser will be shown a list of keyword ideas, historical data and forecasts. With regard to already active ads, a search terms report shows advertisers which keyword variations triggered their ads in the past.¹⁸⁹⁰

8.3.4.3 *Keyword Insertion*

"Keyword Insertion" is a feature that can be chosen by the advertiser to automatically insert into the advertisement the keyword that caused the ad to show.¹⁸⁹¹

8.3.4.4 *Consequences for Hosting Exemption*

By offering the above mentioned instruments the search engine plays a certain role in drafting the ad text and choosing the keywords.¹⁸⁹² The question is whether this role may still be qualified as neutral, that is, merely technical, automatic and passive, pointing to a lack of knowledge or control of the stored data.¹⁸⁹³ It is the national court in a given dispute which will need to decide on this.¹⁸⁹⁴ Some arguments may be advanced against holding the search engine liable for broad matching, suggesting or inserting trade mark keywords.

¹⁸⁸⁸ Broad match modifier only shows the ad if the search includes the keywords marked with a plus sign. Phrase match considers the order of the words. Thus, the ad will not appear if the search includes an additional word in the middle of the keyword phrase.

¹⁸⁸⁹ See Keyword Planner 2019.

¹⁸⁹⁰ See Search Terms Report 2019.

¹⁸⁹¹ See Keyword Insertion 2019.

¹⁸⁹² See *Google v. Louis Vuitton*, ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010), para. 118.

¹⁸⁹³ See *Google v. Louis Vuitton*, id. at para. 114.

¹⁸⁹⁴ See *Google v. Louis Vuitton*, id. at para. 119.

The broad match variations and keyword suggestions and insertions are generated based on the search engine's observation of Internet users' searching and clicking behaviour. Neither of these instruments specifically aims at including third party trade marks. It is even nearly impossible for the search engine to prevent the inclusion of third party trade marks in broad matches or keyword lists. Many common words in our language constitute a trade mark for a certain product in a certain geographical area. It can hardly be expected that the search engine excludes all these trade marked terms from its broad match and keyword suggestion or insertion technology.¹⁸⁹⁵

Moreover, these instruments contribute to the efficient functioning of targeted advertising and thereby to an increase in competition and product choice on the online market place. The lawful use of trade marks as keywords should not be discouraged.¹⁸⁹⁶

As demonstrated in this book, the selection of a trade mark keyword for a third party ad does not necessarily give rise to an infringement. Rather than the choice of the keywords, it is the specific text of the ad that is decisive for the infringement question. Hence, while keyword matching and suggestion might be harmless, a more critical approach might be appropriate with regard to the insertion of a third party trade mark into the text of the advertisement. In this regard, confusion among Internet users, resulting in a trade mark infringement, could possibly arise. However, even in such a case, the infringement is not consciously caused by the search engine. Instead, a keyword taken from the advertiser's keyword list is automatically inserted without actual knowledge of the potential for confusion.

8.3.5 National Jurisprudence

Search engines were sued in keyword advertising cases in several European countries pre-*Google v. Louis Vuitton*.¹⁸⁹⁷ National jurisprudence post-*Google v. Louis Vuitton* regarding the search engine's

¹⁸⁹⁵ See also Dogan & Lemley 2004, 835-836 (noting that there is no global list of trade marks, that many trade marks include descriptive or generic terms, and that search queries may mix trade marks and generic terms); and Hüsch 2006d, VI (with regard to the advertiser, observing that due to the abundance of nationally and internationally protected marks, it is nearly impossible to filter out all relevant marks through the negative match option).

¹⁸⁹⁶ See *supra*, section 8.3.2.

¹⁸⁹⁷ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010). See *Farmdate v. Google Netherlands*, [2006] ECLI:NL:RBAMS:2006:AZ4735 (Vzr. Rb. Amsterdam Aug 24, 2006) (preliminary injunction against Google refused); *Preispiraten v. Google Deutschland*, [2007] GRUR 241 (OLG Hamburg May 4, 2006) (preliminary injunction against Google refused); *Nemetschek v. Google*, [2004] MMR 261 (CC Bahr) (LG München Dec 2, 2003) (preliminary injunction against Google refused); *Wilson (Mr. Spicy) v. Yahoo!*, [2008] EWHC 361 (Ch) (Feb 20, 2008) (claims against Yahoo! struck out); and *Glucocochondrin*, [2006] GRUR Int 955 (OGH Dec 19, 2005) (injunction against Google refused). See also *supra*, section 3.7.

liability can only be found in France. This jurisprudence reveals a significant change in attitude of the French courts. Pre-*Google v. Louis Vuitton*, the search engine was typically found liable in keyword cases, not only as an intermediary but even as a primary infringer. Besides trade mark law, the courts relied on unfair competition law, the law on misleading advertising, as well as on general tort law.¹⁸⁹⁸

French courts post-*Google v. Louis Vuitton* closely followed the CJEU's considerations. They acknowledged that the search engine cannot be regarded as a primary trade mark infringer and they examined the question whether the role of the search engine is sufficiently neutral to benefit from the hosting exemption in Art 14 ECD. In some cases, Google's liability for enabling a trade mark infringement by the advertisers was simply denied because no such infringement was found.¹⁸⁹⁹ In other cases, the hosting exemption was found applicable.¹⁹⁰⁰

8.3.5.1 *Google v. Louis Vuitton* (Cass. 2010)

On July 13, 2010, the Cour de cassation decided the three cases it had referred to the CJEU.¹⁹⁰¹ In all these cases, the Courts of Appeal had wrongly determined Google to be a primary trade mark infringer. In addition, they had rejected the hosting exemption without examining whether Google's role could be regarded as active, according to the criteria provided by the CJEU. For this reason, the Cour de cassation remanded the cases.

¹⁸⁹⁸ See *supra*, section 3.7.4.

¹⁸⁹⁹ See, e.g., *Google v. Auto IES*, Case No. 11-18110 (Cass. Comm. Sep 25, 2012); and *Google v. Promovacances*, Case No. RG 10/24234 (CA de Paris Nov 30, 2011).

¹⁹⁰⁰ However, in *Olivier Martinez v. Google*, <http://www.legalis.net/spip.php?article3267> (TGI de Paris Nov 14, 2011), the applicability of the hosting exemption was rejected. The disputed keyword did not concern a trade mark but the name of a famous actor. The ad in question linked to a website with an article about the actor's love life and pictures of him, which he considered to violate his right of privacy and the right to his own image. The court, based on *Google v. Louis Vuitton*, reasoned that Google had knowledge of the information provided by the advertisers, and that it played an active role.

¹⁹⁰¹ See *Google v. Louis Vuitton*, Case No. 06-20.230 (Cass. Comm. July 13, 2010); *Google v. Viaticum and Luteciel*, Case No. 05-14.331 (Cass. Comm. July 13, 2010); and *Google v. CNRRH*, Case No. 06-15.136 (Cass. Comm. July 13, 2010).

8.3.5.2 *Google v. GIFAM (Cass. 2010)*

On the same day, the Cour de cassation decided the keyword advertising case *Google v. GIFAM*,¹⁹⁰² in which it rejected GIFAM's claims of primary trade mark infringement.¹⁹⁰³

8.3.5.3 *Google v. SFL (CA Paris 2010)*

On November 19, 2010, the Paris Court of Appeal denied both Google's primary liability for trade mark infringement and its liability under tort law in the case *Google v. SFL*.¹⁹⁰⁴ The hosting exemption was found to be applicable to Google's AdWords service. Syndicat Français de la Literie (SFL), the owner of the well known trade mark "Belle Literie" (beautiful bed linen), had sued Google for trade mark infringement, unfair competition by reason of the parasitic usurpation of its domain names, and misleading advertising. A search for the mark "Belle Literie" on Google had triggered ads of SFL's competitors. The court first clarified that, according to the CJEU in *Google v. Louis Vuitton*,¹⁹⁰⁵ the sale of trade mark keywords by the search engine did not qualify as a "use in the course of trade" within the terms of Art 10(2) TMD. This also held true if Google broad matched the keyword.

With regard to the applicability of Art 14 ECD, the court examined whether Google acted in an active manner which went beyond the provision of services by a neutral technical intermediary. The court thereby applied the CJEU's guidelines to the facts of the case. SFL had not demonstrated which role Google played in drafting the disputed ad, and whether the keywords in question were suggested by Google's keyword suggestion tool. SFL had not proven that Google took part in drafting the content of the ads, apart from the general advice it provided to advertisers about how to write and target ads. Nor had it been established that Google exercised control over the choice of keywords. Google warned its advertisers that the keyword selection was their own responsibility, and that some signs suggested by the keyword suggestion tool could be covered by an exclusive right. In conformance with the guidelines provided by the CJEU, the Paris court did not find it sufficient for depriving Google of the hosting exemption that it ranked the ads according to the remuneration the advertiser was willing to pay. In

¹⁹⁰² Case No. 08-13.944 (Cass. Comm. July 13, 2010).

¹⁹⁰³ Google had counterclaimed that the complete blockage of competing ads hindered competition on the market for the products in question by depriving online retailers of a way of promoting their products to Internet users. This claim was remanded by the Cour de cassation.

¹⁹⁰⁴ Case No. RG 08/00620 (CA de Paris Nov 19, 2010).

¹⁹⁰⁵ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

conclusion, Google could benefit from Art 14 ECD, provided that the remaining conditions of that provision were fulfilled.

The court went on to examine whether Google continued to allow competitors to bid on the disputed keywords even after it had obtained a notice of infringement. Google could not be blamed for not having implemented a general preventive measure which would block all the ads for a certain trade mark, and which would also include ads for products lawfully bearing that mark. It had not been demonstrated either why such a measure was appropriate with regard to the ads triggered by the broad match option. The notice sent to Google by SFL was not considered sufficient by the court because it failed to show why the disputed ads were unlawful. The notice merely contained the following general language: “A brief investigation has allowed me to ascertain that your company uses this mark as a “keyword”.”. For the above reasons, the court rejected SFL’s claims against Google.

8.3.5.4 *Google v. Cobrason (Cass. 2013)*

On January 29, 2013, the Cour de cassation sustained Google’s appeal against the decision of the Paris Court of Appeal in *Google v. Cobrason*,¹⁹⁰⁶ which had found Google Inc. and the advertiser in dispute jointly liable for unfair competition and misleading advertising. First, it stated that the court should have considered the question whether Google could benefit from the hosting exemption in Art 14 ECD. Second, the decision lacked a legal basis since it did not establish the circumstances causing the purported likelihood of confusion. Third, it questioned the legal basis for characterising the display of the ad in dispute as false and misleading advertising. Therefore, the case was remanded to the Paris Court of Appeal sitting in another composition.

8.3.5.5 *Google v. Voyageurs Du Monde (CA Paris 2014)*

On April 9, 2014, the Paris Court of Appeal decided the case *Google v. Voyageurs Du Monde*.¹⁹⁰⁷ Two travel agents complained that competing advertisements had appeared upon searches regarding their trade marks. The District Court in Paris had dismissed the trade mark claims but found Google liable

¹⁹⁰⁶ Case No. 11-21011, 11-24713 (Cass. Comm. Jan 29, 2013).

¹⁹⁰⁷ Case No. RG 13/050225 (CA de Paris Apr 9, 2014).

under general tort law and unfair competition law. The judgment on appeal dealt, *inter alia*, with the hosting exemption and the broad match and keyword suggestion instruments.

In the view of the court, the keyword suggestion tool was not sufficient to characterise Google's role as active because it operated automatically and did not intervene in the advertisers' choice of keywords. Neither had it been demonstrated that through the broad match option Google played an active role giving it knowledge or control over the choice of the keywords. The court qualified Google as an intermediary service provider which activity was entirely technical, automatic and passive, implying the absence of knowledge or control over the stored data. As a consequence, Google had the status of a hosting provider under the limited liability regime of Art 14 ECD.

The court made clear that Google was not under any particular obligation of vigilance or filtering. Google had acted promptly upon the right holders' notices of infringement by removing the ads and by adding the disputed trade marks to its filtering list, which prevented the display of ads upon searches for these trade marks. With regard to some of the notifications, the right holders had not sufficiently demonstrated that the ads were clearly unlawful. Hence, Google's liability was denied.

8.4 *Separation of Ads*

Beyond the potential liability for trade mark infringements, the search engine is bound by special rules on the separation of advertisements from other content. In Germany, these rules are collectively referred to as the "Trennungsgebot" ("separation order").¹⁹⁰⁸

Art 6(a) of the E-Commerce Directive requires that commercial communications which are part of, or constitute, an information society service shall be clearly identifiable as such. This provision has been implemented in Art 3:15e(1)(a) of the Dutch Civil Code (Burgerlijk Wetboek: BW) and in § 6(1)(1) of the German Telecommunication Media Act (Telemediengesetz: TMG).

In addition, Art 7(2) Unfair Commercial Practices Directive (UCPD) regards the failure to identify the commercial intent of the commercial practice if not already apparent from the context as a misleading omission where this causes or is likely to cause the average consumer to take a transactional decision that he would not have taken otherwise. This has been implemented in Art 6:193d(3) BW and in § 5a(6) of the German Act against Unfair Competition (Gesetz gegen den unlauteren Wettbewerb: UWG).¹⁹⁰⁹

¹⁹⁰⁸ See e.g. Micklitz & Schirnbacher in: Spindler & Schuster 2015, TMG § 6, para. 19-26.

¹⁹⁰⁹ Furthermore, para. 11 of the "black list" of unfair commercial practices in Annex I to the UCPD considers it misleading to use editorial content in the media to promote a product where a trader has paid for the promotion without making that clear in

The Dutch Advertising Code (Nederlandse Reclame Code: NRC)¹⁹¹⁰ stipulates in Art 11(1) that advertising shall be clearly identifiable as such by way of its design, presentation, content or otherwise, also taking into account the public for which it is intended. In 2012, the Dutch Trade and Industry Appeals Tribunal (College van Beroep voor het bedrijfsleven) rejected a complaint against Google concerning the separation of the top ads, that is, the ads above the algorithmic results. The tribunal determined that the top ads were clearly identifiable as such for the average user, and it therefore denied a violation of Art 11(1) NRC. The tribunal reasoned that the top ads had a different background colour than the search results. In addition, above the coloured section the phrases “Ads related to [search term]” (“Advertenties met betrekking tot [zoekterm]”) and “Why these ads” (“Waarom deze advertenties”) were shown.¹⁹¹¹

The opinion that the ads on Google were sufficiently identifiable as such at that time was shared by several courts and commentators.¹⁹¹² In contrast, the empirical research regarding the former design of the Google search page has shown that consumers were not very familiar with the distinction between

the content or by images or sounds clearly identifiable by the consumer. The BGH referred the question to the CJEU whether a national media law provision regulating press activities with stricter requirements was in accordance with the UCPD in view of the fact that this Directive was meant to achieve full harmonisation. The CJEU replied that a national provision obliging news publishers to indicate sponsored publications as “Anzeige” (advertisement) could not be precluded since it fell outside of the scope of the UCPD. See *RLvS (Good News) v. Stuttgarter Wochenblatt*, ECLI:EU:C:2013:669 (CJEU case C-391/12 Oct 17, 2013), para. 50. According to the CJEU, the scope of the UCPD was limited to commercial practices which originated from traders and were directly connected with the promotion, sale or supply of their products to consumers. The publication by the news publisher was not liable to alter significantly the economic behaviour of the consumer in his decision to purchase or take possession of the newspaper. The UCPD was not intended to protect a competitor of the newspaper publisher. See *id.* at para. 37, 41-42. In view of this judgment, it is questionable whether Art 7(2) UCPD could apply to a search engine’s failure to clearly identify the advertisements. It rather appears to be limited to the behaviour of the traders who promote their products through those advertisements.

¹⁹¹⁰ The NRC is based on self-regulation.

¹⁹¹¹ See *Google top ads*, Case No. 2012/00085; <https://www.reclamecode.nl/webuitspraak.asp?ID=70848&acCode> (CBB Sep 12, 2012).

¹⁹¹² See *Berliner Seilfabrik*, [2005] MMR 629 (LG Hamburg Dec 21, 2004) (finding Google’s separation of the top position ad through another background colour and the designation as “Ad” (“Anzeige”) sufficiently clear); Hüsich 2006a, 103-115; and Hüsich 2006c, 360 (describing the relatively lenient requirements for the separation of search engine ads, particularly in comparison with the requirements for the separation of advertising from opinion-forming editorial content in the press); and Ott in case comment on *Bananabay*, [2007] MMR 121 (LG Braunschweig Nov 15, 2006) (explaining that stricter requirements would hardly be reconcilable with the consumer yardstick). See also Henning-Bodewig 2011, 597 (with regard to the issue of consumer confusion, explaining that under unfair competition law, the average consumer is supposed to understand the indication “Ad” (“Anzeige”), at least for the press and television media, and that it is not comprehensible why this should be different in the Internet context or under trade mark law). In the case *Google v. Auto IES*, Case No. RG 08/02354 (CA de Paris Feb 2, 2011), the Paris Court of Appeal dismissed the claim that Google’s way of presenting the ads constituted a misleading commercial practice. The commercial character of the ads was clear. The court did not find the heading “Liens commerciaux” (commercial links) by itself to be false and misleading, as this heading appeared to be commonly applied by search sites, and it was understood by the average Internet user. This decision has been confirmed by the Cour de cassation. See *Google v. Auto IES*, Case No. 11-18110 (Cass. Comm. Sep 25, 2012). Also in 2014, the Paris Court of Appeal found the ads to be sufficiently distinguished from the natural search results by way of their placement and heading. The URL furthermore identified the advertisers as third parties. See *Google v. Voyageurs Du Monde*, Case No. RG 13/050225 (CA de Paris Apr 9, 2014).

the algorithmic results and the ads or paid little attention to it.¹⁹¹³ It could be argued that this research is meanwhile outdated since Internet users have become accustomed to the design of search engine websites.

On the other hand, the separation of ads from algorithmic search results has faded in recent years.¹⁹¹⁴ The distinct background colour of the top ads has disappeared. The graphically separated ad section on the right side of the search page has also been removed.¹⁹¹⁵ The heading “Ads” above the ad sections as well as the sentence “Why these ads?”¹⁹¹⁶ have been abolished as well. Merely a tiny symbol with the word “ad” before the URL currently indicates that it concerns an advertisement. The background colour, headings and graphical separation were the means to enable consumers to distinguish between the algorithmic search results and the advertisements.¹⁹¹⁷ Without these, it must seriously be questioned whether the labeling of the ads is sufficiently clear from the perspective of the above-mentioned rules.

8.5 Search Engine Liability in the US

8.5.1 Primary Liability

In the US, search engines are not generally exempted from primary liability under trade mark law when they sell third party trade marks as keywords to advertisers. Whereas the CJEU in *Google v. Louis Vuitton*¹⁹¹⁸ denied a “use” by the search engine within the meaning of Art 10 TMD,¹⁹¹⁹ the US Supreme Court has not ruled on this issue. Several courts have assumed or determined that the sale of trade mark keywords by the search engine constitutes an actionable use under the Lanham Act.¹⁹²⁰ However, the

¹⁹¹³ See *supra*, section 4.3.1.4.

¹⁹¹⁴ As an example, compare figure 2 (see annex) showing a Google page of a search for “Versicherung” (insurance) from 2012 with the same search in 2019 in figure 3 (see annex). See Search Engine Land 2017 for a history of the different designs of the ad sections on Google’s search page.

¹⁹¹⁵ See Search Engine Land 2016.

¹⁹¹⁶ See Google Inside AdWords 2011.

¹⁹¹⁷ Approximately one third of the survey respondents who found the distinction between paid and unpaid links clear and conspicuous indicated as the most important reason that the paid links were contained in a shaded box. Similar percentages referred to the fact that the paid links were placed in a section with the label “Ads” or in a specific section of the search page. See Franklyn & Hyman 2013, 36, table 5.

¹⁹¹⁸ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

¹⁹¹⁹ See *Google v. Louis Vuitton*, *id.* at para. 55-58.

¹⁹²⁰ The most influential decision in this regard is *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. Apr 3, 2009), in which the Second Circuit found a “use in commerce” by Google. However, before the issue of likelihood of confusion could be resolved, Rescuecom withdrew the law suit. See IP Kat 2010; and *supra*, section 3.7.6.1.2. In the case *Rosetta Stone Ltd. v. Google Inc.*, 676 F.3d 144 (4th Cir. Apr 9, 2012), the Fourth Circuit did not express an opinion on whether Google “used” the marks as contemplated by the Lanham Act since it was not an issue on appeal. Questions of fact precluded the issue of likelihood

question whether, and under what circumstances, the search engine is liable as a primary trade mark infringer has still not been resolved. This is because the law suits were either settled or dropped before the final decisions could be rendered, or because the search engines won on different grounds than the legality of selling competitive keyword advertising, such as invalidity of the asserted trade mark rights.¹⁹²¹

8.5.2 Secondary Liability

Uncertainty also remains with regard to the question whether the search engine can be held secondarily liable.

8.5.2.1 *Inwood Laboratories Inc. v. Ives Laboratories Inc. (Supreme Court 1982)*

The doctrine of “contributory” trade mark infringement has been judicially developed.¹⁹²² It was confirmed by the US Supreme Court in 1982 in *Inwood Laboratories Inc. v. Ives Laboratories Inc.*¹⁹²³ This case concerned the mislabelling of a generic version of a drug by pharmacists after the patent had expired. Inwood and other generic drug manufacturers were sued by Ives for inducing pharmacists to mislabel the drugs. Relevant with regard to the search engine’s liability is the test for contributory infringement, which the Supreme Court developed in this case:

[...] if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit. [...]¹⁹²⁴

The Court of Appeals for the Seventh Circuit in 1992 in *Hard Rock Café Licensing Corp. v. Concession Services Inc.*¹⁹²⁵ and the Court of Appeals for the Ninth Circuit in 1996 in *Fonovisa Inc. v. Cherry*

of confusion to be resolved on summary judgment. The case was therefore remanded after which a settlement was reached. See Reuters 2012; and *supra*, sections 3.6.6.1.4 and 4.7.4.

¹⁹²¹ See Goldman Blog 2015b.

¹⁹²² See Calboli 2012, 122, 141-142 (stressing the need for a clearer standard of contributory trade mark liability).

¹⁹²³ 456 U.S. 844 (U.S. June 1, 1982).

¹⁹²⁴ See *Inwood Laboratories Inc. v. Ives Laboratories Inc.*, *id.* at 854.

¹⁹²⁵ 955 F.2d 1143 (7th Cir. Feb 4, 1992).

*Auction Inc.*¹⁹²⁶ extended the application of the *Inwood* test to service providers. These cases both concerned flea markets which rented booth space to sellers of counterfeit items.

8.5.2.2 *Lockheed Martin Corp. v. Network Solutions Inc. (Ninth Circuit 1999)*

In the Internet context, the *Inwood*¹⁹²⁷ test was, for instance, applied by the Ninth Circuit in 1999 in the case *Lockheed Martin Corp. v. Network Solutions Inc.*¹⁹²⁸ Network Solutions Inc. (“NSI”), a registrar for domain names, was sued for allowing third parties to register domain names similar to Lockheed’s service mark. The Ninth Circuit reasoned as follows:

“[...] Hard Rock and Fonovisa teach us that when measuring and weighing a fact pattern in the contributory infringement context without the convenient “product” mold dealt with in *Inwood Lab.*, we consider the extent of control exercised by the defendant over the third party’s means of infringement. [...] Direct control and monitoring of the instrumentality used by a third party to infringe the plaintiff’s mark permits the expansion of *Inwood Lab.*’s “supplies a product” requirement for contributory infringement. [...]”¹⁹²⁹

On the basis of this “direct control and monitoring” rule, the court found NSI, which merely registered domain names, not to be liable for contributory infringement.¹⁹³⁰

8.5.2.3 *Tiffany (NJ) Inc. v. eBay Inc. (Second Circuit 2010)*

Another widely discussed case concerning online intermediaries, *Tiffany (NJ) Inc. v. eBay Inc.*,¹⁹³¹ was decided by the Court of Appeals for the Second Circuit in 2010. Tiffany asserted, among other things, that eBay was liable for contributory infringement under the second part of the *Inwood*¹⁹³² test, by continuing to supply its service to sellers of counterfeit Tiffany goods, while knowing or having reason to know that such sellers were infringing Tiffany’s mark. The court first determined that eBay was not liable with regard to the challenged listings which it had removed from its website.¹⁹³³ The court then

¹⁹²⁶ 76 F.3d 259 (9th Cir. Jan 25, 1996).

¹⁹²⁷ *Inwood Laboratories Inc. v. Ives Laboratories Inc.*, 456 U.S. 844 (U.S. June 1, 1982).

¹⁹²⁸ 194 F.3d 980 (9th Cir. Oct 25, 1999).

¹⁹²⁹ See *Lockheed Martin Corp. v. Network Solutions Inc.*, *id.* at 984.

¹⁹³⁰ See *Lockheed Martin Corp. v. Network Solutions Inc.*, *id.* at 984-985, 987.

¹⁹³¹ 600 F.3d 93 (2d Cir. Apr 1, 2010).

¹⁹³² *Inwood Laboratories Inc. v. Ives Laboratories Inc.*, 456 U.S. 844 (U.S. June 1, 1982).

¹⁹³³ See *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. Apr 1, 2010), 106.

discussed the kind of knowledge required for contributory infringement concerning the non-removed items:

[...] For contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary. [...]¹⁹³⁴

In its discussion, the court referred to the copyright case *Sony Corp. of America v. Universal City Studios Inc.*,¹⁹³⁵ in which the Supreme Court had clarified that the standard for contributory liability under copyright law differed from that under trade mark law.¹⁹³⁶

[...] If *Inwood's* narrow standard for contributory trademark infringement governed here, respondents' claim of contributory infringement would merit little discussion. Sony certainly does not "intentionally induce[]" its customers to make infringing uses of respondents' copyrights, nor does it supply its products to identified individuals known by it to be engaging in continuing infringement of respondents' copyrights, [...]¹⁹³⁷

Even though these considerations were *obiter dicta*, the Second Circuit in *Tiffany* regarded them as persuasive authority.¹⁹³⁸ Thus, the court found eBay's general knowledge of the sale of counterfeit Tiffany goods on its website not sufficient for finding contributory liability. The district court's finding that eBay was not willfully blind to the counterfeit sales was not clearly erroneous.¹⁹³⁹ Because Tiffany had not proven that eBay continued to supply its service to specific individuals who it knew or had reason to know were selling counterfeits items, the contributory liability claim was rejected.¹⁹⁴⁰ According to the facts of this case, eBay had taken various measures to prevent the sale of counterfeit items on its website, including an effective notice-and-takedown system.

¹⁹³⁴ See *Tiffany (NJ) Inc. v. eBay Inc.*, *id.* at 107.

¹⁹³⁵ 464 U.S. 417 (U.S. Jan 17, 1984).

¹⁹³⁶ See *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. Apr 1, 2010), 108.

¹⁹³⁷ See *Sony Corp. of America v. Universal City Studios Inc.*, 464 U.S. 417 (U.S. Jan 17, 1984), 439, fn. 19.

¹⁹³⁸ See *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. Apr 1, 2010), 108.

¹⁹³⁹ See *Tiffany (NJ) Inc. v. eBay Inc.*, *id.* at 110.

¹⁹⁴⁰ See *Tiffany (NJ) Inc. v. eBay Inc.*, *id.* at 109.

8.5.2.4 *Rosetta Stone Ltd. v. Google Inc. (Fourth Circuit 2012)*

The issue of secondary liability of the search engine was also addressed in *Rosetta Stone Ltd. v. Google Inc.*¹⁹⁴¹ The Fourth Circuit, after discussing *Inwood*¹⁹⁴² and *Sony*,¹⁹⁴³ dealt with Rosetta Stone's evidence. Rosetta Stone contended that Google continued to allow advertisers to use Rosetta Stone's trade marks as keywords and in ad text even after Rosetta Stone had notified Google that these advertisers sold counterfeit products. The district court had compared Rosetta Stone's evidence with the evidence put forward in *Tiffany*,¹⁹⁴⁴ and it had concluded that it was not persuaded by the evidence in the present case.¹⁹⁴⁵ The Fourth Circuit, however, determined that the evidence was sufficient to establish a question of fact as to whether Google continued to supply its services to known infringers. Accordingly, it vacated the district court's order. The Fourth Circuit explained that the procedural situation here was different from that in *Tiffany*, which concerned an appeal judgment rendered after a lengthy bench trial, in which the evidence was appropriately weighed by a trier of fact. In contrast, when reviewing the summary judgment in favour of Google, the question was whether, viewing the evidence and drawing all reasonable inferences from that evidence in a light most favourable to Rosetta Stone, a reasonable trier of fact could find in favour of Rosetta Stone, the nonmoving party.¹⁹⁴⁶ The parties thereafter reached a settlement.¹⁹⁴⁷

Rosetta Stone had also claimed Google to be "vicariously" liable. The Fourth Circuit explained that vicarious liability was based on the defendant's relationship with a third party tortfeasor. Quoting *Hard Rock Café*,¹⁹⁴⁸ the court clarified that liability for vicarious trade mark infringement required:¹⁹⁴⁹

[...] a finding that the defendant and the infringer have an apparent or actual partnership, have authority to bind one another in transactions with third parties or exercise joint ownership or control over the infringing product. [...] ¹⁹⁵⁰

¹⁹⁴¹ 676 F.3d 144 (4th Cir. Apr 9, 2012).

¹⁹⁴² *Inwood Laboratories Inc. v. Ives Laboratories Inc.*, 456 U.S. 844 (U.S. June 1, 1982).

¹⁹⁴³ *Sony Corp. of America v. Universal City Studios Inc.*, 464 U.S. 417 (U.S. Jan 17, 1984). See *Rosetta Stone Ltd. v. Google Inc.*, 676 F.3d 144 (4th Cir. Apr 9, 2012), 163.

¹⁹⁴⁴ *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. Apr 1, 2010).

¹⁹⁴⁵ See *Rosetta Stone Ltd. v. Google Inc.*, 676 F.3d 144 (4th Cir. Apr 9, 2012), 163-164.

¹⁹⁴⁶ See *Rosetta Stone Ltd. v. Google Inc.*, *id.* at 164-165. *Goldman* estimated that, in light of the evidence described in the judgment, Rosetta Stone would lose the contributory claim handily. See Goldman Blog 2012.

¹⁹⁴⁷ See Reuters 2012.

¹⁹⁴⁸ *Hard Rock Café Licensing Corp. v. Concession Services Inc.*, 955 F.2d 1143 (7th Cir. Feb 4, 1992).

¹⁹⁴⁹ See *Rosetta Stone Ltd. v. Google Inc.*, 676 F.3d 144 (4th Cir. Apr 9, 2012), 165.

¹⁹⁵⁰ See *Hard Rock Café Licensing Corp. v. Concession Services Inc.*, 955 F.2d 1143 (7th Cir. Feb 4, 1992), 1150.

This requirement was not found to be fulfilled in the present case because there was no evidence that Google acted jointly with any of the advertisers to control the counterfeit products.¹⁹⁵¹

8.6 Conclusion

8.6.1 Primary Liability

The CJEU's decision to exclude the search engine's sale of keywords from the scope of trade mark law was evaluated and found to be correct.¹⁹⁵² It was reasoned that even though the search engine's conduct may semantically qualify as a "use" under Art 10 TMD,¹⁹⁵³ it is not recommended to hold the search engine liable as a primary infringer. Secondary liability doctrines are more suitable for taking account of the precise role of the search engine and the fundamental interests involved in keyword advertising.¹⁹⁵⁴

By granting its customers the possibility to advertise on its website, the search engine acts as an intermediary. Whether the use of a trade mark keyword infringes, depends on the text of the ad in question, which is drafted by the advertiser. The harm of which the search engine is accused is not that of causing confusion but of failing to police and respond to alleged infringements.¹⁹⁵⁵ Confusion regarding the distinction between algorithmic search results and advertisements is not relevant under trade mark law but subject to special regulations.¹⁹⁵⁶

Holding the search engine primarily liable for trade mark infringement could lead to restrictions on the legitimate use of trade mark keywords with detriment to the freedom of expression, freedom to conduct as business, consumer choice, competition and online trade.¹⁹⁵⁷

¹⁹⁵¹ See *Rosetta Stone Ltd. v. Google Inc.*, 676 F.3d 144 (4th Cir. Apr 9, 2012), 165.

¹⁹⁵² See *supra*, section 8.2.

¹⁹⁵³ See *supra*, section 8.2.1.

¹⁹⁵⁴ See *supra*, section 8.2.

¹⁹⁵⁵ See *supra*, section 8.2.2.

¹⁹⁵⁶ See *supra*, section 8.2.3.

¹⁹⁵⁷ See *supra*, section 8.2.4.

8.6.2 Secondary Liability

The search engine's secondary liability for infringements caused by its sale of trade mark keywords was researched.¹⁹⁵⁸ In this regard, the hosting exemption in Art 14 ECD and the CJEU's application of this provision to the sale of trade mark keywords in *Google v. Louis Vuitton*¹⁹⁵⁹ were discussed. It was argued that the search engine normally qualifies for the hosting exemption since it assumes a neutral position in relation to the selection of keywords and content of the ads, which it does not influence or examine prior to their display.¹⁹⁶⁰

The applicability of Art 14 ECD does not exempt the search engine from all responsibility. It must still investigate sufficiently precise and well-founded notifications of infringement. Where the investigation clearly reveals that the ad in question is infringing, the search engine must expeditiously take it down.¹⁹⁶¹ An injunction to suspend the advertiser, even for the future, may be proportionate where the same advertiser repeatedly uses the same trade mark in an infringing manner.¹⁹⁶²

The broad match options, keyword suggestion and insertion tools are useful instruments which make keyword advertising more efficient and thereby contribute to enhancing online trade and competition. Several arguments were presented in favour of qualifying the search engine's role as sufficiently neutral also with regard to these instruments.¹⁹⁶³

The examination of national case law post-*Google v. Louis Vuitton* demonstrated a tendency of French courts to closely follow the principles set out by the CJEU. In all cases, primary trade mark infringement of the search engine was rejected. Furthermore, the Cour de cassation insisted on a careful analysis of the applicability of the hosting exemption in Art 14 ECD. The Paris Court of Appeal considered Google a neutral hosting provider also with regard to broad matching and keyword suggestion. Furthermore, it made clear that the search engine cannot be expected to police the keywords booked through its advertising programme, and that a notice of infringement must be adequately substantiated.¹⁹⁶⁴

¹⁹⁵⁸ See *supra*, section 8.3.

¹⁹⁵⁹ ECLI:EU:C:2010:159 (CJEU case C-236-238/08 Mar 23, 2010).

¹⁹⁶⁰ See *supra*, section 8.3.1.

¹⁹⁶¹ See *supra*, 8.3.2.

¹⁹⁶² See *supra*, section 8.3.3.

¹⁹⁶³ See *supra*, section 8.3.4.

¹⁹⁶⁴ See *supra*, section 8.3.5.

8.6.3 *Separation of Ads*

It was doubted whether the current design of the Google search page is in compliance with the applicable rules on the separation of advertisements from other content. Empirical research points to a lack of awareness among consumers with respect to identifying the advertisements as such. Moreover, the former means to distinguish the ads (different background colour, headings and graphical separation) have meanwhile been abolished, which has worsened the situation.¹⁹⁶⁵

8.6.4 *Search Engine Liability in the US*

US courts have generally qualified the sale of trade mark keywords as a “use” under the Lanham Act. However, the liability question has not yet been resolved due to settlements, withdrawal of law suits and victories of the search engines for different reasons.¹⁹⁶⁶ Google has so far successfully escaped liability.¹⁹⁶⁷

The judicial development of the doctrine of “contributory” trade mark infringement was summarised.¹⁹⁶⁸ Particularly worth mentioning is the Second Circuit’s decision *Tiffany (NJ) Inc. v. eBay Inc.*¹⁹⁶⁹ The criteria set out by this court appear reasonable and may be considered to be applied in the keyword advertising context as well.¹⁹⁷⁰ Thus, the trade mark owner would need to prove that the search engine continued to supply its service to specific individuals who it knew or had reason to know were infringing. A general knowledge or reason to know that its keyword advertising service is being used to infringe would not suffice. Some contemporary knowledge of which particular ads are infringing or will infringe in the future would be necessary.

¹⁹⁶⁵ See *supra*, section 8.4.

¹⁹⁶⁶ See *supra*, section 8.5.1.

¹⁹⁶⁷ See Goldman Blog 2015b.

¹⁹⁶⁸ See *supra*, section 8.5.2.

¹⁹⁶⁹ 600 F.3d 93 (2d Cir. Apr 1, 2010). See *supra*, section 8.5.2.3.

¹⁹⁷⁰ See also Dogan 2010a, 148.

9 Conclusion

This dissertation has shown the history of the discussions by commentators and courts from the beginning of keyword advertising until now. At the start of this research, the topic was of broad and current interest. Many years later, it is still fully relevant. Besides the fact that search engine advertising remains a growing business, the legal issues have proven to extend beyond this context.

Keyword advertising provided a true test case for the system of trade mark infringement. In keyword advertising, the trade mark is employed as an instrument to direct advertising to a certain public rather than to denote the origin of the products. The traditional laws faced the challenge of accommodating this new type of use of trade marks.

The analysis of legal commentary and jurisprudence revealed the difficulties and controversies that existed at the beginning. There was no agreement on whether and when the use of third party trade marks should be allowed or forbidden, reflecting fundamentally different views regarding the scope of trade mark protection. It was even heavily debated whether keyword use should fall under trade mark law at all.

After this initial phase of uncertainty, the CJEU had the chance to clarify the most disputed issues. It qualified the use of trade mark keywords by advertisers as a use “in relation to goods or services” within the meaning of the harmonised Art 10(2) TMD. The Court’s qualification prevents keyword use from being assessed under different national regimes, which could have a negative impact on the free movement of goods and services within the internal market.

The use of trade marks in keyword advertising affects the interests of advertisers, search engines, trade mark owners, consumers as well as the public cause. A large number of policy concerns and fundamental rights play a role, including (but not limited to), free and fair competition, freedom of expression and information, protection of intellectual property and consumer protection.

The selection of third party trade marks as keywords may increase competition and market transparency. However, it may also generate confusion, which interferes with the economic rationale of reducing search costs and with the origin function of trade marks. This has been recognised in the jurisprudence of the CJEU, which reflects a balance between adequate trade mark protection and other important values.

The CJEU allows the competitive use of trade mark keywords under certain conditions. It denies an infringement where a non-confusing and non-denigrating ad offers a lawful alternative to the goods or

services of the trade mark proprietor. In order to assess the likelihood of confusion or adverse effect on the origin function, the Court has provided a special test. The text of the ad must clearly reveal the identity of the advertiser in order for the normally informed and reasonably attentive Internet user to be able to assess whether there is a relationship with the trade mark owner. This transparency requirement, the consumer yardstick, and the decision to leave the factual assessment to the national courts, were endorsed in this dissertation. In order to avoid erroneous and diverging decisions on the national level, suggestions were provided for a more specific and harmonised application of the CJEU's guidance.

The interpretation by the CJEU of the condition of an adverse effect on the other trade mark functions, as well as of the infringement requirements in the case of trade marks with a reputation, was also approved of. It confirms that the use of another's trade mark as a keyword cannot be regarded as an infringement *per se*. Rather, the Court distinguishes between actual harm and mere exploitation of the trade mark's goodwill.

On a more abstract level, this research has shown the impact of keyword advertising on the infringement conditions of European trade mark law. The CJEU decisions demonstrate a shift from holding on to the different categories of infringement under the current Art 10 TMD and their respective requirements towards a global weighing of interests. Under this new approach, the detriment suffered by the trade mark owner must be weighed against the justifications for using the mark.

The Court's interpretation of the condition of an adverse effect on the trade mark functions as a limitation to the rights of the trade mark owner under Art 10(2)(a) TMD was propelled by the keyword advertising cases. It was considered unreasonable to grant absolute protection, originally meant to apply in cases of counterfeiting and illegal parallel trade, to the fundamentally different use of a trade mark as a keyword.

This flexibility enables the national courts to reach a fair outcome taking the specific facts of the case and the various values and policies involved into account. On the other hand, the requirement of an adverse effect on the trade mark functions carries the risk of unpredictability and inconsistency and lacks a foundation in European trade mark legislation. On the basis of the text of the infringement provisions alone, it is not clear under which circumstances use of a trade mark is allowed. One needs to have in-depth knowledge of CJEU case law to understand the system. And even with that knowledge, it is still unclear how future cases involving other uses of trade marks are to be judged. For these reasons, the functional approach was criticised in this book.

Three solutions were found to be suitable to enable a proper consideration of different interests while rendering the CJEU's functional approach superfluous. These proposals would moreover ensure logical, transparent and harmonised infringement criteria, which would contribute to legal certainty for the market players involved. One solution would be to expand the scope of the limitations. A second solution would be to clearly distinguish between classical trade mark use and other use, which is of a fundamentally different nature and thus requires an assessment under special infringement criteria. A third idea was to limit the ambit of the absolute protection under Art 10(2)(a) TMD to use as a trade mark that refers to the origin of the goods or services of the third party. The proposal to expand the scope of the limitations was considered to be the most feasible solution. Owing to the reform of the European trade mark system, this expansion has already taken place to some extent.

It was observed that the introduction of the non-distinctive and referential use limitations provides scope for a large number of uses by third parties. It was argued that the reference to another's trade mark in comparative advertising could theoretically be considered a referential use under the new Art 14(1)(c) TMD. However, owing to the inbuilt limitation of the new Art 10(3)(f) TMD, the referential use limitation is of no practical relevance in this regard. Such an inbuilt limitation does not exist with respect to keyword advertising. Courts are therefore advised to bring keyword advertising within the scope of the referential use limitation and to apply the existing CJEU case law within the assessment of whether the use is "in accordance with honest practices in industrial or commercial matters" under Art 14(2) TMD. Nonetheless, it was advocated to introduce a general fair use limitation, also in view of yet unknown technical applications.

Apart from this proposed legislative amendment, this dissertation included suggestions for interpreting the existing trade mark infringement provisions in actual keyword advertising cases. The following doctrines were, *inter alia*, analysed in this regard: likelihood of confusion, detriment to, or unfair advantage of, the distinctive character or repute of trade marks with a reputation, adverse effect on trade mark functions, due cause defence, statutory limitations and exhaustion.

After examining these doctrines, parallels can be drawn between them. In particular, it is observed that the interests of competition and consumer information in keyword cases can be taken into account in various ways leading to the same result. This can, for example, be done by interpreting the trade mark functions as an external balancing tool (which was not recommended) or by giving a broad scope to the due cause defence and the limitations, in particular, the one concerning referential use.

A connection can also be made with unfair competition law. It was recommended to apply unfair competition law in line with the approach taken under trade mark law to avoid inconsistencies. An

interesting illustration of this is the incorporation of the conditions for lawful comparative advertising from unfair competition law into Art 10(3)(f) TMD.

The business model of keyword advertising also provided the CJEU with an opportunity to clarify the line between primary and secondary liability of internet intermediaries for trade mark infringement. With respect to the sale of trade mark keywords by the search engine, it was found that the CJEU correctly negated a “use” under Art 10 TMD. Theories of secondary liability are more appropriate for considering the role of the search engine as an intermediary and the various interests involved in keyword advertising. The aptness of the CJEU’s criterion of a use in the third party’s “own commercial communication” for distinguishing primary from secondary liability will need to be ascertained in future cases.

It was argued that the search engine should normally qualify as a hosting provider within the meaning of Art 14 ECD in relation to its keyword advertising services. This provision exempts the search engine from liability, unless it has actual knowledge or awareness of the infringing ad. As soon as the search engine becomes aware of a trade mark infringement, it is under a duty of care to expeditiously take down the ad in question. In this regard, the search engine can be expected to examine sufficiently substantiated notices of infringement.

It was questioned whether Google complies with laws on the labelling of advertisements. Empirical research regarding consumer perceptions and the current design of the Google search page indicate a lack of proper distinction between the advertisements and algorithmic search results.

Throughout this book, a comparison with US law was provided. This showed that courts and commentators struggled with similar issues and arrived at comparable conclusions despite the different legal situation.

10 Outlook

This book will not mark the end of literature on the topic of keyword advertising. Various aspects are still to be examined. Studies from other disciplines could be helpful to better assess the impact of this phenomenon on the economy and society. Considered in this respect could, for instance, be economic studies on the costs and benefits of competitive trade mark use in different scenarios. Empirical research on search behaviour and consumer perceptions of keyword ads could also contribute to a better understanding.

Keyword advertising is not merely interesting from a trade mark law point of view. Other signs may also be used as keywords, such as personal names, company names and geographical indications. These signs are protected under different legal regimes with their own objectives and infringement criteria.¹⁹⁷¹ It would be worth exploring the use of these signs in the keyword advertising context in order to determine whether, and to what extent, their scope of protection differs from that of trade marks.

Competition authorities have expressly recognised that restricting competitive keyword advertising has serious implications under competition law.¹⁹⁷² In this regard, research from the field of law and economics to assess horizontal and vertical restrictions of the use of competitors' trade marks as keywords may be expected.

Within trade mark law, lessons may be drawn from the keyword advertising experience with regard to different applications of trade marks in the online environment. This can, for instance, be seen in cases regarding product listings on Amazon which are based upon a search entry of a trade mark by a customer. Such cases have already been decided on the highest level in Germany. In *GoFit*,¹⁹⁷³ the disputed signs were shown by Amazon as suggestions in its search box even though the products of the complainant were not for sale on Amazon. The search results related to competing products. The BGH confirmed the decision of the Court of Appeal to reject the claims. In *Ortlieb*,¹⁹⁷⁴ a search on Amazon

¹⁹⁷¹ The use of a personal name as a keyword may be assessed under privacy or publicity law, general tort law or the law on defamation or libel. See, e.g., the French decision *Olivier Martinez v. Google*, <http://www.legalis.net/spip.php?article3267> (TGI de Paris Nov 14, 2011). Company names are protected in different ways under national laws. For instance, in Germany, they are part of the Trade Mark Act (§ 15), whereas in the Netherlands, they are separately regulated in the Trade Name Act. Geographical indications are protected in Europe under various regulations.

¹⁹⁷² See *supra*, section 2.6.2.4.

¹⁹⁷³ [2018] GRUR 935 (BGH Feb 15, 2018). This case actually concerned a company name, which is in German law protected under the Trade Mark Act. § 15(2) MarkenG requires a likelihood of confusion, which must principally be interpreted uniformly with regard to trade marks and company names. See Ingerl & Rohnke 2010, MarkenG § 15, para. 45.

¹⁹⁷⁴ [2018] GRUR 924 (CC Kur) (BGH Feb 15, 2018).

for the trade mark in question resulted in offers for the products of the trade mark owner as well as of competitors. The trade mark owner did not itself sell its products through Amazon. The Court of Appeal had decided in favour of the trade mark owner, but the BGH reversed and remanded the case. In both cases, the BGH intensively referred to the principles derived from keyword advertising jurisprudence. The case *Ortlieb II*¹⁹⁷⁵ concerned ads by Amazon on the Google website with links to listings of products on the Amazon website. The BGH confirmed the Court of Appeal's finding of an adverse effect on the origin function due to the specific design of the ad in conjunction with the mixed list of results showing both products of the trade mark proprietor and products of third parties. The BGH denied exhaustion of trade mark rights because the finding with regard to the adverse effect on the origin function constituted a legitimate reason for the trade mark proprietor to oppose further commercialisation of the goods.

Law suits have also been brought against Amazon in the US. For instance, in *Multi Time Machine Inc. v. Amazon.com Inc.*,¹⁹⁷⁶ MTM alleged that Amazon committed trade mark infringement with its search results page on which competing military style watches were offered. MTM watches were not for sale on Amazon. The Ninth Circuit affirmed the district court's grant of summary judgment in favour of Amazon because there was no likelihood of confusion.

These cases demonstrate that the discussion is not over. New research will be necessary to assess to what extent the principles developed in keyword advertising cases can be applied to other online scenarios in which trade marks are used as navigation or targeting tools. This may also serve as a further test for the adequacy of current trade mark infringement law in general.

¹⁹⁷⁵ [2019] GRUR 1053 (BGH July 25, 2019).

¹⁹⁷⁶ 804 F.3d 930 (9th Cir. Oct 21, 2015).

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BMW

Benelux Merkenwet/Eenvormige Beneluxwet op de merken = Benelux Trade Mark Act

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Benelux-verdrag inzake de intellectuele eigendom = Benelux Convention concerning Intellectual Property

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Dutch Trade Name Act

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Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, 27.06.1989, last amendment 12.11.2007

MarkenG

Markengesetz = German Trade Mark Act

Marrakesh Agreement

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Google v. Cobrason, Case No. 11-21011, 11-24713 (Cass. Comm. Jan 29, 2013)
Google v. Auto IES, Case No. 11-18110 (Cass. Comm. Sep 25, 2012)

Google v. Louis Vuitton, Case No. 06-20.230 (Cass. Comm. July 13, 2010)
Google v. Viaticum and Luteciel, Case No. 05-14.331 (Cass. Comm. July 13, 2010)
Google v. CNRRH, Case No. 06-15.136 (Cass. Comm. July 13, 2010)
Google v. GIFAM, Case No. 08-13.944 (Cass. Comm. July 13, 2010)
Google v. Louis Vuitton, Case No. 06-20.230 (Cass. Comm. May 20, 2008)
Google v. Viaticum and Luteciel, Case No. 05-14.331 (Cass. Comm. May 20, 2008)
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Google v. Promovacances, Case No. RG 10/24234 (CA de Paris Nov 30, 2011)
Google v. Auto IES, Case No. RG 08/02354 (CA de Paris Feb 2, 2011)
Google v. SFL, Case No. RG 08/00620 (CA de Paris Nov 19, 2010)
Multipass v. Smart & Co, Case No. RG 09/022/85 (CA de Paris May 19, 2010)

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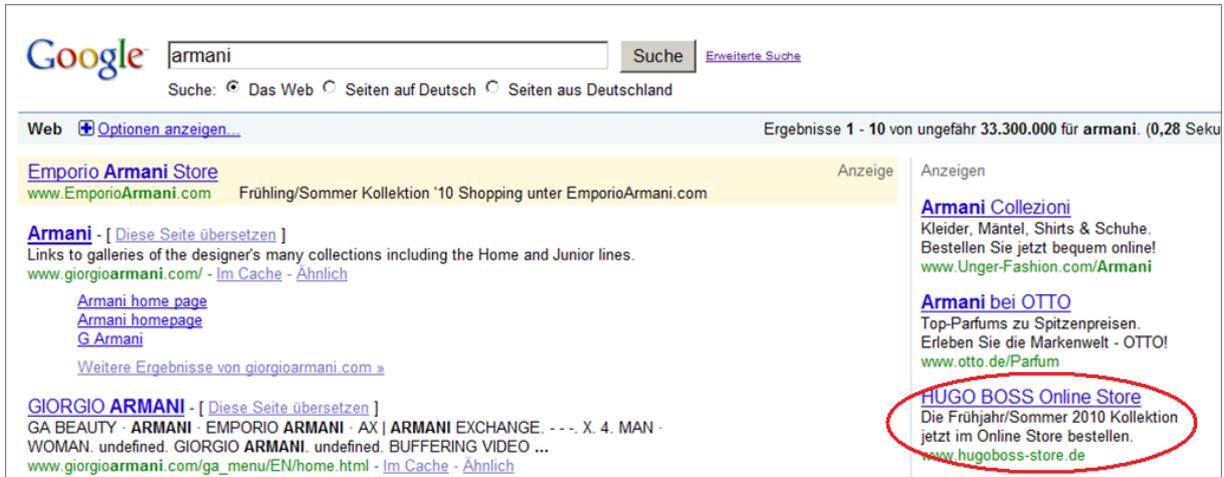
Google v. Cobrason, <https://www.legalis.net/jurisprudences/tribunal-de-commerce-de-paris-15eme-chambre-jugement-du-23-octobre-2008/> (Trib. Comm. de Paris Oct 23, 2008)

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Olivier Martinez v. Google, <http://www.legalis.net/spip.php?article3267> (TGI de Paris Nov 14, 2011)

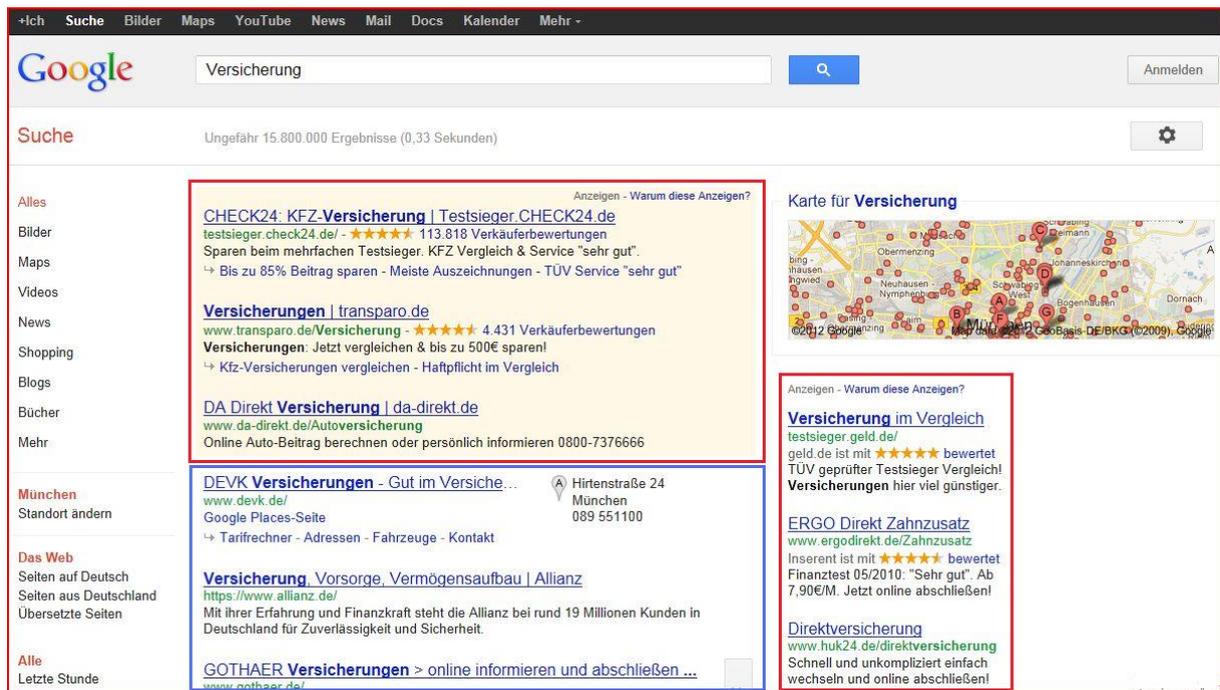
Annex: Figures

Figure 1: Screenshot detail of search for “armani” on Google Germany, Feb 23, 2010¹



¹ The red circle has been inserted by the author.

Figure 2: Screenshot of search for “Versicherung” on Google Germany, Mar 7, 2012²



² The blue and red boxes have been inserted by the author. The algorithmic results are boxed in blue, while the ads are boxed in red.

Figure 3: Screenshot of search for “Versicherung” on Google Germany, Mar 13, 2019

Google Versicherung 🔍

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About 110.000.000 results (0,71 seconds)

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KFZ Haftpflicht - from €2,00/mo - Reguliert Schäden Dritter · More

CHECK24: KFZ Testsieger
 CHECK24: Mehrfach prämiert
 CHECK24: Kostenlos und transparent

CHECK24: Rechtsschutz
 CHECK24: Rechtsschutz 80% günstiger
 CHECK24: Rechtsschutz Testsieger

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 Deutschlands meistgewählter Direktversicherer! 94 % Kundenzufriedenheit. Schnelle Hilfe oder 50€.
 Sterbegeld-Vorsorge ab 5€ · Bestnote für Haftpflicht · Zahnersatz ohne Wartezeit · Top Zahnzusatz

Map: WANTHALERHÖHE, Augustiner Bräustuben, HUK-COBURG Versicherung..., München Hauptbahnhof, Bayerstraße, ITS insurances, HDI Versicherungen: Paul Elsner, Courtyard Munich City Center, Theresienwiese U.

Map data ©2019 GeoBasis-DE/BKG (©2009), Google

Rating ▾ Hours ▾ Your past visits ▾ Sort by ▾

HUK-COBURG Versicherung - Geschäftsstelle Mün...
 2.4 ★★★★★ (16) · Insurance agency
 190,0 m · Martin-Greif-Straße 1 · 0800 2153153
 Open · Closes 6PM [WEBSITE](#) [DIRECTIONS](#)

HDI Versicherungen: Paul Elsner [WEBSITE](#) [DIRECTIONS](#)

Figure 4: Table of Dutch keyword decisions pre-*Google v. Louis Vuitton*

Sub d (Art 10(6) TMD)	Sub a, b or c (Art 10(2) TMD)	Qualification Omitted
<i>Wijs & Van Oostveen v. Stichting Hulp Gedupeerden</i> , [2009] IEPT 20090226 (Vzr. Rb. Amsterdam Feb 26, 2009) Infringement: YES (no reasons stated)	<i>Portakabin v. Primakabin</i> , [2008] CR 65 (CC Van Loon) (Rb. Den Haag Jan 9, 2008) Infringement: NO (exhaustion)	<i>Portakabin v. Brouwer</i> , [2006] BIE 56 (Vzr. Rb. Amsterdam Mar 3, 2005) (headnotes indicate "sub b"; court discusses likelihood of confusion but also due cause; thus, qualification not clear) Infringement: YES (likelihood of confusion)
<i>Portakabin v. Primakabin</i> , [2006] ECLI:NL:GHAMS:2006:AZ6457 (Hof Amsterdam Dec 14, 2006) Infringement: NO (exhaustion; but the ad had to link to the subpage on which the trade marked products were sold)	<i>VNU v. The Monster Board</i> , [1999] IER 42 (CC Kabel), [1999] Mediaforum 45 (CC Visser) (Vzr. Rb. Den Haag June 29, 1999) (reversed on appeal) Infringement: YES (absolute protection under double identity provision)	<i>Cruise Travel v. Cruise Factory</i> , [2009] IEPT 20090610 (Rb. Amsterdam June 10, 2009) (affirmed on appeal: [2010] ECLI:NL:GHAMS:2010:BP1385 (Hof Amsterdam Dec 28, 2010)) Infringement: NO (descriptive)
<i>Portakabin v. Primakabin</i> , [2006] IER 55 (Vzr. Rb. Amsterdam Mar 9, 2006) (reversed on appeal but examined under the same provision) Infringement: NO (exhaustion)		<i>Farmdate v. Google Netherlands</i> , [2006] ECLI:NL:RBAMS:2006:AZ4735 (Vzr. Rb. Amsterdam Aug 24, 2006) Infringement: NO (descriptive)
<i>Yonex v. Belgro</i> , [2007] ECLI:NL:RBBRE:2007:BB0595 (Vzr. Rb. Breda July 23, 2007) (appealed but keyword use not an issue on appeal) Infringement: NO (exhaustion)		<i>Pretium v. Yiggers</i> , [2005] IER 25 (CC Kabel) (Vzr. Rb. Den Haag Nov 12, 2004) Infringement: YES (no reasons stated)
<i>Sara Lee/DE v. Capriole</i> , [2006] CR 102 (CC Meijboom) (Vzr. Rb. Middelburg Jan 18, 2006) Infringement: NO (exhaustion)		<i>The Monster Board v. VNU</i> , [2001] Mediaforum 25 (CC Overdijk) (Hof Den Haag Mar 8, 2001) (use of the keyword according to its general meaning; thus, neither infringement under sub a or b, nor under sub d) Infringement: NO (descriptive)

Figure 5: Table of German keyword decisions pre-*Google v. Louis Vuitton*

Use as a Mark	No Use as a Mark	Qualification Omitted
<p><i>Impuls</i>, [2008] MMR 334 (OLG München Dec 6, 2007) (repealed by BGH)</p> <p>Infringement: YES</p>	<p><i>Europa Möbel</i>, [2008] BeckRS 23351 (KG Sep 26, 2008)</p> <p>Violation of unfair competition law: NO</p>	<p><i>Beta Layout</i>, [2007] MMR 247 (CC Hüsich) (OLG Düsseldorf 23 January 2007) (concerning a company name; confirmed by BGH)</p> <p>Infringement: NO (no likelihood of confusion)</p>
<p><i>PCB-Pool</i>, [2007] MMR 649 (OLG Stuttgart 9 August 2007) (repealed by BGH)</p> <p>Infringement: YES</p>	<p><i>Antiquarische Bücher</i>, [2009] GRUR-RR 61 (KG Sep 9, 2008) (concerning a company name)</p> <p>Violation of unfair competition law: NO</p>	<p><i>Plakat 24</i>, [2006] MMR 326 (CC Hüsich) (OLG Dresden 30 August 2005)</p> <p>Infringement: NO (trade mark with low distinctiveness; thus narrow scope of protection; booked keywords not similar; in obiter dicta: probably no trade mark use either due to descriptiveness)</p>
<p><i>Bananabay</i>, [2007] MMR 789 (OLG Braunschweig July 12, 2007) (repealed by BGH)</p> <p>Infringement: YES</p>	<p><i>Probiotische Mikroorganismen</i>, [2008] [2008] K&R 309 (CC Mann) (OLG Frankfurt a.M. Feb 26, 2008)</p> <p>Violation of unfair competition law: NO</p>	
<p><i>deejay</i>, [2007] K&R 269 (OLG Dresden 9 January 2007)</p> <p>Infringement: NO (descriptive)</p>	<p><i>FunFactory</i>, [2008] GRUR-RR 160 (OLG Köln 31 August 2007)</p> <p>Violation of unfair competition law: NO</p>	
<p><i>Jette</i>, [2007] GRUR-RR 71 (OLG Braunschweig 11 December 2006)</p> <p>Infringement: YES</p>		
<p><i>Impuls</i>, [2007] MMR 110 (CC Terhaag) (OLG Braunschweig 5 December 2006)</p> <p>Infringement: YES</p>		