

Court of Justice EU, 22 September 2011, *Interflora v Marks & Spencer*



TRADEMARK LAW

Essential function of indicating origin and other functions

- Admittedly, a trade mark is always supposed to fulfil its function of indicating origin, whereas it performs its other functions only in so far as its proprietor uses it to that end, in particular for the purposes of advertising or investment.

Use of trade mark in keyword advertising may adversely affect the indication of origin function and investment function but not the advertising function

- The answer to questions 1, 2, 3(a) and 4 is therefore that Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94 must be interpreted as meaning that the proprietor of a trade mark is entitled to prevent a competitor from advertising – on the basis of a keyword which is identical with the trade mark and which has been selected in an internet referencing service by the competitor without the proprietor’s consent – goods or services identical with those for which that mark is registered, where that use is liable to have an adverse effect on one of the functions of the trade mark

Such use

- goods or services identical with those for which that mark is registered, where that use is liable to have an adverse effect on one of the functions of the trade mark. Such use:
- adversely affects the trade mark’s function of indicating origin where the advertising displayed on the basis of that keyword does not enable reasonably well-informed and reasonably observant internet users, or enables them only with difficulty, to ascertain whether the goods or services concerned by the advertisement originate from the proprietor of the trade mark or an undertaking economically linked to that proprietor or, on the contrary, originate from a third party;
- does not adversely affect, in the context of an internet referencing service having the characteristics of the service at issue in the main proceedings, the trade mark’s advertising function; and

- adversely affects the trade mark’s investment function if it substantially interferes with the proprietor’s use of its trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty.

Protection of trade mark with a reputation against key word advertising in case of free-riding or tarnishment: advertising based on keyword

- It follows from the foregoing that the answer to question 3(b) is that Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94 must be interpreted as meaning that the proprietor of a trade mark with a reputation is entitled to prevent a competitor from advertising on the basis of a keyword corresponding to that trade mark, which the competitor has, without the proprietor’s consent, selected in an internet referencing service, where the competitor thereby takes unfair advantage of the distinctive character or repute of the trade mark (free-riding) or where the advertising is detrimental to that distinctive character (dilution) or to that repute (tarnishment).
- Advertising on the basis of such a keyword is detrimental to the distinctive character of a trade mark with a reputation (dilution) if, for example, it contributes to turning that trade mark into a generic term.
- By contrast, the proprietor of a trade mark with a reputation is not entitled to prevent, inter alia, advertisements displayed by competitors on the basis of keywords corresponding to that trade mark, which put forward – without offering a mere imitation of the goods or services of the proprietor of that trade mark, without causing dilution or tarnishment and without, moreover, adversely affecting the functions of the trade mark with a reputation – an alternative to the goods or services of the proprietor of that mark.

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Court of Justice EU, 22 September 2011

(A. Tizzano, J.-J. Kasel, M. Ilešič (rapporteur), E. Levits and M. Safjan)

Judgment of the Court (First Chamber)

22 September 2011 (*)

(Trade marks – Keyword advertising on the internet – Selection by the advertiser of a keyword corresponding to a competitor’s trade mark with a reputation – Directive 89/104/EEC – Article 5(1)(a) and (2) – Regulation (EC) No 40/94 – Article 9(1)(a) and (c) – Condition that one of the trade mark’s functions be adversely affected – Detriment to the distinctive character of a trade mark with a reputation (‘dilution’) – Unfair advantage taken of the distinctive character or repute of that trade mark (‘free-riding’))

In Case C-323/09,

REFERENCE for a preliminary ruling under Article 234 EC, from the High Court of Justice (England & Wales), Chancery Division, (United Kingdom), made

by decision of 16 July 2009, received at the Court on 12 August 2009, in the proceedings

Interflora Inc.,
Interflora British Unit
v

Marks & Spencer plc,
Flowers Direct Online Ltd,
THE COURT (First Chamber),
composed of A. Tizzano, President of the Chamber, J.-
J. Kasel, M. Ilešič (Rapporteur), E. Levits and M.
Safjan, Judges,
Advocate General: N. Jääskinen,
Registrar: L. Hewlett, Principal Administrator,
having regard to the written procedure and further to
the hearing on 13 October 2010,
after considering the observations submitted on behalf
of:

– Interflora Inc. and Interflora British Unit, by R. Wy-
and QC and S. Malynicz, Barrister,
– Marks & Spencer plc, by G. Hobbs QC, E.
Himsworth, Barrister, and T. Savvides and E. Devlin,
Solicitors,
– the Portuguese Government, by L. Inez Fernandes,
acting as Agent,
– the European Commission, by H. Krämer, acting as
Agent,

after hearing [the Opinion of the Advocate General at
the sitting on 24 March 2011](#)

gives the following

Judgment

1 This reference for a preliminary ruling concerns the interpretation of Article 5 of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1) and Article 9 of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (OJ 1994 L 11, p. 1).

2 The reference was made in proceedings brought by Interflora Inc. and Interflora British Unit against Marks & Spencer plc ('M & S') and Flowers Direct Online Ltd. Following a settlement with Flowers Direct Online Ltd, the dispute in the main proceedings is between (i) Interflora Inc. and Interflora British Unit and (ii) M & S, concerning the display on the internet of M & S advertisements based on keywords corresponding to the trade mark INTERFLORA.

Legal context

3 Directive 89/104 and Regulation No 40/94 were repealed by, respectively, Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (OJ 2008 L 299, p. 25), which entered into force on 28 November 2008, and Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark (OJ 2009 L 78, p. 1), which entered into force on 13 April 2009. The dispute in the main proceedings may none the less be regarded, in view of the date of certain of the facts, as being governed by Directive 89/104 and Regulation No 40/94.

4 Although the Court will, as a consequence, provide the interpretation of Directive 89/104 and Regulation

No 40/94 which the referring court requests, it should nevertheless be stated that, should that court take as its basis, when deciding on the dispute in the main proceedings, the rules of Directive 2008/95 and Regulation No 207/2009, that interpretation is applicable to those new pieces of legislation. The provisions that are relevant for the case before the referring court were not materially amended, as regards their wording, context or purpose, when Directive 2008/95 and Regulation No 207/2009 were adopted.

5 The tenth recital in the preamble to Directive 89/104 stated: *'Whereas 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, is absolute in the case of identity between the mark and the sign and goods or services; whereas the protection applies also in case of similarity between the mark and the sign and the goods or services; whereas it is indispensable to give an interpretation of the concept of similarity in relation to the likelihood of confusion; ... the likelihood of confusion ... constitutes the specific condition for such protection.'*

6 The seventh recital in the preamble to Regulation No 40/94 was worded in almost identical terms.

7 Article 5 of Directive 89/104, entitled 'Rights conferred by a trade mark', provided:

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

(a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;

(b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark.

2. Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are 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, inter alia, may be prohibited under paragraphs 1 and 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 these purposes under that sign, or offering or supplying services thereunder;

(c) importing or exporting the goods under the sign;

(d) using the sign on business papers and in advertising

...'

8 The wording of Article 9(1)(a) and (b) of Regulation No 40/94 corresponded in substance to that of Article 5(1) of Directive 89/104. Paragraph 2 of Article 9 corresponded to paragraph 3 of Article 5. As to Article 9(1)(c) of Regulation No 40/94, it provided:

'A Community trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

...

(c) any sign which is identical with or similar to the Community trade mark in relation to goods or services which are not similar to those for which the Community trade mark is registered, where the latter has a reputation in the Community 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 Community trade mark.'

The dispute in the main proceedings and the questions referred for a preliminary ruling The referencing service 'AdWords'

9 When an internet user performs a search on the basis of one or more words on the Google search engine, that search engine will display the sites which appear best to correspond to those words, in decreasing order of relevance. These are referred to as the 'natural' results of the search.

10 In addition, Google's paid referencing service – 'AdWords' – enables any economic operator, by means of the selection of one or more keywords, to obtain the placing, in the event of a correspondence between one or more of those words and that/those entered as a request in the search engine by an internet user, of an advertising link to its website. That advertising link appears under the heading 'sponsored links', which is displayed either on the right-hand side of the screen, to the right of the natural results, or on the upper part of the screen, above the natural results.

11 That advertising link is accompanied by a short commercial message. Together, that link and that message constitute the advertisement displayed under the abovementioned heading.

12 A fee for the referencing service is payable by the advertiser for each click on the advertising link. That fee is calculated on the basis, in particular, of the 'maximum price per click' which the advertiser agreed to pay when concluding with Google the contract for the referencing service, and on the basis of the number of times that link is clicked on by internet users.

13 A number of advertisers can select the same keyword. The order in which their advertising links are displayed is then determined according to, in particular, the 'maximum price per click', the number of previous clicks on those links and the quality of the advertisement as assessed by Google. The advertiser can at any time improve its ranking in the display by fixing a higher 'maximum price per click' or by trying to improve the quality of its advertisement.

The use of keywords in the case before the referring court

14 Interflora Inc., a company incorporated in the State of Michigan (United States), operates a worldwide flower-delivery network. Interflora British Unit is a licensee of Interflora Inc.

15 The network of Interflora Inc. and Interflora British Unit (together 'Interflora') is made up of florists with whom customers may place orders in person or by telephone. Interflora also has websites that enable orders to be placed via the internet, those orders then being fulfilled by the network member closest to the place where the flowers

are to be delivered. The address of the main website is www.interflora.com. That site redirects to country-specific websites such as www.interflora.co.uk.

16 INTERFLORA is a national trade mark in the United Kingdom and also a Community trade mark. It is common ground that, so far as the flower-delivery service is concerned, those marks have a substantial reputation both in the United Kingdom and in other Member States of the European Union.

17 M & S, a company governed by English law, is one of the main retailers in the United Kingdom. It retails a wide range of goods and supplies services through its network of shops and via its website www.marksandspencer.com. One of those services is the sale and delivery of flowers. That commercial activity is in competition with that of Interflora. It is common ground between the parties that M & S is not part of the Interflora network.

18 Using the 'AdWords' referencing service, M & S selected as keywords the word 'Interflora', as well as variants made up of that word with minor errors and expressions containing the word 'Interflora' ('Interflora Flowers', 'Interflora Delivery', 'Interflora.com', 'interflora co uk' and so forth). Consequently, when internet users entered the word 'Interflora' or one of those variants or expressions as a search term in the Google search engine, an M & S advertisement appeared under the heading 'sponsored links'.

19 That advertisement was formulated, inter alia, as follows:

'M & S Flowers Online

www.marksandspencer.com/flowers

Gorgeous fresh flowers & plants

Order by 5 pm for next day delivery'.

20 Following its discovery of those facts, Interflora brought proceedings for trade mark infringement before the High Court of Justice (England & Wales), Chancery Division, which decided to stay the proceedings and refer 10 questions to the Court of Justice for a preliminary ruling. Following a request for clarification from the Court, the referring court, by decision of 29 April 2010, received at the Court on 9 June 2010, withdrew its fifth to tenth questions, maintaining solely the following four questions:

'1. Where a trader which is a competitor of the proprietor of a registered trade mark and which sells goods and provides services identical to those covered by the trade mark via its website:

– selects a sign which is identical ... with the trade mark as a keyword for a search engine operator's sponsored link service,
– nominates the sign as a keyword,
– associates the sign with the URL of its website,
– sets the cost per click that it will pay in relation to that keyword,
– schedules the timing of the display of the sponsored link and
– uses the sign in business correspondence relating to the invoicing and payment of fees or the management of its account with the search engine operator, but the sponsored link does not itself include the sign or any similar sign, do any or all of these acts constitute "use" of the sign by the competitor within the meaning of Article 5(1)(a) of [Directive 89/104] and Article 9(1)(a) of [Regulation No 40/94]?

2. Is any such use "in relation to" goods and services identical to those for which the trade mark is registered within the meaning of Article 5(1)(a) of [Directive 89/104] and Article 9(1)(a) of [Regulation No 40/94]?

3. Does any such use fall within the scope of either or both of:

(a) Article 5(1)(a) of [Directive 89/104] and Article 9(1)(a) of [Regulation No 40/94]; and (b) Article 5(2) of [Directive 89/104] and Article 9(1)(c) of [Regulation No 40/94]?

4. Does it make any difference to the answer to question 3 above if:

(a) the presentation of the competitor's sponsored link in response to a search by a user by means of the sign in question is liable to lead some members of the public to believe that the competitor is a member of the trade mark proprietor's commercial network contrary to the fact; or

(b) the search engine operator does not permit trade mark proprietors in the relevant Member State ... to block the selection of signs identical to their trade marks as keywords by other parties?'

The application for the reopening of the oral procedure

21 M & S, by letter of 1 April 2011, requested that the oral procedure be reopened, maintaining that [the Opinion of the Advocate General, delivered on 24 March 2011](#), was based on incorrect premisses and failed to observe the separation of powers between the Court of Justice and the referring court. In that last respect, M & S observes that the Advocate General, instead of merely analysing the relevant rules of European Union law, explained what result should, in his view, follow from the interpretation of those rules in the case before the referring court.

22 It is settled case-law that the Court may order the reopening of the oral procedure in accordance with Article 61 of the Rules of Procedure if it considers that it lacks sufficient information or that the case should be examined on the basis of an argument which has not been the subject of debate between the parties (see, inter alia, Case C-284/06 *Burda* [2008] ECR I-4571, paragraph 37, and Case C-221/09 *AJD Tuna* [2011] ECR I-0000, paragraph 36).

23 In the present case, the Court is of the view that it has all the material necessary to answer the questions raised by the referring court and that there is no need to consider the case by reference to an argument which has not been the subject of debate before it.

24 So far as the criticisms of the Advocate General's Opinion are concerned, it should be recalled that, under the second paragraph of Article 252 TFEU, it is the duty of the Advocate General, acting with complete impartiality and independence, to make, in open court, reasoned submissions on cases which, in accordance with the Statute of the Court of Justice of the European Union, require the Advocate General's involvement. In carrying out that task, the Advocate General may, where appropriate, analyse a reference for a preliminary ruling by placing it within a context which is broader than that strictly defined by the referring court or by the parties to the main proceedings. The Chamber hearing the case is not bound either by the Advocate General's Opinion or by the reasoning on which it is based ([see Case C-229/09 *Hogan Lovells International* \[2010\] ECR I-0000, paragraph 26, and *AJD Tuna*, paragraph 45](#)).

25 The same is true in the case of the referring court, which, when it applies the Court's preliminary ruling, is not obliged to follow the reasoning set out by the Advocate General.

26 Accordingly, there is no need to grant M & S's request for the reopening of the oral procedure.

Consideration of the questions referred

The questions concerning Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94

27 By questions 1, 2 and 3(a), the referring court asks, in essence, whether, on a proper construction of Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94, the proprietor of a trade mark is entitled to prevent a competitor from displaying – on the basis of a keyword which is identical to that trade mark and which has been selected in an internet referencing service by the competitor without the proprietor's consent – an advertisement for goods or services identical to those for which that mark is registered.

28 By question 4, the referring court seeks to ascertain whether, in those circumstances, it is relevant (i) that the advertisement concerned is liable to lead some members of the relevant public to believe, incorrectly, that the advertiser is a member of the trade mark proprietor's commercial network and (ii) that the provider of the internet referencing service does not permit trade mark proprietors to prevent signs identical to their trade marks being selected as keywords.

29 It is appropriate to consider those questions together.

30 As the Court has already stated, the sign selected by an advertiser as a keyword in the context of an internet referencing service is the means used by the advertiser to trigger the display of its advertisement and is thus used in the course of trade within the meaning of Article 5 of Directive 89/104 and Article 9 of Regulation No 40/94 ([Joined Cases C-236/08 to C-238/08 *Google France and Google* \[2010\] ECR I-2417, paragraphs](#)

[49 to 52, and Case C-278/08 BergSpechte \[2010\] ECR I-2517, paragraph 18\).](#)

31 That is, furthermore, use in relation to the advertiser's goods or services, even where the sign selected as a keyword does not appear in the advertisement itself ([BergSpechte, paragraph 19](#), and order of 26 March 2010 in Case C-91/09 Eis.de, paragraph 18).

32 Nevertheless, the proprietor of the trade mark cannot prevent the use of a sign identical to its trade mark as a keyword unless all the conditions provided for to that end in Article 5 of Directive 89/104 and Article 9 of Regulation No 40/94 and by the case-law relating thereto are met.

33 The case in the main proceedings falls within the situation referred to in Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94, namely the so-called 'double identity' situation, in which use by a third party of a sign identical with the trade mark is made in relation to goods or services which are identical with those for which the trade mark is registered. Indeed, it is not in dispute that M & S made use in relation to its flower-delivery service, of, inter alia, the sign 'Interflora', which is in substance identical with the word mark INTERFLORA, registered for flower-delivery services.

34 In that situation, the proprietor of the trade mark is entitled to prevent that use only if it is liable to have an adverse effect on one of the functions of the mark ([Google France and Google, paragraph 79](#), [BergSpechte, paragraph 21](#); see also [Case C-487/07 L'Oréal and Others \[2009\] ECR I-5185, paragraph 60](#), and [Case C-558/08 Portakabin \[2010\] ECR I-0000, paragraph 29](#)).

35 Interflora submits that that condition must, in accordance with an already established body of case-law, be understood as meaning that paragraph 1(a) of Article 5 of Directive 89/104 and of Article 9 of Regulation No 40/94 protects the trade mark proprietor against any adverse effect on any of the functions of the mark. According to M & S, however, such an interpretation does not follow unambiguously from the case-law and risks creating an imbalance as between the interest in protecting intellectual property and the interest in free competition. The European Commission, for its part, submits that paragraph 1(a) protects the trade mark proprietor solely against acts affecting the mark's function of providing an indication of origin. In its submission, the trade mark's other functions can, at most, play a role in the interpretation of Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94, which concern the rights conferred by trade marks with a reputation.

36 It follows from the wording of Article 5(1) of Directive 89/104 and from the tenth recital in the preamble thereto that the laws of the Member States have been harmonised inasmuch as the exclusive right conferred by a trade mark affords the proprietor of the mark 'absolute' protection against the use by third parties of signs which are identical with that mark in relation to identical goods or services, whilst, where there is not identity on two counts, only the existence of a

likelihood of confusion enables the proprietor to rely successfully on its exclusive right. That distinction between the protection conferred by Article 5(1)(a) and that provided for in Article 5(1)(b) was espoused, so far as the Community trade mark is concerned, by the seventh recital to, and Article 9(1) of, Regulation No 40/94.

37 Although the European Union legislature described as 'absolute' the protection against the unauthorised use of signs identical with a trade mark in relation to goods or services identical with those for which the mark is registered, the Court has put that description into perspective by stating that, as extensive as it may be, the protection conferred by Article 5(1)(a) of Directive 89/104 is intended solely to enable the trade mark proprietor to protect its specific interests as proprietor of the mark, that is to say, to ensure that the trade mark can fulfil its functions. The Court has concluded that the exercise of the exclusive right conferred by the trade mark must be reserved to cases in which a third party's use of the sign adversely affects, or is liable adversely to affect, the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods ([see Case C-206/01 Arsenal Football Club \[2002\] ECR I-10273, paragraph 51](#)).

38 That interpretation of Article 5(1)(a) of Directive 89/104 has been restated on many occasions and applied in relation to Article 9(1)(a) of Regulation No 40/94 (see, inter alia, as regards [Directive 89/104, Case C-17/06 Céline \[2007\] ECR I-7041, paragraph 16](#), and [Case C-533/06 O2 Holdings and O2 \(UK\) \[2008\] ECR I-4231, paragraph 57](#), and, as regards Regulation No 40/94, [the order in Case C-62/08 UDV North America \[2009\] ECR I-1279, paragraph 42](#), and [Google France and Google, paragraph 75](#)). There has been further clarification of that interpretation to the effect that those provisions enable the proprietor of the trade mark to rely on its exclusive right where there is, or is liable to be, an adverse effect on one of the functions of the trade mark, irrespective of whether the function concerned is the essential function of indicating the origin of the product or service covered by the trade mark or one of the other functions of the mark, such as that of guaranteeing the quality of that product or service or that of communication, investment or advertising ([L'Oréal and Others, paragraphs 63 and 65](#), and [Google France and Google, paragraphs 77 and 79](#)).

39 With regard to the functions of the trade mark other than that of indicating origin, it should be noted that both the European Union legislature – by using the words 'in particular' in the tenth recital to Directive 89/104 and in the seventh recital to Regulation No 40/94 – and the Court – by using since its [judgment in Arsenal Football Club](#) the words 'functions of the trade mark' – have indicated that a trade mark's function of indicating origin is not the only function of the mark that is worthy of protection against injury by third parties. They have thus taken into account the fact that a trade mark is often, in addition to an indication of the

origin of the goods or services, an instrument of commercial strategy used, inter alia, for advertising purposes or to acquire a reputation in order to develop consumer loyalty.

40 Admittedly, a trade mark is always supposed to fulfil its function of indicating origin, whereas it performs its other functions only in so far as its proprietor uses it to that end, in particular for the purposes of advertising or investment. However, that difference between the essential function of the trade mark and its other functions can in no way justify – when a trade mark fulfils one or more of those other functions – excluding from the scope of Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94 acts adversely affecting those functions. Likewise, there are no grounds for holding that only trade marks with a reputation are capable of having functions other than that of indicating origin.

41 It is in the light of both the foregoing considerations and the more detailed interpretative guidance provided below that it will be for the referring court to consider whether the condition of an adverse effect on one of the functions of the trade mark is met.

42 With regard to the use, in the context of an internet referencing service, of signs identical to trade marks as keywords in relation to goods or services identical to those for which the trade mark is registered, the Court has already held that, in addition to the function of indicating origin, that of advertising may prove relevant (see *Google France and Google*, paragraph 81). That consideration is equally valid in this instance, *Interflora* having, however, also claimed that its trade mark's 'investment' function has been adversely affected.

43 It is therefore appropriate to provide the referring court with guidance on interpretation in relation to the trade mark's function of indicating origin, its advertising function and its 'investment' function. Adverse effect on the function of indicating origin

44 The question whether a trade mark's function of indicating origin is adversely affected when internet users are shown, on the basis of a keyword identical with the mark, a third party's advertisement, such as that of a competitor of the trade mark proprietor, depends in particular on the manner in which that advertisement is presented. That function is adversely affected if the advertisement does not enable reasonably well-informed and reasonably observant internet users, or enables them only with difficulty, to ascertain whether the goods or services referred to by the advertisement originate from the proprietor of the trade mark or an undertaking economically connected to it or, on the contrary, originate from a third party (*Google France and Google*, paragraphs 83 and 84, and *Portakabin*, paragraph 34). In such a situation, which is, moreover, characterised by the fact that the advertisement appears immediately after the trade mark has been entered as a search term and is displayed at a point when the trade mark is, in its capacity as a search term, also displayed on the screen, the internet user may be mistaken as to the origin of the goods or services in question (*Google France and Google*, paragraph 85).

45 Where a third party's advertisement suggests that there is an economic link between that third party and the proprietor of the trade mark, the conclusion must be that there is an adverse effect on that mark's function of indicating origin. Similarly, where the advertisement, while not suggesting the existence of an economic link, is vague to such an extent on the origin of the goods or services at issue that reasonably well-informed and reasonably observant internet users are unable to determine, on the basis of the advertising link and the commercial message attached thereto, whether the advertiser is a third party vis-à-vis the proprietor of the trade mark or whether, on the contrary, it is economically linked to that proprietor, the conclusion must be that there is an adverse effect on that function of the trade mark (*Google France and Google*, paragraphs 89 and 90, and *Portakabin*, paragraph 35).

46 It is for the referring court to assess whether, on the facts of the dispute before it, the trade mark's function of indicating origin as described in the preceding paragraphs is, or is liable to be, adversely affected (see, by analogy, *Google France and Google*, paragraph 88).

47 For the purposes of that assessment, the fact, alluded to in point (b) of question 4, that the referencing service provider has not permitted trade mark proprietors to prevent the selection of a sign identical with that trade mark as a keyword is irrelevant. As the Advocate General observes at point 40 of his Opinion, only the opposite case – in which the referencing service provider gives trade mark proprietors such an option – could have legal consequences inasmuch as, in that case and under certain conditions, a failure on the part of those proprietors, when signs identical with their trade marks are selected as keywords, to object to such selection could be regarded as tacit consent on their part. However, the fact that the trade mark proprietor has neither been asked for its consent nor given it (as is the case in the main proceedings) merely confirms that a sign identical with its trade mark has been used without its consent.

48 By contrast, a situation such as that described in question 4(a) may be relevant for the purpose of applying the rule set out in Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94.

49 Indeed, if the referring court's assessments of the facts were to show that M & S's advertising, displayed in response to searches performed by internet users using the word 'Interflora', may lead those users to believe, incorrectly, that the flower-delivery service offered by M & S is part of *Interflora's* commercial network, it would have to be concluded that that advertising does not allow it to be determined whether M & S is a third party in relation to the proprietor of the trade mark or whether, on the contrary, it is economically linked to that proprietor. In those circumstances, the function of the *INTERFLORA* trade mark of indicating origin would be adversely affected.

50 In that context, as has been observed at paragraph 44 of this judgment, 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.

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 and, second, should it become apparent that that is not generally known, whether M & S's advertisement enabled that internet user to tell that the service concerned does not belong to the Interflora network.

52 In particular, the referring court may take into account that, in the present case, the commercial network of the trade mark proprietor is composed of a large number of retailers which vary greatly in terms of size and commercial profile. The Court considers that, in such circumstances, it may be particularly difficult for the reasonably well-informed and reasonably observant internet user to determine, in the absence of any indication from the advertiser, whether or not the advertiser – whose advertisement is displayed in response to a search using that trade mark as a search term – is part of that network.

53 Having regard to that situation and to the other matters that it may consider relevant, the referring court will, in the absence of any general knowledge such as that referred to at paragraph 51 of this judgment, have to determine whether or not the use of words such as 'M & S Flowers' in an advertisement such as the one set out at paragraph 19 of this judgment is sufficient to enable a reasonably well-informed and reasonably observant internet user who has entered search terms including the word 'Interflora' to tell that the flower-delivery service offered does not originate from Interflora.

Adverse effect on the advertising function

54 With regard to the advertising function, the Court has already had occasion to state that use of a sign identical with another person's trade mark in a referencing service such as 'AdWords' does not have an adverse effect on that function of the trade mark ([Google France and Google, paragraph 98](#), and [BergSpechte, paragraph 33](#)).

55 It is true that such use may have repercussions on the advertising use of a word mark by its proprietor. 56 In particular, when that proprietor registers its own trade mark as a keyword with a referencing service provider in order to have an advertisement appear under the heading 'sponsored links', it will sometimes – if its trade mark has also been selected as a keyword by a competitor – have to pay a higher price per click than the competitor if it wishes to ensure that its advertisement appears before that of the competitor ([Google France and Google, paragraph 94](#)).

57 However, the mere fact that the use, by a third party, of a sign identical with a trade mark in relation to goods or services identical with those for which that

mark is registered obliges the proprietor of that mark to intensify its advertising in order to maintain or enhance its profile with consumers is not a sufficient basis, in every case, for concluding that the trade mark's advertising function is adversely affected. In that regard, although the trade mark is an essential element in the system of undistorted competition which European law seeks to establish (see, in particular, Case C-59/08 Copad [2009] ECR I-3421, paragraph 22), its purpose is not, however, to protect its proprietor against practices inherent in competition.

58 Internet advertising on the basis of keywords corresponding to trade marks constitutes such a practice in that its aim, as a general rule, is merely to offer internet users alternatives to the goods or services of the proprietors of those trade marks (see, to that effect, [Google France and Google, paragraph 69](#)).

59 The selection of a sign identical with another person's trade mark, in a referencing service with the characteristics of 'AdWords', does not, moreover, have the effect of denying the proprietor of that trade mark the opportunity of using its mark effectively to inform and win over consumers (see, in that regard, [Google France and Google, paragraphs 96 and 97](#)).

Adverse effect on the 'investment' function

60 In addition to its function of indicating origin and, as the case may be, its advertising function, a trade mark may also be used by its proprietor to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty.

61 Although that function of a trade mark – called the 'investment function' – may overlap with the advertising function, it is none the less distinct from the latter. Indeed, when the trade mark is used to acquire or preserve a reputation, not only advertising is employed, but also various commercial techniques.

62 When the use by a third party, such as a competitor of the trade mark proprietor, of a sign identical with the trade mark in relation to goods or services identical with those for which the mark is registered substantially interferes with the proprietor's use of its trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty, the third party's use must be regarded as adversely affecting the trade mark's investment function. The proprietor is, as a consequence, entitled to prevent such use under Article 5(1)(a) of Directive 89/104 or, in the case of a Community trade mark, under Article 9(1)(a) of Regulation No 40/94.

63 In a situation in which the trade mark already enjoys such a reputation, the investment function is adversely affected where use by a third party of a sign identical with that mark in relation to identical goods or services affects that reputation and thereby jeopardises its maintenance. As the Court has already held, the proprietor of a trade mark must be able, by virtue of the exclusive right conferred upon it by the mark, to prevent such use ([Case C-324/09 L'Oréal and Others \[2011\] ECR I-0000, paragraph 83](#)).

64 However, it cannot be accepted that the proprietor of a trade mark may – in conditions of fair competition

that respect the trade mark's function as an indication of origin – prevent a competitor from using a sign identical with that trade mark in relation to goods or services identical with those for which the mark is registered, if the only consequence of that use is to oblige the proprietor of that trade mark to adapt its efforts to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty. Likewise, the fact that that use may prompt some consumers to switch from goods or services bearing that trade mark cannot be successfully relied on by the proprietor of the mark.

65 It is in the light of those considerations that it will be for the referring court to determine whether the use, by M & S, of the sign identical with the INTERFLORA trade mark jeopardises the maintenance by Interflora of a reputation capable of attracting consumers and retaining their loyalty.

66 The answer to questions 1, 2, 3(a) and 4 is therefore that Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94 must be interpreted as meaning that the proprietor of a trade mark is entitled to prevent a competitor from advertising – on the basis of a keyword which is identical with the trade mark and which has been selected in an internet referencing service by the competitor without the proprietor's consent – goods or services identical with those for which that mark is registered, where that use is liable to have an adverse effect on one of the functions of the trade mark. Such use:

– adversely affects the trade mark's function of indicating origin where the advertising displayed on the basis of that keyword does not enable reasonably well-informed and reasonably observant internet users, or enables them only with difficulty, to ascertain whether the goods or services concerned by the advertisement originate from the proprietor of the trade mark or an undertaking economically linked to that proprietor or, on the contrary, originate from a third party;

– does not adversely affect, in the context of an internet referencing service having the characteristics of the service at issue in the main proceedings, the trade mark's advertising function; and

– adversely affects the trade mark's investment function if it substantially interferes with the proprietor's use of its trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty.

The question relating to Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94

67 By point (b) of question 3, read in conjunction with questions 1 and 2, the referring court asks, in essence, whether Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94 must be interpreted as meaning that the proprietor of a trade mark with a reputation is entitled to prevent a competitor from basing its advertising on a keyword corresponding to that trade mark which the competitor has, without the proprietor's consent, selected in an internet referencing service.

68 With regard, first, to the applicability of the rules set out in Article 5(2) of Directive 89/104 and Article

9(1)(c) of Regulation No 40/94, it is settled case-law that, even though those provisions make express reference only to the situation in which use is made of a sign which is identical with, or similar to, a trade mark with a reputation in relation to goods or services which are not similar to those for which the trade mark is registered, the protection provided for there applies, a fortiori, also in relation to use of a sign which is identical with, or similar to, a trade mark with a reputation in relation to goods or services which are identical with or similar to those for which the mark is registered (see, *inter alia*, [Case C-292/00 Davidoff](#) [2003] ECR I-389, paragraph 30; [Case C-408/01 Adidas-Salomon and Adidas Benelux](#) [2003] ECR I-12537, paragraphs 18 to 22, and [Google France and Google](#), paragraph 48).

69 Since the INTERFLORA trade mark has a reputation and since M & S's use of a sign identical with that mark as a keyword was made, as has been stated at paragraph 33 of this judgment, in relation to a service identical with that for which that mark has been registered, Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94 apply in the case before the referring court. It is clear, moreover, from the order for reference that the applicable United Kingdom legislation includes the rule set out in Article 5(2) of Directive 89/104.

70 With regard, second, to the extent of the protection conferred on proprietors of trade marks with a reputation, it is clear from the wording of the abovementioned provisions that the proprietors of such marks are entitled to prevent the use by third parties, in the course of trade, without their consent and without due cause, of signs identical with or similar to those trade marks where that use takes unfair advantage of the distinctive character or the repute of the trade mark or is detrimental to that distinctive character or repute.

71 The exercise of that right by the proprietor of the trade mark with a reputation is not conditional upon there being a likelihood of confusion on the part of the relevant section of the public ([Adidas-Salomon and Adidas Benelux](#), paragraph 31, and [Case C-487/07 L'Oréal and Others](#), paragraph 36). Moreover, in so far as Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94 require there to be some degree of similarity between the trade mark at issue and the sign used by the third party, it is sufficient to note that that condition is met in the present case, given the close correspondence between (i) the sign 'Interflora' and the variants used by M & S and (ii) the trade mark INTERFLORA.

72 The types of injury against which Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94 provide protection are, first, detriment to the distinctive character of the trade mark, second, detriment to the repute of that mark and, third, unfair advantage taken of the distinctive character or the repute of the mark, just one of those types of injury sufficing for the rule set out in those provisions to apply (see [Case C-487/07 L'Oréal and Others](#), paragraphs 38 and 42).

73 Detriment to the distinctive character of a mark with a reputation, also referred to as, *inter alia*, ‘dilution’, is caused when that mark’s ability to identify the goods or services for which it is registered is weakened, whilst detriment to the repute of the mark, also referred to as, *inter alia*, ‘tarnishment’, is caused when the goods or services for which the identical or similar sign is used by the third party may be perceived by the public in such a way that the trade mark’s power of attraction is reduced (see [Case C-487/07 L’Oréal and Others, paragraphs 39 and 40](#)).

74 For its part, the concept of ‘taking unfair advantage of the distinctive character or the repute of the trade mark’, also referred to as, *inter alia*, ‘free-riding’, relates not to the detriment caused to the mark but to the advantage taken by the third party as a result of the use of the identical or similar sign. It covers, in particular, cases where, by reason of a transfer of the image of the mark or of the characteristics which it projects to the goods identified by the identical or similar sign, there is clear exploitation on the coat-tails of the mark with a reputation ([Case C-487/07 L’Oréal and Others, paragraph 41](#)).

75 It is clear from the explanation provided in response to the request for clarification mentioned at paragraph 20 of this judgment, that the referring court is not seeking an interpretation of the concept of detriment to the repute of the mark (tarnishment). Rather, it wishes to ascertain under what conditions an advertiser who causes to be displayed – on the basis of a sign identical to a trade mark with a reputation which it has selected without the consent of the proprietor of that mark in an internet referencing service – an advertising link towards its website must be regarded as causing detriment to the distinctive character of the mark with a reputation (dilution) or as taking unfair advantage of the distinctive character or repute of that trade mark (free-riding). Detriment to the distinctive character of a trade mark with a reputation (dilution)

76 As the Advocate General states at paragraph 80 of his Opinion, detriment is caused to the distinctive character of a trade mark with a reputation when the use of a sign identical with or similar to that mark reduces the ability of the mark to distinguish the goods or services of its proprietor from those which have a different origin. At the end of the process of dilution, the trade mark is no longer capable of creating an immediate association, in the minds of consumers, with a specific commercial origin.

77 For the proprietor of a trade mark with a reputation to be effectively protected against that type of injury, Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94 must be interpreted as entitling the proprietor to prevent all use of a sign identical with or similar to that trade mark which reduces the distinctiveness of the mark, 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.

78 In support of its contention that detriment is caused to its trade mark’s distinctive character, *Interflora* maintains that the use by M & S and other undertakings

of the word ‘*Interflora*’ within a referencing service such as that at issue in the main proceedings gradually persuades internet users that the word is not a trade mark designating the flower-delivery service provided by florists in the *Interflora* network but is a generic word for any flower-delivery service.

79 It is true that the use, by a third party in the course of trade, of a sign identical with or similar to a trade mark with a reputation reduces the latter’s distinctiveness and is thus detrimental to the distinctive character of that trade mark for the purposes of Article 5(2) of Directive 89/104 or, in the case of a Community trade mark, of Article 9(1)(c) of Regulation No 40/94, when it contributes to turning the trade mark into a generic term.

80 However, contrary to *Interflora*’s contention, the selection of a sign which is identical with or similar to a trade mark with a reputation as a keyword within an internet referencing service does not necessarily contribute to such a development.

81 Thus, when the use, as a keyword, of a sign corresponding to a trade mark with a reputation triggers the display of an advertisement which enables the reasonably well-informed and reasonably observant internet user to tell that the goods or services offered originate not from the proprietor of the trade mark but, on the contrary, from a competitor of that proprietor, the conclusion will have to be that the trade mark’s distinctiveness has not been reduced by that use, the latter having 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.

82 Accordingly, if the referring court were to conclude that the advertising triggered by virtue of M & S’s use of the sign identical with the INTERFLORA trade mark did enable the reasonably well-informed and reasonably observant internet user to tell that the service promoted by M & S is independent from that of *Interflora*, *Interflora* could not successfully argue, relying on the rules in Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94, that that use has contributed to turning the trade mark into a generic term.

83 If, on the other hand, the referring court were to conclude that the advertising triggered by the use of the sign identical to the INTERFLORA trade mark did not enable the reasonably well-informed and reasonably observant internet user to tell that the service promoted by M & S is independent from that of *Interflora* and if *Interflora* were to seek moreover from the referring court, in addition to a finding that the mark’s function of indicating origin has been adversely affected, a finding that M & S has also caused detriment to the distinctive character of the INTERFLORA trade mark by contributing to turning it into a generic term, it would fall to the referring court to determine, on the basis of all the evidence submitted to it, whether the selection of signs corresponding to the trade mark INTERFLORA as keywords on the internet has had such an impact on the market for flower-delivery services that the word ‘*Interflora*’ has come to designate, in the consumer’s mind, any flower-delivery service.

Unfair advantage taken of the distinctive character or the repute of the trade mark (free-riding)

84 As the Court has already held, an advertiser which has selected in an internet referencing service a keyword corresponding to another person's trade mark intends that internet users who enter that word as a search term should click not only on the links displayed which come from the proprietor of the trade mark, but also on the advertising link of the advertiser (Google France and Google, paragraph 67).

85 It is also apparent that the fact that a trade mark enjoys a reputation makes it likely that a large number of internet users will use the name of that mark as a keyword when carrying out an internet search to find information or offers relating to the goods or services covered by that trade mark.

86 In those circumstances, as the Advocate General observes at paragraph 96 of his Opinion, it cannot be denied that, where a competitor of the proprietor of a trade mark with a reputation selects that trade mark as a keyword in an internet referencing service, the purpose of that use is to take advantage of the distinctive character and repute of the trade mark. In fact, that selection is liable to create a situation in which the probably large number of consumers using that keyword to carry out an internet search for goods or services covered by the trade mark with a reputation will see that competitor's advertisement displayed on their screens.

87 Nor can it be denied that, when internet users, having studied the competitor's advertisement, purchase the product or service offered by the competitor instead of that of the proprietor of the trade mark to which their search originally related, that competitor derives a real advantage from the distinctive character and repute of the trade mark.

88 Furthermore, it is not disputed that, in the context of a referencing service, an advertiser which selects signs identical with or similar to the trade marks of other persons does not, as a general rule, pay the proprietors of the trade marks any compensation in respect of that use.

89 It is clear from those particular aspects of the selection as internet keywords of signs corresponding to trade marks with a reputation which belong to other persons that such a selection can, in the absence of any 'due cause' as referred to in Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94, be construed as a use whereby the advertiser rides on the coat-tails of a trade mark with a reputation 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. If that is the case, the advantage thus obtained by the third party must be considered to be unfair (Case C-487/07 L'Oréal and Others, paragraph 49).

90 As the Court has already stated, that is particularly likely to be the conclusion in cases in which internet advertisers offer for sale, by means of the selection of

keywords corresponding to trade marks with a reputation, goods which are imitations of the goods of the proprietor of those marks (Google France and Google, paragraphs 102 and 103).

91 By contrast, where the advertisement displayed on the internet on the basis of a keyword corresponding to a trade mark with a reputation puts forward – without offering a mere imitation of the goods or services of the proprietor of that trade mark, without causing dilution or tarnishment and without, moreover, adversely affecting the functions of the trade mark concerned – an alternative to the goods or services of the proprietor of the trade mark with a reputation, it must be concluded that such use falls, as a rule, within the ambit of fair competition in the sector for the goods or services concerned and is thus not without 'due cause' for the purposes of Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94.

92 It is for the referring court to determine, in the light of the foregoing interpretative guidance, whether, on the particular facts of the dispute in the main proceedings, there is use of the sign without due cause which takes unfair advantage of the distinctive character of the repute of the trade mark INTERFLORA.

93 It follows from the foregoing that the answer to question 3(b) is that Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94 must be interpreted as meaning that the proprietor of a trade mark with a reputation is entitled to prevent a competitor from advertising on the basis of a keyword corresponding to that trade mark, which the competitor has, without the proprietor's consent, selected in an internet referencing service, where the competitor thereby takes unfair advantage of the distinctive character or repute of the trade mark (free-riding) or where the advertising is detrimental to that distinctive character (dilution) or to that repute (tarnishment).

94 Advertising on the basis of such a keyword is detrimental to the distinctive character of a trade mark with a reputation (dilution) if, for example, it contributes to turning that trade mark into a generic term.

95 By contrast, the proprietor of a trade mark with a reputation is not entitled to prevent, inter alia, advertisements displayed by competitors on the basis of keywords corresponding to that trade mark, which put forward – without offering a mere imitation of the goods or services of the proprietor of that trade mark, without causing dilution or tarnishment and without, moreover, adversely affecting the functions of the trade mark with a reputation – an alternative to the goods or services of the proprietor of that mark.

Costs

96 Since these proceedings are, for the parties to the main proceedings, a step in the action pending before the national court, the decision on costs is a matter for that court. Costs incurred in submitting observations to the Court, other than the costs of those parties, are not recoverable.

On those grounds, the Court (First Chamber) hereby rules:

1. Article 5(1)(a) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks and Article 9(1)(a) of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark must be interpreted as meaning that the proprietor of a trade mark is entitled to prevent a competitor from advertising – on the basis of a keyword which is identical with the trade mark and which has been selected in an internet referencing service by the competitor without the proprietor’s consent – goods or services identical with those for which that mark is registered, where that use is liable to have an adverse effect on one of the functions of the trade mark. Such use:

– adversely affects the trade mark’s function of indicating origin where the advertising displayed on the basis of that keyword does not enable reasonably well-informed and reasonably observant internet users, or enables them only with difficulty, to ascertain whether the goods or services concerned by the advertisement originate from the proprietor of the trade mark or an undertaking economically linked to that proprietor or, on the contrary, originate from a third party;

– does not adversely affect, in the context of an internet referencing service having the characteristics of the service at issue in the main proceedings, the trade mark’s advertising function; and

– adversely affects the trade mark’s investment function if it substantially interferes with the proprietor’s use of its trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty.

2. Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94 must be interpreted as meaning that the proprietor of a trade mark with a reputation is entitled to prevent a competitor from advertising on the basis of a keyword corresponding to that trade mark, which the competitor has, without the proprietor’s consent, selected in an internet referencing service, where the competitor thereby takes unfair advantage of the distinctive character or repute of the trade mark (free-riding) or where the advertising is detrimental to that distinctive character (dilution) or to that repute (tarnishment).

Advertising on the basis of such a keyword is detrimental to the distinctive character of a trade mark with a reputation (dilution) if, for example, it contributes to turning that trade mark into a generic term.

By contrast, the proprietor of a trade mark with a reputation is not entitled to prevent, inter alia, advertisements displayed by competitors on the basis of keywords corresponding to that trade mark, which put forward – without offering a mere imitation of the goods or services of the proprietor of that trade mark, without causing dilution or tarnishment and without, moreover, adversely affecting the functions of the trade mark with a reputation – an alternative to the goods or services of the proprietor of that mark.

[Signatures]

* Language of the case: English.

Opinion of Advocate General Jääskinen

delivered on 24 March 2011 (1)

Case C-323/09

Interflora Inc

Interflora British Unit

v

Marks & Spencer plc

Flowers Direct Online Limited

(Reference for a preliminary ruling from the High Court of Justice of England and Wales, Chancery Division (United Kingdom)) (Trade marks – Keyword advertising corresponding to the trade mark of a competitor of the advertiser – Trade marks with a reputation – Blurring – Tarnishment – Free-riding – Directive 89/104 – Article 5(2) – Regulation No 40/94 – Article 9(1)(c))

I – Introduction

1. This case represents the latest preliminary reference in the chain of cases relating to keyword advertising on an internet search engine.

2. The parties in the national proceedings offer a delivery service of flowers. The applicant companies in the national proceedings (hereinafter jointly referred to as ‘Interflora’) claim that the defendant, Marks & Spencer, (2) is infringing the INTERFLORA trademark, (3) in essence by having bought various strings of signs corresponding to or resembling that trade mark as keywords in the AdWords advertising service offered by Google.

3. The four preliminary questions can be divided into two groups.

4. The first group of questions concerns the rights conferred to all trade marks. The relevant provisions are set out in Article 5(1) of the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (4) and the corresponding provision in Article 9(1)(a) of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark. (5) For this group of questions, the replies can be found in the judgments given in 2010 in *Google France and Google*, (6) followed by *BergSpechte, eis.de and Portakabin*. (7) These cases related to the ‘use’ by competitors, in internet search engine advertising services, of signs identical to the trademarks owned by the applicants in the cases. (8)

5. The second group of questions is the novelty of this case: these questions concern the protection of trade marks with a reputation. As regards such marks, a more extensive protection may be granted by Member States by virtue of Article 5(2) of Directive 89/109. This extended protection for trade marks with a reputation (9), which is also foreseen in Article 9(1)(c) of Regulation No 40/94 for Community trade marks, has been subject to less case-law of the Court than the general protection referred to in the previous point. The new issues here relate to the protection of a trademark with a reputation and the question under which conditions a competitor blurs that mark (dilution by blurring) or takes unfair

advantage thereof (free-riding) when that competitor buys a corresponding keyword in an internet advertisement service. (10)

6. In fact, the word ‘Interflora’ has three different functions in this case. First, it is a search term which can be typed into an internet search engine by choice by any internet user. Second, it is a keyword, which advertisers have bought from the advertising service of an internet search engine operator in order to trigger a given advertisement to be displayed. Third, it is a meaningful symbol that has been registered and is being used as a trade mark denoting that certain goods or services come from a single commercial source.

7. It should be mentioned in this context that the Commission has criticised aspects of the Court’s case-law concerning trade mark functions other than the indication of origin function because they find it erroneous and problematic from the point of view of legal certainty. However, it would seem that only the function relating to the indication of origin of goods or services is relevant to the application of Article 5(1)(a) of Directive 89/104 in this preliminary reference. Neither does the interpretation of Article 5(2) of Directive 89/104 seem to lead in this case to an unreasonably wide protection of the interests of the trade mark proprietor. Therefore, I do not find it necessary to dwell further on the subject.

8. Having said this it cannot be denied that the Court finds itself at a rather challenging situation as to the acceptability of its case-law relating to Article 5 of Directive 89/104 also in view of the criticism presented by numerous academic commentators and leading national trade mark judges. (11)

9. However, in my opinion these issues partly stem from the problematic drafting of Article 5 of Directive 89/104. Therefore the actual situation might be better remedied by appropriate legislative measures than a reorientation of case-law, as the example of the development of the United States federal legislation on trade mark dilution shows. (12) I observe that the Commission in December 2010 received a study relating to the overall functioning of the trade mark system in Europe, and further steps in this area can hopefully be expected. (13)

II – Legal framework

A – Directive 89/104

10. The first recital in the preamble to Directive 89/104 provides: (14)

‘... the trade mark laws at present applicable in the Member States contain disparities which may impede the free movement of goods and freedom to provide services and may distort competition within the common market; ... it is therefore necessary, in view of the establishment and functioning of the internal market, to approximate the laws of Member States’.

11. The ninth recital in the preamble to Directive 89/104 states:

‘... it is fundamental, in order to facilitate the free circulation of goods and services, to ensure that henceforth registered trade marks enjoy the same protection under the legal systems of all the Member States; ...

this should however not prevent the Member States from granting at their option extensive protection to those trade marks which have a reputation’.

12. The 10th recital in the preamble to Directive 89/104 provides:

‘... 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, is absolute in the case of identity between the mark and the sign and goods or services; ... the protection applies also in case of similarity between the mark and the sign and the goods or services; ... it is indispensable to give an interpretation of the concept of similarity in relation to the likelihood of confusion; ... 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, of the association which can be made with the used or registered sign, of the degree of similarity between the trade mark and the sign and between the goods or services identified, constitutes the specific condition for such protection; ... the ways in which likelihood of confusion may be established, and in particular the onus of proof, are a matter for national Procedural rules which are not prejudiced by the Directive’.

13. Article 5 of Directive 89/104, headed ‘Rights conferred by a trade mark’, provides: (15) (16)

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

(a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;

(b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark.

2. Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are 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, inter alia, may be prohibited under paragraphs 1 and 2:

...

(b) offering the goods, or putting them on the market or stocking them for these purposes under that sign, or offering or supplying services thereunder;

...

(d) using the sign on business papers and in advertising.

...

5. Paragraphs 1 to 4 shall not affect provisions in any Member State relating to the protection against the use of a sign other than 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.'

B – Regulation No 40/94

14. The 7th recital in the preamble to Regulation No 40/94 (17) is mutatis mutandis identical with the 10th recital in the preamble to Directive 89/104. Articles 8(5), 9 and 12(1) of Regulation No 40/94 correspond in substance with Articles 4(4), 5 and 6(1) of Directive 89/104.

15. Article 9 ('Rights conferred by a Community trade mark') of Regulation No 40/94 reads as follows:

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

(a) any sign which is identical with the Community trade mark in relation to goods or services which are identical with those for which the Community trade mark is registered;

(b) any sign where, because of its identity with or similarity to the Community trade mark and the identity or similarity of the goods or services covered by the Community trade mark and the sign, 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) any sign which is identical with or similar to the Community trade mark in relation to goods or services which are not similar to those for which the Community trade mark is registered, where the latter has a reputation in the Community 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 Community trade mark.

2. The following, inter alia, may be prohibited under paragraph 1:

...

(b) offering the goods, putting them on the market or stocking them for these purposes under that sign, or offering or supplying services thereunder;

...

(d) using the sign on business papers and in advertising.'

III – The dispute in the main proceedings and the questions referred for a preliminary ruling

A – The 'AdWords' referencing service

16. Google operates an internet search engine. When an internet user performs a search on the basis of one or more words, the search engine will display the sites which appear best to correspond to those words, in decreasing order of relevance. These are referred to as the 'natural' results of the search.

17. In addition, Google offers a paid referencing service called 'AdWords'. That service enables any economic operator, by means of the reservation of one or more keywords, to obtain the placing, in the event of a

correspondence between one or more of those words and that/those entered as a request in the search engine by an internet user, of an advertising link to its site. That advertising link appears under the heading 'sponsored links', which is displayed either on the right-hand side of the screen, to the right of the natural results, or on the upper part of the screen, above the natural results.

18. That advertising link is accompanied by a short commercial message. Together, that link and that message constitute the advertisement ('ad') displayed under the heading 'sponsored links'.

19. A fee for the referencing service is payable by the advertiser for each click on the advertising link. That fee is calculated on the basis, in particular, of the 'maximum price per click' which the advertiser agreed to pay when concluding with Google the contract for the referencing service, and on the basis of the number of times that link is clicked on by internet users.

20. A number of advertisers can reserve the same keyword. The order in which their advertising links are then displayed is determined according to, in particular, the maximum price per click, the number of previous clicks on those links and the quality of the ad as assessed by Google. The advertiser can at any time improve its ranking in the display by fixing a higher maximum price per click or by trying to improve the quality of its ad.

21. Google has set up an automated process for the selection of keywords and the creation of ads. Advertisers select the keywords, draft the commercial message, and input the link to their site.

B – The use of keywords in the dispute in the main proceedings

22. Interflora Inc., a company incorporated in the State of Michigan (United States of America), operates a worldwide flower delivery network. Interflora British Unit is a licensee of Interflora Inc.

23. The Interflora network is made up of independent florists with whom orders may be placed in person or by telephone. However, Interflora also has websites that enable orders to be placed via the internet, orders which are fulfilled by the network member closest to the address to which the flowers are to be delivered. The address of the main website is www.interflora.com. That site redirects to country-specific websites such as www.interflora.co.uk.

24. INTERFLORA is a national trade mark in the United Kingdom and also a Community trade mark. (18) It is common ground that those marks have a substantial reputation in the United Kingdom and in other Member States of the European Union.

25. Marks & Spencer plc, a company governed by English law, is one of the main retailers in the United Kingdom. It retails a wide range of goods and supplies services through its network of shops and via its website www.marksandspencer.com. One of its activities is the sale and delivery of flowers. That commercial activity is in competition with that of Interflora. Marks & Spencer is not part of the Interflora network.

26. In connection with the ‘AdWords’ referencing service, Marks & Spencer reserved the keyword ‘interflora’, as well as variants made up of that keyword with ‘minor errors’, and expressions containing the word interflora (such as ‘interflora flowers’, ‘interflora delivery’, ‘interflora.com’, ‘interflora co uk’), as keywords. (19)

27. Consequently, when internet users entered the word ‘interflora’ or one of those variants or expressions as a search term in the Google search engine a Marks & Spencer ad appeared under the heading ‘sponsored links’.

28. It is common ground that the ad displayed did not contain any expressions referring to Interflora chosen as keyword; neither did the ad display Interflora’s trade mark in any other way.

29. After establishing these facts, Interflora brought an action against Marks & Spencer for infringement of its trade mark rights before the national court, which decided to stay the proceedings and refer a number of questions to the Court for a preliminary ruling.

C – The questions referred for a preliminary ruling

30. By order of 16 July 2009, the High Court of Justice of England and Wales, Chancery Division (the ‘High Court’) referred 10 questions for a preliminary ruling, the first four of which are as follows:

‘(1) Where a trader which is a competitor of the proprietor of a registered trade mark and which sells goods and provides services identical to those covered by the trade mark via its website (i) selects a sign which is identical ... with the trade mark as a keyword for a search engine operator’s sponsored link service, (ii) nominates the sign as a keyword, (iii) associates the sign with the URL of its website, (iv) sets the cost per click that it will pay in relation to that keyword, (v) schedules the timing of the display of the sponsored link and (vi) uses the sign in business correspondence relating to the invoicing and payment of fees or the management of its account with the search engine operator, but the sponsored link does not itself include the sign or any similar sign, do any or all of these acts constitute “use” of the sign by the competitor within the meaning of Article 5(1)(a) of [Directive 89/104] and Article 9(1)(a) of [Regulation No 40/94]?’

(2) Is any such use “in relation to” goods and services identical to those for which the trade mark is registered within the meaning of Article 5(1)(a) of [Directive 89/104] and Article 9(1)(a) of [Regulation No 40/94]?’

(3) Does any such use fall within the scope of either or both of:

(a) Article 5(1)(a) of [Directive 89/104] and Article 9(1)(a) of [Regulation No 40/94]; and

(b) Article 5(2) of [Directive 89/104] and Article 9(1)(c) of [Regulation No 40/94]?’

(4) Does it make any difference to the answer to question 3 above if:

(a) the presentation of the competitor’s sponsored link in response to a search by a user by means of the sign in question is liable to lead some members of the public to believe that the competitor is a member of the trade

mark proprietor’s commercial network contrary to the fact; or

(b) the search engine operator does not permit trade mark proprietors in the relevant Member State ... to block the selection of signs identical to their trade marks as keywords by other parties?’

31. Following the judgment in *Google France and Google* and after receiving, by letter from the Registry of the Court of 23 March 2010, a request for clarification, the High Court, by decision of 29 April 2010 which was received at the Court on 9 June 2010, withdrew the 5th to 10th questions it had referred for a preliminary ruling, thus retaining only the first four questions quoted in the preceding point. The High Court also shortened question 3(b) to the wording retained in the preceding point.

32. Written observations were submitted by Interflora, Marks & Spencer, the Portuguese Republic and the Commission. With the exception of the Portuguese Republic, all these parties attended the hearing on 13 October 2010 and presented oral argument. For the purposes of the hearing, the Court had requested the parties to concentrate their pleadings on question 3(b).

IV – Analysis

A – General observations

33. For the purposes of the assessment of the two groups of questions outlined in the beginning, I shall first make some general observations in relation to the protection offered by Article 5 of Directive 89/104. I should also point out in limine that the questions will be examined solely in the light of Article 5(1)(a) and (2) of Directive 89/104, but that the interpretation reached at the end of that examination will apply *mutatis mutandis* to Article 9(1)(a) and (1)(c) of Regulation No 40/94. (20)

34. The protection offered for trade marks under Article 5 of Directive 89/104 concerns use of a sign for the purposes of distinguishing goods or services since paragraph 5 of the provision excludes protection offered by the Member States regarding other uses from its scope of application. As to the scope of the protection provided by the article, its paragraph 1 covers situations where the sign and trade mark in opposition are used in relation to the same or similar goods or services whereas this requirement is absent from paragraph 2.

35. The protection provided in Article 5(1)(a) of Directive 89/104 relating to identical signs and goods or services is ‘absolute’ in the sense that the trade mark proprietor does not need to show likelihood of confusion. (21) That, in contrast, is required for protection under Article 5(1)(b) covering situations where the ‘double identity’ between signs and goods or services is missing but the signs, goods or services or both are similar. By situations of double identity I refer to cases in which the rights of a trade mark proprietor are infringed by a third party using an identical sign for identical products. (22)

36. What Article 5(2) of Directive 89/104 adds for trade marks with a reputation is the following:

– it creates an option for further protection of certain trade marks, which the Member States may choose to

implement or not; the United Kingdom has implemented it, as well as numerous other Member States, if not all; (23)

– the protection it provides goes beyond the protection foreseen in Article 5(1);

– the protection is available only to trade marks with a reputation.

37. It should be pointed out here that in a rather apparent contradiction with the wording of Article 5(2) of Directive 89/104, the Court has ruled in Davidoff (24) and Adidas-Salomon and AdidasBenelux (25) that Article 5(2) of Directive 89/104 establishes specific protection in cases of use by a third party of a later mark or sign which is identical with or similar to the registered mark with a reputation, not only in relation to goods or services which are not similar, but also in relation to goods or services which are identical with or similar to those covered by that mark. (26)

B – Application of Article 5(1)(a) of Directive 89/104 [questions 1, 2, 3(a) and 4]

38. For questions 1, 2, 3(a) and 4 (in so far as it relates to question 3a) it is necessary to analyse the interpretation of Article 5(1)(a) of Directive 89/104 in a situation where an advertiser has chosen to use a keyword identical with a trademark, without the consent of the proprietor, in connection with a paid internet referencing service.

39. I recall that in the only judgment involving a search engine operator (Google France and Google) one of the central issues established was that a search engine operator or its paid referencing service are not ‘using’ signs similar to trade marks, thus their activities did not fall under Article 5(1) of Directive 89/104. (27)

40. In my opinion, it follows therefore that the attitude of the referencing service provider as to the possibility of the trade mark proprietor to forbid the use of its trade marks as keywords is irrelevant to the answers to be given to questions 1 to 3(a). The only trade mark law relevant point here is that if the referencing service operator gives such possibility to the trade mark proprietors it may in some cases be inferred that there is silent consent of the trade mark proprietor to the use of his trade marks as keywords. (28)

41. It also follows from the Google France and Google case-law that it is the advertiser who chooses a keyword identical to a trade mark of another and who uses the trade mark in relation, as the case may be, to his own goods or to those of the trade mark proprietor. This is liable to affect the origin function if the ad displayed in the sponsored link does not enable an average internet user, or enables said user only with difficulty, to ascertain whether the goods or services referred to originate from the proprietor of the trade mark or from an undertaking economically connected to it or, on the contrary, originate from a third party. (29)

42. As to the notion of use in relation to goods or services, it seems immaterial whether the resulting ad did display the trade mark or not. (30) For me it is obvious that an adverse effect to the origin function can be excluded if the ad in the sponsored link mentions the trade mark but effectively dissociates the advertiser

from it, for example by means of legitimate comparative advertising. However, at the outset an ad displayed in the sponsored link mentioning or reproducing the trade mark that was chosen as the keyword represents ‘using the sign on business papers and in advertising’ that can be forbidden by the trade mark proprietor under Article 5(3)(d) of Directive 89/104, unless Articles 6 or 7 of Directive 89/104 or provisions of the directive on comparative advertising apply. (31)

43. As the standard applied by the Court is liability of use to have an adverse effect on some of the trade mark functions, in this case the origin function, (32) it is necessary to analyse this use in concrete terms. If the trade mark is not mentioned in the ad, the significance of that issue depends in my opinion on the nature of goods and services protected by the trade mark taking into account not only the scope of protection registered for the trade mark but also the meaning and repute the trade mark has acquired through use in the minds of the relevant sector of the public.

44. The Court stated in Google France and Google that ‘*in most cases an internet user entering the name of a trade mark as a search term is looking for information or offers on the goods or services covered by that trade mark. Accordingly, when advertising links to sites offering goods or services of competitors of the proprietor of that mark are displayed beside or above the natural results of the search, the internet user may, if he does not immediately disregard those links as being irrelevant and does not confuse them with those of the proprietor of the mark, perceive those advertising links as offering an alternative to the goods or services of the trade mark proprietor.*’ (33)

45. In many cases display of commercial alternatives does not seem harmful for the origin function of the trade mark because the appearance of an ad in a sponsored link following the typing of a keyword identical with a trade mark does not create an association or a link between the trade mark and the good or the service promoted by the ad. As the Court has stated, the internet user may perceive the advertising links as offering commercial alternatives to the goods or services of the trade mark proprietor. This applies to identical or similar goods or services. The risk of error is even less likely in the case of different but related goods or services. This is the case, for example, if the trade mark chosen as a keyword relates to air travel and the ad displayed concerns car rental or hotel accommodation. Moreover, one of the blessings of the internet is precisely that it greatly enhances consumers’ possibilities to make enlightened choices between goods and services. (34)

46. However, in the case of a trade mark such as INTERFLORA which identifies a well-known commercial network of independent enterprises providing a special uniform service, i.e. delivery of flowers according to a standard procedure, the display of the name of another enterprise in a sponsored link is in my opinion likely to create the impression that the enterprise mentioned in the ad belongs to the network of undertakings identified by that trade mark. (35)

47. Therefore, in my understanding, in addition to its registered meaning, the trade mark INTERFLORA has gained a ‘secondary meaning’ (36) denoting a certain commercial network of florists providing a certain type of delivery service, and the reputation of that trade mark relates to or is identical with the positive associations this meaning has in the minds of the relevant circles of consumers. (37)

48. Consequently, an association between the trade mark of Interflora and an identical delivery service of flowers provided by Marks & Spencer is possible and even likely in the mind of an average consumer seeking information about such services in the internet when faced with the following ad: (38)

‘M&S Flowers Online

www.marksandspencer.com/flowers

Gorgeous fresh flowers & plants. Order by 5pm for next day delivery.’

To my mind the display of the ad as a consequence of typing ‘interflora’ into a search engine creates in the context of this case an association that Marks & Spencer is part of the Interflora network.

49. In view of this analysis as regards questions 1, 2 and 3(a), I propose that Article 5(1)(a) of Directive 89/104 and of Article 9(1)(a) of Regulation No 40/94 must be interpreted as meaning that

– A sign identical with a trade mark is used ‘in relation to goods or services’ within the meaning of Article 5(1)(a) of Directive 89/104 and of Article 9(1)(a) of Regulation No 40/94 when it has been selected as a keyword in connection with an internet referencing service without the consent of the trade mark proprietor, and the display of ads is organised on the basis of the keyword.

– The proprietor of a trade mark is entitled to prohibit such conduct under the abovementioned circumstances, in the case where that ad does not enable an average internet user, or enables said user only with difficulty, to ascertain whether the goods or services referred to in the ad originate from the proprietor of the trade mark or an undertaking economically connected to it or from a third party.

– An error concerning the origin of goods or services arises when the competitor’s sponsored link is liable to lead some members of the public to believe that the competitor is a member of the trade mark proprietor’s commercial network when it is not. As a result of this the trade mark proprietor has the right to prohibit the use of the keyword in advertising by the competitor in question.

– The attitude of the referencing service provider as to the possibility of the trade mark proprietor to forbid the use of its trade marks as keywords is irrelevant as regards the replies given above.

C – Extended trade mark protection for trade marks with a reputation pursuant to Article 5(2) of Directive 89/104 [questions 3(b) and 4]

1. General observations on protection against trade mark dilution

50. Trade mark dilution (39) relates to the idea that the proper purpose of trade mark law should be to protect

the efforts and investments made by the trade mark proprietor and the independent value (good will) of the trade mark. This ‘property-based’ approach to trade marks differs from the ‘deception-based’ idea that trade mark law primarily protects the origin function with a view to preventing consumers and other end users from erring as to the commercial origin of goods and services. (40) The property-based approach also protects the communication, advertising and investment functions of trade marks with a view of creating a brand with a positive image and independent economic value (brand equity or good will). Consequently, the trade mark can be used for various goods and services having nothing in common apart from being under the control of the trade mark proprietor. The origin and quality functions (41) would be protected as factors contributing to the value of the brand.

51. This dilution theory, currently specifically associated with well-known trade marks, extends trade mark protection to goods and services other than those belonging to the registered domain of protection. Historically it has served a function similar to that of the so-called Kodak doctrine that justifies an extensive scope of protection against confusion for well-known trade marks. (42)

52. Both in EU law and in the United States the notion of dilution protection refers especially to two phenomena: protection against blurring and protection against tarnishment. (43) Protection against blurring (or dilution in the strict sense) is given against uses that entail the danger that the trade mark loses its distinctive character and thereby its value. Protection against tarnishment means protection against uses that endanger the reputation of the trade mark.

53. Furthermore in EU trade mark law, unlike in the United States, (44) dilution protection also covers a third phenomenon, namely protection against free-riding or the taking of unjustified advantage of the reputation or distinctiveness of another’s trade mark. The essence of the protection against free-riding is not the protection of the trade mark proprietor against detriment to his trade mark, but rather protection of the trade mark proprietor against the infringer receiving unfair advantage from unauthorised use of the trade mark. (45)

54. As to the terminology, it seems to me that in EU trade mark law dilution in the wide sense comprises blurring, tarnishment (or degradation) and free-riding (or parasitism). Blurring (or whittling away or dilution in the narrow sense) means use that can lead to a process of dilution of the trade mark in the strict sense, i.e. diminishing of the distinctiveness of the trade mark.

55. By its questions 3(b) and 4, the referring court seeks to establish the circumstances under which an advertiser using a sign identical to a competitor’s trade mark with a reputation must be regarded as acting

– in a manner detrimental to the distinctive character of that trade mark

and/or

– as taking unfair advantage of the distinctive character or repute of that trade mark. (46)

2. Is Article 5(2) of Directive 89/104 applicable if the situation also falls under Article 5(1)(a)?

56. A preliminary issue to question 3(b) is to analyse whether Articles 5(1)(a) and 5(2) of Directive 89/104 can be applied simultaneously or whether only one of them can be applied at a time.

57. Protection against the three forms of dilution is given under Article 5(2) of Directive 89/104 to trade marks with a reputation against identical and similar signs used in relation to goods and services that are not identical or similar to those covered by the trade mark. However, as noted above, Davidoff has enlarged the application of the provision also to cases where the identical or similar sign is used in relation to identical or similar goods or services. This extends dilution protection to situations where there exists a relation of direct economic competition between the trade mark proprietor and the user of the identical or similar sign. I recall that there is no disagreement between the parties as to the fact that INTERFLORA has a reputation in the sense of Article 5(2).

58. It follows from recent case-law of the Court concerning Article 5(1)(a) of Directive 89/104 that the use of an identical sign falls under that provision provided that it is likely to have an adverse effect on any of the functions of the trade mark, not only the origin function. (47)

59. However, I do not think that the Court has meant that the role of all trade mark functions would be restricted to the application of Article 5(1)(a) of Directive 89/104. In cases of double identity of signs and goods or services all or some of the functions are relevant for the application of Article 5(2). I recall that trade mark functions other than the origin function are protected by Article 5(2) in cases referred to in Article 5(1)(b) if no likelihood of confusion can be established.

60. In the case of double identity it is possible to think that protection against blurring, tarnishment and free-riding would be based on Article 5(1)(a) only, and not involving Article 5(2) at all. This would be the case provided that the use of a sign identical with a trade mark in relation to identical goods or services would be liable to have an adverse effect on any of the functions of the trade mark. Here concerned would be most obviously the quality, communication, advertising or investment functions, but also the identification or distinguishing function in so far as the sign is used to distinguish between goods and services for purposes other than for indicating their origin.

61. Such interpretation would be consistent with the idea expressed in the 10th recital in the preamble to Directive 89/104 according to which the protection provided by Article 5(1)(a) is 'absolute'. For me it is also obvious that any of the uses covered by Article 5(2) of Directive 89/104 are likely to have an adverse effect on at least some of the trade mark functions mentioned above, especially since the widened protection provided by Article 5(2) of Directive 89/104 is usually motivated with reference to the communication, advertising and investment functions of trade marks.

62. This reasoning would entail that Article 5(1)(a) would protect against the forms of dilution mentioned in Article 5(2) in cases of double identity between signs and goods or services. Moreover, the distinctiveness and repute would in this case be protected irrespective of whether the trade mark has a reputation or not in the sense of Article 5(2) of Directive 89/104, i.e. whether it is well known or not.

63. Nevertheless, such an interpretation would contradict the letter though perhaps not the ratio decidendi of Davidoff. There the Court declared Article 5(2) of Directive 89/104 applicable not only in the case of similar goods but also in the case of identical goods, even if the reasoning put forward by the Court would seem to be relevant only with respect of the first mentioned situation. (48)

64. However, I would be reluctant to recommend the Court to answer question 3 along the lines that only Article 5(1)(a) of Directive 89/104 is applicable, especially since the Court already seems to have accepted parallel application of Article 5(1)(a) and (2) of Directive 89/104. (49) Whatever the merits of the role of the trade mark functions in the application of Article 5(1)(a) (50) it seems to me that trade mark dilution as a legal phenomenon should in all cases be analysed on the basis of Article 5(2). This would entail that the notions relating to trade mark dilution are interpreted uniformly despite the differences in the degrees of similarity required to exist between allegedly infringing goods or services and those covered by a trade mark in the situations referred to in Article 5(1)(a), (1)(b) and (2) of Directive 89/104 respectively. Therefore in my opinion all trade mark functions – with the exception of the origin function – can have a role to play in the application of Article 5(2) of Directive 89/104 even if they have already been applied in determining the applicability of Article 5(1)(a).

3. Existence of a link between the trade mark and the sign chosen as a keyword

65. According to the case-law there has to be a 'link' between a trade mark with a reputation and a sign used by the third party in order that the use of the signs falls within the scope of Article 5(2) of Directive 89/104. The Court has defined the existence of such a link in the following way: 'The types of injury referred to in Article 4(4)

(a) of the Directive, where they occur, are the consequence of a certain degree of similarity between the earlier and later marks, by virtue of which the relevant section of the public makes a connection between those two marks, that is to say, establishes a link between them even though it does not confuse them ... In the absence of such a link in the mind of the public, the use of the later mark is not likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier mark.' (51)

66. In the present case the trade mark in question INTERFLORA is identical with a keyword bought by Marks & Spencer in Google's advertising service. Therefore, the question of the existence of the link might seem meaningless. Unfortunately this is not the

case: the existence of a link between a trade mark and an identical keyword is far from trivial.

67. A keyword that can be used in the context of an internet referencing service is a string of signs that can correspond and usually does, with a word, a string of words or a sentence of natural language. The keyword as such does not have a meaning in the referencing system as the algorithms of the search engine pick up identical strings of signs regardless of their meanings in any linguistic system. Hence keywords as such are semantically empty; (52) they have specific meanings and references only in the minds of the internet users typing them. The advertisers buying the keywords rely on the existence of such associations in the minds of internet users.

68. For trade mark law this causes various problems when the invisible operation consisting of the selection of a string corresponding to a trade mark belonging to another is considered as use of that trade mark, as it has been decided in *Google France and Google*.

69. These problems relate to the uniqueness of trade marks. Some trade marks are unique. (53) When there is a well-known trade mark that is arbitrary, coined or fanciful (for example, a fantasy word or a meaningless set of letters and/or numbers), and which belongs to a single source, it can easily be assumed that the internet user typing it as a search term has that trade mark in his mind. The same applies to an undertaking buying that keyword.

70. However, most trade marks are not unique. An identical word mark is often registered by other proprietors in relation to dissimilar goods or services in the same country or abroad. Neither is such requirement inherent in the EU trade law concept of a trade mark with a reputation. (54) There also are trade marks composed of common words or descriptive words that have gained a widespread reputation or a strong secondary meaning as a trade mark in a specific sector. Yet it would be daring to assume that an internet user who chooses 'apple' or 'diesel' as a search term is always looking for computers or jeans of a certain brand, and not for fruit or fuel. Or that the search term 'nokia' would always be used only in searches relating to mobile phones and never in searches relating to a town, a lake, a religious movement and a tyre brand all bearing a similar name.

71. Equally daring would it be to assume at a general level that an enterprise buying signs as keywords in a paid internet referencing service is always targeting this or that trade mark, especially if there are several identical trade marks registered for different proprietors in different jurisdictions. (55)

72. In conclusion, the identity between a keyword and a trade mark can with certainty be assumed as indicating a link between them in the case of truly unique trade marks that are inherently highly distinctive. Similarly an enterprise buying a keyword can be assumed to target an identical trade mark only if the trade mark has those characteristics and the keyword is acquired by a competitor, i.e. an undertaking selling goods or services that compete with those covered by the trade mark. In

my opinion these conditions seem to be fulfilled in the rather exceptional case of the *INTERFLORA* trade mark.

73. In other cases the existence of a link cannot be established without recourse to factors that are external to the 'invisible' use of a trade mark consisting of the choice of an identical keyword for the purposes of search engine advertising. These factors should, in my opinion, relate to the marketing information displayed in the ad appearing in the sponsored link. (56)

74. In my opinion the Court has followed this path in its reasoning in *Google France and Google*. There the Court rejected the proposal of the Advocate General, according to which the selection of keywords should be classified as private use by the advertiser (57) and ruled instead that the advertiser does 'use' a trade mark by choosing it as a keyword in a paid referencing service. As I have mentioned earlier, this finding was not dependent on whether the sign was included in the ad displayed in the sponsored link or not.

75. The Court continued in *Google France and Google*, however, despite the fact that the case did not concern the advertisers but only the internet referencing service provider, that '[t]he question whether that function of the trade mark [of indicating the origin of the goods or services] (58) is adversely affected when internet users are shown, on the basis of a keyword identical with a mark, a third party's ad, such as that of a competitor of the proprietor of that mark, depends in particular on the manner in which that ad is presented'. (59)

76. In my opinion it can be inferred from *Google France and Google* that despite the keyword selection representing a use of the trade mark in relation to goods or services by the advertiser, the conditions of permissibility of that use must primarily (60) be evaluated on the basis of its visible outcome, which is the ad in the sponsored link of the advertiser displayed to the internet user who has typed the search term. As the Court did not declare that the selection of keywords identical with third party trade marks contravenes as such the exclusive right of the trade mark proprietor to use the trade mark in the advertising of goods or services identical to those covered by the trade mark, it is logical that the effects of the ad in the sponsored link visible to the internet user must be the starting point of the analysis.

4. Blurring

77. According to Article 2 of Directive 89/104 a sign that can be registered as a trade mark has to be distinctive, i.e. capable of distinguishing the goods or services of one undertaking from those of other undertakings. The extended trade mark protection under Article 5(2) may be provided by the Member States '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'.

78. In order to be distinctive (and thus capable of being a trade mark) a sign should not have any primary meaning at all or have a primary meaning that is not descriptive in the generic sense, i.e. does not refer to the goods or services covered by the trade mark or their origin or

qualities but to different things (like APPLE for computers). On the border line are suggestive trade marks that have a primary meaning which is not descriptive of the goods and services concerned but creates an association that is related to (the properties of) the goods or services (like TRÉSOR for quality perfumes). (61)

79. The Court has defined dilution by blurring in the following terms: ‘As regards, in particular, detriment to the distinctive character of the earlier mark, also referred to as “dilution”, “whittling away” or “blurring”, such detriment is caused when that mark’s ability to identify the goods or services for which it is registered and used as coming from the proprietor of that mark is weakened, since use of the later mark leads to dispersion of the identity and hold upon the public mind of the earlier mark. That is notably the case when the earlier mark, which used to arouse immediate association with the goods and services for which it is registered, is no longer capable of doing so.’ (62)

80. Blurring refers thus to the use of a sign identical with or similar to a trade mark with a reputation in a fashion that is likely to weaken its distinctiveness by decreasing its capacity to distinguish goods and services. At the end of the process of blurring (or dilution in the strict sense) the trade mark is no longer capable of creating an association in the minds of consumers of the existence of an economic link between a specific commercial source (63) of certain goods or services and the trade mark. Therefore, what is at stake is the very capacity of a sign to serve as a trade mark, or in other words the identification or distinguishing function of the trade mark.

81. Blurring or dilution in this sense primarily means that the distinctiveness of the trade mark is ‘watered down’ (‘Verwässerung’ in German) as the trade mark becomes banal. A sign used as a trade mark which refers to various goods or services from different commercial sources is no longer able to identify the goods and services covered by the trade mark with a single source. (64) This risk relates mostly to cases where a well-known mark is exposed to the presence of identical or similar signs referring to different goods and services and their origins.

82. Yet such development is difficult to see in the context of identical or similar goods or services. As Marks & Spencer is not using the trade mark INTERFLORA in relation to different goods or services than those provided by Interflora, it seems to me that we are not faced with dilution in the sense defined in the case-law. Hence here the problem of Interflora is not its INTERFLORA trade mark becoming banal and thereby losing its distinctiveness but the risk of its degeneration, i.e. the trade mark becoming a generic term or a common noun. This indicates also a loss of distinctiveness but of a different nature than dilution in the sense of the trade mark becoming watered down. (65)

83. Provided that Article 5(2) of Directive 89/104 is also applicable in the cases of double identity between the signs and the goods or services, it seems to me that protection against degeneration should also be afforded on the basis of this provision because the basic prob-

lem, i.e. the gradual loss of distinctiveness, is the same.

84. Degeneration results either from the absence of an alternative generic term denoting to the class of products of which the only or the most important representative is the good or service covered by the trade mark, or from the overwhelming success of a certain brand in a certain class of products. Degeneration especially threatens trade marks that cover a new innovation or those that are well known in specific fields. (66)

85. Degeneration may result from acts and omissions of the trade mark proprietor himself, for example his use of the trade mark as a generic term or his omission to develop a suitable alternative generic term in order to facilitate references to such products without using the trade mark as a generic term. However, degeneration may also result from the use of the trade mark by others in a way that contributes to its development in becoming a generic term.

86. Interflora claims that the choice as keywords of their trade mark and terms deviating from it only with small modifications by Marks & Spencer would imply a risk of dilution of the INTERFLORA trade mark and thus constitute blurring which they should be entitled to forbid under Article 5(2) of Directive 89/104. Their argument is that by typing ‘interflora’ the internet user is seeking information about florists marketing their services (and goods, i.e. flowers) under the trademark INTERFLORA. The conduct of Marks & Spencer would thus entail a risk that the INTERFLORA trade mark is diluted as it gains a generic meaning denoting any group of florists offering delivery services where the delivery may be undertaken by a different shop than the one who received the order.

87. I am afraid that this line of argument cannot succeed after Google France and Google because it implies that the choice of third party trade marks as keywords would as such constitute blurring, at least in case of trade marks with a reputation. The argument namely identifies the association resulting from the causal chain that unites the typing of the keyword to the display of the sponsored link with the third party’s ad as the factor that causes a risk of degeneration of the trade mark.

88. However, as I have already mentioned, the Court did not condemn keyword advertising using third party trade marks as such but linked the question of its permissibility to the contents of the ad displayed in the sponsored link. If the conjunction of a keyword and an ad in the sponsored link would as such amount to dilution, then any trade mark would be blurred if it were chosen as a keyword leading to an ad of an undertaking other than that of the trade mark proprietor.

89. In this case the sponsored link shown after the internet user has typed the search term ‘interflora’ does not itself include the sign or any similar sign. As I have explained earlier, in the case of a trade mark covering goods and services provided by a commercial network of enterprises this does not exclude the possibility of an error to the effect that there is an economic link between the trade mark and the advertiser. In other words, an adverse effect to the origin function is possible even

if the trade mark is not mentioned in the ad displayed in the sponsored link.

90. However, I do not think that dilution of a trade mark, i.e. weakening of its meaning as denoting goods or services of a specific abstract commercial origin, could legally be seen as resulting from advertising where the trade mark is not mentioned. After all, blurring in the sense of loss of distinctiveness means that the sign perceived by the consumer is acquiring an alternative meaning in his mind. The alternative meaning can either be an ambivalent indication of different goods or services from different sources, in the case of dissimilar goods or services, or that of a generic category of goods or services, in the case of identical or similar ones. (67)

91. In my opinion, the use of third party trade marks as keywords in search engine advertising is detrimental to the distinctiveness of a trade mark with a reputation in cases of identical goods or services when the following conditions are met: the sign is mentioned or displayed in the ad in the sponsored link, and the marketing message or communication in the ad uses the sign in a generic sense to refer to a category or class of goods or services, and not as distinguishing between goods and services of different origins.

5. Tarnishment

92. For the sake of clarity, I should also mention the second element covered by Article 5(2) of Directive 89/104, namely tarnishment, which refers to detriment to the repute of the trade mark. In *L'Oréal and Others*, the Court noted that 'such detriment is caused when the goods or services for which the identical or similar sign is used by the third party may be perceived 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.' (68) However, this case is not about tarnishment.

6. Free-riding

93. In *L'Oréal and Others*, the Court characterises free-riding as a situation 'where a third party attempts, through the use of a sign similar to a mark with a reputation, 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 his 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'. (69)

94. The Court stated in *L'Oréal and Others* that the existence of unfair advantage is not dependent on the use being detrimental to the trade mark proprietor. I find this very problematic from the point of view of competition because the Court is actually stating that the trade mark proprietor is entitled to use his right to prohibit the use of a sign in circumstances where this would

result in a move away from a Pareto optimal situation. The situation of the trade mark proprietor would not improve as he by definition would not suffer any detriment because of the use, but the competitor's situation would worsen because he would lose a part of his business. Also the situation of the consumers who had not been misled by the ad but consciously preferred to buy the competitor's products would be impaired. (70)

95. It is important to recall that the case *L'Oréal and Others* was about imitating luxury products. In the present case, the products/services are 'normal' and not replicas or imitations; at least it has not been claimed that Marks & Spencer is imitating *Interflora* in any manner. 96. In this case Marks & Spencer endeavours to present itself as a commercial alternative to those customers who are either searching for information about *Interflora's* services or about delivery services of flowers in general, remembering probably the best-known trade mark relating such services. It is obvious that in both cases Marks & Spencer is taking advantage of the repute of *Interflora's* trade mark, as it is inconceivable that this selection of keywords could be explained with any other motive. Hence, the question that remains relates to the fairness of that use. I recall that according to the *Google France and Google* case-law the selection of keywords under these circumstances represents use of *Interflora's* trade mark in relation to Marks & Spencer's goods and services.

97. In *L'Oréal and Others* the Advocate General has also proposed that the test of unfairness of use becomes applicable only if there is due cause for using the other party's trade mark. If there is no due cause, the use is automatically unfair. (71)

98. The relevant use here, defined as the selection of the trade mark as a keyword in internet search engine advertising, must have due cause. In so far as we discuss the typical cases under Article 5(2) of Directive 89/104, i.e. those concerning dissimilar goods or services, it is very difficult to see how that condition should be interpreted. As I have mentioned, the link between the keyword and the trade mark is very difficult to establish without recourse to information referring to circumstances external to that use.

99. In the case of identical or similar goods or services, the purpose of presenting a commercial alternative to the goods or services protected by a trade mark with a reputation should count as due cause in the context of modern marketing relying on keyword advertising on the internet. Otherwise keyword advertising using wellknown third party trade marks would be as such prohibited free-riding. Such a conclusion cannot be justified in view of the need to promote undistorted competition and the possibilities of consumers to seek information about goods and services. The point with market economy is, after all, that well-informed consumers can make choices in accordance with their preferences. I would find it inappropriate that the trade mark proprietor could prohibit such use unless he has reasons to object the ad resulting from typing of a search term corresponding to a keyword.

100. Interflora contends that the keyword advertising by Marks & Spencer has considerably increased its own advertising costs because of the rise of the price per click charged by Google resulting from competition in relation to these AdWords.

101. The Court stated in Google France and Google the following: (72) *'With regard to the use by internet advertisers of a sign identical with another person's trade mark as a keyword for the purposes of displaying advertising messages, it is clear that that use is liable to have certain repercussions on the advertising use of that mark by its proprietor and on the latter's commercial strategy. ... Having regard to the important position which internet advertising occupies in trade and commerce, it is plausible that the proprietor of a trade mark may register its own trade mark as a keyword with a referencing service provider in order to have an ad appear under the heading "sponsored links". Where that is the case, the proprietor of the mark must, as necessary, agree to pay a higher price per click than certain other economic operators if it wishes to ensure that its ad appears before those of those operators which have also selected its mark as a keyword. Furthermore, even if the proprietor of the mark is prepared to pay a higher price per click than that offered by third parties which have also selected that trade mark, the proprietor cannot be certain that its ad will appear before those of those third parties, given that other factors are also taken into account in determining the order in which the ads are displayed. ... Nevertheless, those repercussions of use by third parties of a sign identical with the trade mark do not of themselves constitute an adverse effect on the advertising function of the trade mark.'*

102. Hence, as increased pay per click costs do not affect the advertising function of a trade mark with a reputation, in my opinion such increased costs cannot per se constitute unfairness or taking an advantage of the repute of the trade mark.

103. Furthermore, as the Court has in its Google France and Google case-law approved in principle keyword advertising using third party trade marks, I think that also the question of free-riding has to be analysed on the basis of the ad shown in the sponsored link. If that ad mentions or displays the trade mark, the acceptability of the use depends on whether we are faced with legitimate comparative advertising or, on the contrary, with riding on the coat-tails of the trade mark proprietor. (73)

104. In its ads Marks & Spencer is neither comparing its goods and services with those of Interflora ('our goods and services are better/cheaper than those by Interflora') nor presenting its goods as imitations or copies ('... we are offering an Interflora type of service') or even expressly presenting them as alternatives ('Are you an Interflora customer? Why not try this time Marks & Spencer?') to them.

105. Yet the choice of keywords in search engine advertising by Marks & Spencer implies a marketing message that they offer an alternative to Interflora.

However, in my opinion this does not amount to free-riding in the sense of Article 5(2) of Directive 89/104.

106. Finally, in my view the aspects mentioned in question 4 are irrelevant in relation to the answer to be given to question 3(b).

V – Conclusion

107. In view of above analysis I propose the following replies to the High Court of Justice of England and Wales, Chancery Division:

(1) Article 5(1)(a) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks and Article 9(1)(a) of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark must be interpreted as follows:

– A sign identical with a trade mark is used 'in relation to goods or services' within the meaning of these provisions when it has been selected as a keyword in connection with an internet referencing service without the consent of the trade mark proprietor, and the display of ads is organised on the basis of the keyword.

– The proprietor of a trade mark is entitled to prohibit such conduct under abovementioned circumstances, in the case where that ad does not enable an average internet user, or enables the said user only with difficulty, to ascertain whether the goods or services referred to in the ad originate from the proprietor of the trade mark or an undertaking economically connected to it or from a third party.

– An error concerning the origin of goods or services arises when the competitor's sponsored link is liable to lead some members of the public to believe that the competitor is a member of the trade mark proprietor's commercial network when it is not. As a result of this the trade mark proprietor has the right to prohibit the use of the keyword in advertising by the competitor in question.

(2) Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94 must be interpreted as meaning that the use of a sign as a keyword in an internet referencing service in relation to goods or services identical to those covered by an identical trade mark with a reputation also falls within the scope of application of those provisions and it can be forbidden by the trade mark owner when

(a) the ad shown as a result of the internet user having typed as a search term the keyword identical with a trade mark with a reputation mentions or displays that trade mark; and

(b) the trade mark

– is either used therein as a generic term covering a class or category of goods or services;

– or the advertiser attempts thereby to benefit from its power of attraction, its reputation or its prestige, and to exploit the marketing effort expended by the proprietor of that mark in order to create and maintain the image of that mark.

(3) The fact that the internet search engine operator does not permit trade mark proprietors in the relevant geographical area to block the selection of signs identical to their trade marks as keywords by other parties is

as such immaterial in so far as the liability of the advertiser using of the keywords is concerned.

1 – Original language: English.

2 – The national case against the second defendant has been settled, leaving Marks & Spencer the sole defendant in the proceedings.

3 – Interflora is the proprietor of United Kingdom Trade Mark No 1329840 INTERFLORA in respect of various goods and services in classes 16, 31, 35, 38, 39, 41 and 42 of the Nice Agreement concerning the International Classification of Goods and Services for the Purpose of the Registration of Marks of 15 June 1957, as revised and amended. These include ‘natural plants and flowers’ in class 31, ‘advertising services provided for florists’ and ‘information services relating to the sale of ... flowers’ in class 35, ‘transportation of flowers’ in class 39. Interflora is also the proprietor of Community Trade Mark No 909838 INTERFLORA in respect of various goods and services in classes 16, 31, 35, 38, 39, 41 and 42. These include ‘natural plants and flowers’ in class 31, ‘advertising services ... provided for florists’ in class 35, ‘transportation of flowers’ in class 39 and ‘information services relating to the sale of ... flowers’ in class 42.

4 – OJ 1989 L 40, p. 1.

5 – OJ 1994 L 11, p. 1.

6 – Joined Cases C-236/08 to C-238/08 Google France and Google [2010] ECR I-0000.

7 – Case C-278/08 BergSpechte [2010] ECR I-0000; order of 26 March 2010 in Case C-91/09 *eis.de*, and Case C-558/08 *Portakabin* [2010] ECR I-0000. 8 – See footnote 27 below.

9 – A note on terminology: Directive 89/104 and Regulation No 40/94 both speak of ‘trade mark with a reputation’, which term will be used here. However, the term a ‘well-known trade mark’ is used when the discussion is not specifically related to EU law context. For the sake of clarity I should add that Directive 89/104 contains a reference to Article 6 bis of the Paris Convention for the Protection of Industrial Property, which speaks of ‘well-known trade marks’. Therefore, Article 16(2) of the TRIPS Agreement, when referring to the Paris Convention, also speaks of well-known trade marks (see Article 16(2) of the Agreement on Trade-Related Aspects of Intellectual Property Rights, which constitutes Annex 1C to the Agreement establishing the World Trade Organisation, signed in Marrakech on 15 April 1994 and approved by Council Decision 94/800/EC of 22 December 1994 concerning the conclusion on behalf of the European Community, as regards matters within its competence, of the agreements reached in the Uruguay Round multilateral negotiations (1986-1994); OJ 1994 L 336, p. 1; also known as ‘the TRIPS Agreement’). In the United States, the term used is ‘famous marks’. For an overview, see Senftleben, M., ‘The trademark Tower of Babel: dilution concepts in international, US and EC trademark law’, *International review of intellectual property and competition law*, Vol. 40 (2009), No 1, p. 45-77. Furthermore, I note that the different expressions referred

to above also differ in regard to the conditions required for a trade mark to be considered well known.

10 – It should be added that the perception of what amounts to a trade mark with a reputation may vary between the Member States despite the criteria defined by the Court in Case C-375/97 *General Motors* [1999] ECR I-5421, paragraphs 19 to 30; see opinion of Advocate General Sharpston in Case C-252/07 *Intel Corporation* [2008] ECR I-8823, point 23.

11 – For the latter, see for example requests for preliminary ruling by the Court of Appeal (England and Wales) (Civil Division) in *L’Oréal SA & Ors v Bellure NV & Ors* [2007] EWCA Civ 968 (10 October 2007) and High Court of Justice (England and Wales) (Chancery Division) in *L’Oréal SA & Ors v EBay International AG & Ors* [2009] EWHC 1094 (Ch) (22 May 2009), and, in particular the Court of Appeal (England and Wales) (Civil Division), judgment following the Court’s reply (Case C-487/07 *L’Oréal and Others* [2009] ECR I-5185), in *L’Oréal SA & Ors v Bellure NV & Ors* [2010] EWCA Civ 535 (21 May 2010).

12 – In the United States, protection against trade mark dilution became part of federal trade mark law in 1995 by the Federal Trade Mark Dilution Act, which added a new section 45(c) into the Lanham Act. It was subsequently amended by Trademark Dilution Revision Act 2005; see, for example, Long, C., ‘The political economy of trademark dilution’, in Dinwoodie, G., and Janis, M. (eds.), *Trademark Law and Theory. A Handbook of Contemporary Research*, Edward Elgar, Cheltenham, 2008, p. 132.

13 – Following a Communication (‘An Industrial Property Rights Strategy for Europe, COM(2008) 465 final’), the European Commission commissioned in 2009 from Max-Planck-Institut für Immaterialgüter- und Wettbewerbsrecht a study on the overall functioning of the Trade Mark System in Europe. The Final Report was submitted to the European Commission on 12 December 2010. At the time of writing, it has not yet been made public, see http://ec.europa.eu/internal_market/indprop/index_en.htm.

14 – Directive 89/104 was repealed by Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (codified version) (OJ 2008 L 299, p. 25), which entered into force on 28 November 2008. The wording of Article 5(1) and 5(2) of Directive 2008/95 corresponds in essence to that of Article 5(1) and (2) of Directive 89/104. However, having regard to the time at which the facts occurred, the disputes in the main proceedings remain governed by Directive 89/104.

15 – For the sake of clarity, it should be noted that the language versions of Article 5(2) of Directive 89/104 differ from each other: see the analysis by the Court in *General Motors*, paragraph 20.

16 – I recall that Article 4(3) and (4) of Directive 89/104, applicable at the stage of trade mark registration, provides rules identical to Article 5(1) and (2).

17 – Regulation No 40/94 was repealed by Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark (codified version) (OJ 2009 L 78, p. 1), which entered into force on 13 April 2009. The wording of Article 9(1) of Regulation No 207/2009 is identical to that of Article 9(1) of Regulation No 40/94. However, having regard to the time at which the facts occurred, the disputes in the main proceedings remain governed by Regulation No 40/94.

18 – For the trade mark registrations, see footnote 3 above.

19 – In light of the case-law, these signs can be qualified as identical with the trade mark (see Case C-291/00 *LTJ Diffusion* [2003] ECR I-2799, paragraph 54; *BergSpechte*, paragraph 25; and *Portakabin*, paragraph 47): the sign is identical with the trade mark where it reproduces, without any modification or addition, all the elements constituting the trade mark or where, viewed as a whole, it contains differences so insignificant that they may go unnoticed by an average consumer.

20 – Yet there are some differences between the directive and the regulation. For example, Article 5(2) of the directive is optional, whereas the corresponding provision in Article 9(1)(c) in the regulation is not. Another difference relates to the geographical reference used in the appreciation as to whether the trade mark has a reputation. However, with respect to the latter issue the Court of Justice has held that, territorially, the existence of a reputation in a substantial part of a Member State, as regards Directive 89/104, or of the Community, as regards Regulation No 40/94, was sufficient to prohibit use of that sign (see *General Motors*, paragraphs 28 and 29, and Case C-301/07 *PAGO International* [2009] ECR I-9429, paragraphs 27 and 30). While the differences in wording should not be forgotten, they do not prevent extending the results of the present analysis of the directive to the regulation.

21 – See Strasser, M., ‘The Rational Basis of Trade-mark Protection Revisited: Putting the Dilution Doctrine into Context’, *Fordham Intellectual Property, Media and Entertainment Law Journal*, Vol. 10 (2000), p. 375, at p. 393-395.

22 – For case-law on double identity situations, see for example Case C-17/06 *Céline* [2007] ECR I-7041.

23 – The Court has ruled that if a Member State transposes Article 5(2) of the directive, it must grant protection which is at least as extensive for identical or similar goods or services as for non-similar goods or services. The Member State’s option thus relates to the principle itself of granting greater protection to marks with a reputation, but not to the situations covered by that protection when the Member State grants it. See Case C-408/01 *Adidas-Salomon and Adidas Benelux* [2003] ECR I-12537, paragraph 20.

24 – Case C-292/00 [2003] ECR I-389, at paragraph 30.

25 – At paragraph 22.

26 – Given that no changes of substance may be made to the instruments affected by a codification procedure, I think that the adoption in 2008 of a codified version

of Directive 89/104 by Directive 2008/95 has in no way overruled the *Davidoff* case-law of 2003 (see also Commission proposal in document COM(2006)812) final.

27 – *Google France and Google*, paragraph 99, as well as *eis.de*, paragraph 28; *BergSpechte*, paragraph 41, and *Portakabin*, paragraph 54.

28 – This could be the case where the trade mark proprietors are informed of this possibility to prohibit the use of their trade marks as keywords by third parties and its use does not require unreasonable formalities or raise any costs.

29 – *Google France and Google*, paragraph 99.

30 – I recall that the Court observed in *Google France and Google* (paragraph 65) that ‘the fact that the sign used by the third party for advertising purposes does not appear in the ad itself cannot of itself mean that that use falls outside the concept of “[use] ... in relation to goods or services” within the terms of Article 5 of Directive 89/104’. The judgment in *Google France and Google* concerned three cases: in Case C-236/09 the trade mark in question appeared in the third party’s ad, whereas in Cases C-237/08 and C-238/08 the trade mark in question did not appear in the ad (see paragraphs 62 and 63 of the judgment).

31 – See Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising (codified version), OJ 2006 L 376, p. 21.

32 – As to the advertising function, the argumentation adopted by the Court in *Google France and Google* (paragraph 98) seems to be transposable to this case. However, I will return to the question of increased ‘pay by click’ costs of *Interflora* in the context of my debate on free-riding below.

33 – *Google France and Google*, paragraph 68. For the reasons I will explain later I think that this assumption is incontestable in the case of an inherently highly distinctive and unique trade mark. However, in the case of several identical trade marks belonging to different owners or trade marks that are based on descriptive or generic words or names this assumption may be erroneous. For example, an internet user typing ‘nike’ as a keyword may be searching information or offers not only on sportswear, but perhaps on a Greek goddess or technology produced by the Swedish firm *Nike Hydraulics AB*.

34 – It may be useful to remind that ‘trade mark rights constitute an essential element in the system of undistorted competition which the Treaty is intended to establish and maintain’ (see Case C-206/01 *Arsenal Football Club* [2002] ECR I-10273, paragraph 47). 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.

35 – The following statement can be found on one of *Interflora*’s websites: ‘*Interflora* is the world’s largest and most popular flower delivery network. *Interflora*

has become synonymous with a concept that once would have been impossible to believe – that within a day a beautiful bouquet or gift can be personally delivered with style across the world.’ See http://www.interflora.co.uk/page.xml?page_name=help_about (visited 31 January 2011).

36 – The notion ‘secondary meaning of a trade mark’ is known in all jurisdictions but its meaning (sic!) and its scope of application vary. In some jurisdictions it relates to situations where a trade mark right is acquired through use instead of registration, in others also to situations where a non-distinctive sign may be registered as a trade mark because it has acquired distinctive secondary meaning. It is also possible to think that every trade mark without exception needs to be used in order to become established in the minds of the interested circles, thereby acquiring reputation or established secondary meaning. Cf. Holmqvist, L., *Degeneration of Trade Marks. A Comparative Study of the Effects of Use on Trade Mark Distinctiveness*, Jurist- och samhällvetareförbundets Förlags AB (JSF), Malmö 1971, p. 117-126.

37 – Whether INTERFLORA has such a secondary meaning is up to the national court to decide. However, question 4(a) seems to imply such meaning as the relevant trade mark registrations (see above, footnote 3) do not give any hint of INTERFLORA being used as a trademark in relation to a commercial network.

38 – See order for reference of 16 July 2009 (cited above at point 30), paragraph 29.

39 – The notion of trade mark dilution was developed in German law on unfair competition, and introduced to United States doctrine by Schechter (Schechter, F., ‘The rational basis of trademark protection’, *Harvard Law Review* 1927, p. 813). Schechter emphasised the preservation of the distinctiveness of unique (e.g. arbitrary, coined or fanciful) trade marks as the main objective of the protection against dilution. Later development has turned the emphasis to the issue of protecting well-known trade marks against loss of distinctiveness resulting from the use of identical or similar signs covering different goods or services, see Holmqvist, *op. cit.*, p. 147, 155-156, opinion of Advocate General Jacobs in *Adidas-Salomon and Adidas Benelux*, at point 37, and opinion of Advocate General Sharpston in *Intel Corporation*, at point 30.

40 – See Lunney, G., ‘Trademark Monopolies’, *Emory Law Journal* Vol. 48 (1999), p. 367. Lunney considers the recent progress of property-based approach in legislation and case-law as harmful from the competition policy point of view as it enables the proprietors of well-known trade marks to gain monopoly rent without any real benefits to consumers. Strasser, *op. cit.*, defends an opposite view and regards the property-based approach beneficial also from an economic point of view.

41 – As Advocate General Kokott stated in her opinion in Case C-59/08 *Copad* [2009] ECR I-3421 (point 50), ‘trade mark rights are granted in order to guarantee the possibility of control over the quality of goods, not the actual exercise of that control’.

42 – See, for example, Levin, M., ‘The wording is not always what it seems to be – On Confusion, Association and Dilution’, in Kooy, L. (ed.), *25th Anniversary of ECTA. Past, Present and the Future. The Development of Trade Marks, Designs and Related IP Right in Europe*, European Communities Trade Mark Association, The Hague 2005, p. 51–64, 60. She also refers to the so-called rat poison doctrine in the Nordic countries (owner of a trade mark for foodstuffs can prevent the use of a similar mark for rat poison) and *CLAERYN / KLAREIN* case-law in the Benelux (see Benelux Court of Justice, *Colgate-Palmolive / Bols*, Case A 74/1, judgment of 1 March 1975).

43 – See above note 12.

44 – In the United States free-riding or misappropriation has not been included in the federal statutory protection against trade mark dilution despite it being recognised in some judgments. See Simon, I., ‘Dilution by blurring – a conceptual roadmap’, *Intellectual Property Quarterly*, 2010, p. 44-87, at p. 56.

45 – Yet in many legal systems protection against tarnishment and free-riding can also or alternatively be afforded within the context of law on unfair competition.

46 – It seems to be that *Interflora* does not accuse *Marks & Spencer* of tarnishment relating to its trade marks.

47 – See *L’Oréal and Others*, paragraphs 58-59, and *Google France and Google*, paragraphs 75-79.

48 – In *Davidoff* the Court based its reasoning on the fact that the protection of trade marks with a reputation would be less efficient in the case of similar goods than in the case of dissimilar goods since Article 5(1)(b) requires a likelihood of confusion (paragraphs 27-29). To me this reason does not seem to apply in the case of identical signs and identical goods or services as the application of Article 5(1)(a) does not require that there is a risk of confusion (see *L’Oréal and Others*, paragraphs 58 and 59).

49 – *L’Oréal and Others*, paragraph 64

50 – See the analysis by Advocate General Mengozzi in *L’Oréal and Others*, points 31-61, and the critical statements of the English Courts referred to in footnote 11 above.

51 – *Intel Corporation*, paragraphs 30 and 31 and case-law cited therein.

52 – It should be added that there exist at various stages of development a group of methods and technologies called ‘semantic web’ to allow machines to understand the meaning – or ‘semantics’ – of information on the World Wide Web. If I am correctly informed, the internet reference service providers have developed several methods for enhancing the relevance of search results taking this into account but this does not mean that the internet search engines would ‘understand’ the meaning of a keyword.

53 – It seems to me that the *INTERFLORA* word mark as such is unique. Nevertheless, there are somewhat similar registrations as Community trade marks (e.g. No 3371549 word mark *INTERFLO* for classes 9, 12, 37; No 2178887 word mark *INTERFORUM SIGLO XXI* for class 42; or No 3036944 figurative mark *IN-*

TERFLOOR for classes 1, 6, 8, 17, 19, 20, 27, 37). As a trademark, INTERFLORA appears to be a suggestive mark, close to being descriptive (it is formed from a Latin word denoting flowers, with a Latin prefix meaning between or among).

54 – Cf. *Intel Corporation*, paragraphs 72-74.

55 – I recall that in the application of EU trade mark law as regards trade marks with a reputation these trade marks are protected also in relation to dissimilar goods or services. According to the case-law, also ‘niche’ trade marks that are not unique but are well known in a relatively limited geographical area count as trade marks with a reputation in the application of Article 5(2) of Directive 89/104 (see *General Motors*, paragraph 31, and *Senfleben*, *op. cit.*, p. 54). There can be, for example trade marks for medical devices which certainly have a reputation and are extremely well known by those concerned yet unknown to the general public (imaging systems needed in radiology or the equipment used in dental surgery for instance). The trade marks can also have a reputation within a specialised public in a rather limited area (e.g. certain makes of surgeon’s knives in one German Land).

While this is the situation under Directive 89/104, under Regulation No 40/94 the reputation has to be EU wide (see Article 9(1)(c) of the regulation). In the United States, on the contrary, federal statutory protection against dilution requires, pursuant to the Trade Mark Dilution Revision Act of 2005, that the trade mark is widely recognised by the general consuming public of the United States (see footnote 9 above).

56 – I should add that the traditional trade mark law framework of assessing consumer response to the use of a sign is problematic if applied only to keyword selection because in search engine advertising the association in the mind of the internet user running a search with a particular search term precedes the display of the sponsored ad, i.e. the moment when the causal effect of the use of the trade mark becomes perceptible to the user.

57 – *Google France and Google*, paragraphs 51 and 52; see also the opinion of Advocate General Maduro, point 150.

58 – My addition.

59 – *Google France and Google*, paragraph 83.

60 – As I have concluded above, in very specific circumstances relating to the nature of the goods or services with reference to the reputation or secondary meaning of the trade mark, adverse effect to the origin function may be likely even if the ad does not mention or refer to the trade mark.

61 – On this spectrum of distinctiveness see *Holmqvist*, *op. cit.*, p. 17 – 22.

62 – See *Intel Corporation*, paragraph 29, and *L’Oréal and Others*, paragraph 39.

63 – I am here speaking of a source or origin in an abstract sense referring to the undertaking that controls the production of the goods or the provision of the services covered by the trade mark, not a concrete manufacturer or service provider; see for example *Arsenal*, paragraph 48.

64 – Blurring in this sense is not caused by the trade mark proprietor using the trade mark as a brand in relation to various goods and services provided that the trade mark has acquired repute and a high degree of distinctiveness resulting from advertising and other marketing efforts the trade mark proprietor has invested in to create an image for the trade mark. In such cases the public rightly identifies the different goods or services of the brand with a single commercial source. What is detrimental to the distinctiveness of the trade mark is the co-existence of identical or similar trade marks covering different goods or services from various sources as that prevents the development of an image for the trade mark or dilutes the existing one.

65 – In my opinion blurring in the sense of watering down is analogous to a family name losing its ability to distinguish between different families as groups with a common origin. Hence *Smith* is less distinctive as a family name than *Windsor*. Dilution by blurring does not, however, mean that the mark loses its distinctiveness altogether, i.e. the capacity to work as a trade mark. *Smith* is capable of functioning as a family name despite being common and *STAR* is capable of functioning as a trade mark despite being banal, i.e. weak in terms of distinctiveness. A degenerated trade mark, on the other hand, has lost its distinctiveness and therefore cannot function as a trade mark anymore. Hence, theoretically diluted trademarks are not semi-degenerated trade marks (see *Holmqvist*, p. 152). Regardless, it seems useful to accept degeneration as a variant of blurring for the purposes of protecting well-known marks, at least in legal systems where protection in relation to identical or similar goods or services requires a likelihood of confusion. In the United States degeneration or genericisation is often included in the concept of dilution, see for example *Simon*, *op. cit.*, p. 72-74.

66 – The classic textbook example of ‘cellophane’ represents both categories.

67 – In my view, to qualify keyword selection in internet search engine advertising as such as use of a sign capable of blurring would lead very far from established doctrine of trade mark dilution. This would lead to insurmountable problems in terms of evidence because sponsored ads usually represent only a fraction of the information displayed as search results to the internet user.

68 – For the United States, see Supreme Court of the United States, *Moseley et al., DBA Victor’s Little Secret v. V Secret Catalogue, Inc., et al.*, 537 U.S. 418 (2003), reversing the judgment of the Court of Appeals for the Sixth Circuit, 259 F.3d 464.

69 – *L’Oréal and Others*, paragraph 49.

70 – See *Klerman, D., ‘Trademark Dilution, Search Costs, and Naked Licensing’*, *Fordham Law Review*, Vol. 74 (2006), p. 1759-1773, at p. 1771.

71 – Opinion of Advocate General Mengozzi in *L’Oreal and Others*, point 105-111.

72 – *Google France and Google*, paragraphs 93–95.

73 – In the United States Sec. 43 (c), 4(A) of the Lanham Act provides that ‘[f]air use of a famous mark by another person in comparative commercial advertising

or promotion to identify the competing goods or services of the owner of the famous mark' shall not be actionable under Section 43(c) which concerns trade mark dilution.