

MACFARLANES

LOGOS AND NO-GOS



BLOOMING MARVELLOUS?

Interflora and Marks & Spencer are both left wondering where they stand following the Court of Justice ruling

The Judgment was handed down yesterday by the Court of Justice of the European Union (CJ) in the long running saga of Interflora Inc. and Interflora British Unity (together "Interflora") v Marks & Spencer plc (M & S) ([Case C-323/09](#)).

Following a reference from the High Court of Justice (Chancery Division) by Mr Justice Arnold, the CJ has given guidance as to whether M & S' selection of the word "Interflora" as a Google AdWord for a sponsored link that did not itself display the word "Interflora" could constitute trade mark infringement under either 5(1)(a) or 5(2) of the Trade Mark Directive (ss 10(1) or 10(3) of the Trade Marks Act 1994). The case will now refer back to the High Court for Mr Justice Arnold to interpret the CJ's guidance.

The CJ has held that use by a competitor of another's trade mark as a Google AdWord is not necessarily trade mark infringement, and that a trade mark proprietor must prove that the competitor's use of its own mark has had an adverse effect on one of the functions of that mark.

Further, the proprietor of a trade mark with a reputation may be able to prevent a competitor advertising on the basis of a keyword if the competitor free-rides, dilutes or tarnishes the trade mark by offering imitation goods or services.

FLOWER POWER – THE FACTS

Interflora operates a worldwide flower-delivery network, allowing customers to place orders in person, by telephone or online for flower deliveries worldwide. The orders are carried out by an Interflora network member nearest to the delivery address. Interflora is the owner of the INTERFLORA UK and Community trade marks, and has a substantial reputation in the UK and other EU member states.

M & S is one of the main UK retailers, and offers, amongst many other services, the sale and delivery of flowers by ordering via its website and shops, directly competing with Interflora. M & S has never been part of the Interflora network.

M & S selected "Interflora" together with other variants (e.g. "Interflora Flowers", "Interflora Delivery", "Interflora.com" etc.) as a keyword for the Google operated "AdWords" referencing service. Customers who typed in "Interflora" to the search engine would be presented with an M & S advertisement

appearing under the heading "sponsored links" either to the right of the screen or above the "natural" search results. The advertisement did not itself display the sign "Interflora". The intention, plainly, was to offer Interflora customers a competing alternative and to divert them away from the Interflora website.

Interflora brought proceedings for trade mark infringement in 2008 in the High Court. Mr Justice Arnold stayed the proceedings and referred ten questions, later whittled down to four, to the CJ for a preliminary ruling.

A BUNCH OF QUESTIONS

The CJ was asked by Mr Justice Arnold to rule on whether, in summary:

- ♦ on a proper construction of 5(1)(a), Interflora is entitled to prevent M & S as a competitor from displaying, on the basis of a keyword which is identical to the INTERFLORA trade mark and which has been selected in an internet referencing service by M & S without Interflora's consent, an advertisement for goods and services identical to those for which the INTERFLORA mark is registered; and
- ♦ in the circumstances above, it is relevant (1) that the advertisement concerned is liable to lead some members of the relevant public to believe, incorrectly, that M & S is a member of Interflora's commercial network and (2) that the provider of the internet referencing service does not permit trade mark proprietors such as Interflora to prevent signs identical to their trade marks being selected as keywords.

A BUNCH OF ANSWERS

The CJ had no difficulty, following its 2008 decision in *Google France and Google* (joined cases C-236, 237 238/08), in ruling that the activities of M & S in the context of Google's AdWords services did amount to "use in the course of trade" and that such use was "in relation to the advertiser's goods or services." However, Interflora cannot rely on satisfaction of these conditions alone to stop M & S advertising via Google AdWords. It will need to go further by showing that one of the functions of the INTERFLORA mark has been adversely affected, or that, as the trade mark INTERFLORA has a reputation, M & S is taking unfair advantage of that reputation.

Functions

Following a fairly detailed examination of past case law in relation to identifying a trade mark's functions, the CJ identified three functions that were relevant to this particular case, although it was by no means an exhaustive list:

Function of Indicating Origin

The CJ stated that the High Court, after assessing the facts, could find that M & S' activities adversely affect Interflora's trade mark function of indicating origin if M & S' advertisement would lead reasonably well-informed and observant internet users using the search term "Interflora" to believe, incorrectly, that the goods and services provided by M & S were part of Interflora's network.

In determining whether the reasonably well-informed and observant internet user could assess that M & S was a part of Interflora's network, the CJ said that the High Court could take into account both Interflora's size and commercial profile. The problem for Interflora is that most consumers know that they use a network of small, local florists. In those circumstances, it would probably be unlikely that an AdWord advertisement, referring only to M & S and making no mention of Interflora, will cause internet users, who are sophisticated enough to know that competitors use AdWords, from mistakenly thinking that M & S is part of the Interflora network.

Advertising function

Applying *Google France and Google*, the CJ ruled that M & S' activities would not adversely affect Interflora's trade mark advertising function in the context of an internet referencing service. Although such use as made by M & S could have repercussions on Interflora's own advertising use of INTERFLORA, in particular by having to pay a higher price per click than M & S' for its own sponsored link, such a repercussion was a natural result of competition, and should not be protected against.

Investment function

The CJ gave guidance for the first time as to what is meant by a trade mark's "investment function." It ruled that the High Court could find that Interflora's trade mark investment function had been adversely affected by M & S' use of an identical sign that "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 CJ ruled that the investment and advertising functions may overlap but are nevertheless distinct.

Crucially, much will turn on how Arnold J applies the CJ's rather woolly guidance that, where the trade mark already enjoys a reputation, the investment function will be adversely affected where use by a third party of a sign identical with that mark in relation to identical goods and services substantially affects that reputation and thereby jeopardises its maintenance. However, no adverse effect will be found where "*the only consequence ... is to oblige the proprietor of that trade mark to adapt its efforts to acquire or preserve a reputation ...*". This sounds like quite a high hurdle and the use of AdWords alone may not prove enough for Interflora to claim the maintenance of its entire reputation has been affected, particularly in circumstances where the CJ has warned against creating an imbalance between protecting IP and free competition.

Dilution / Free-riding

The CJ also ruled that a competitor free-rides on or dilutes the reputation of a trade mark where it uses a keyword identical or similar to the trade mark proprietor's as a Google AdWord.

In relation to dilution, the CJ clarified that such advertising is detrimental to the distinctive character of a trade mark with a reputation if, for example, it contributes to turning that trade mark into a generic term. However, if a reasonably well informed and reasonably observant internet user could distinguish that M & S and Interflora were independent, Interflora would not be able to argue successfully that M & S' use had turned the Interflora trade mark into a generic term.

As to free-riding, the CJ cited its judgment in *L'Oréal v Bellure*, to hold that where an advertiser, through the selection as an internet keyword of a third party mark with a reputation, rides on the coat tails of that mark without "due cause" then the advantage obtained must automatically be considered unfair. However, the CJ arguably went on to narrow the potential scope of free-riding by explaining that where the goods on offer were not imitation goods, did not dilute or tarnish the mark with a reputation and did not adversely affect its functions, the general rule would be that such use is not "without due cause" but fair competition. Again, it is for the referring Court to rule on the facts.

HOME DELIVERY

Both parties claimed victory, with Interflora stating it was "delighted" while M & S was "encouraged." However, it remains to be seen who will claim ultimate victory in the battle of the bouquets now that the case is set to be transferred back to the English High Court before Mr Justice Arnold. A judgment is expected in 2012.

Ultimately, the case is likely to turn on whether the English High Court feels, on the facts, that M&S' use of a sign as a keyword identical to Interflora's mark has adversely affected the newly defined "investment function" of that mark.

CONTACT DETAILS

If you would like further information or specific advice please contact:

GEOFF STEWARD

DD: +44 (0)20 7849 2341

geoff.steward@macfarlanes.com

SEPTEMBER 2011

MACFARLANES LLP

20 CURSITOR STREET LONDON EC4A 1LT

T: +44 (0)20 7831 9222 F: +44 (0)20 7831 9607 DX 138 Chancery Lane www.macfarlanes.com

This note is intended to provide general information about some recent and anticipated developments which may be of interest.

It is not intended to be comprehensive nor to provide any specific legal advice and should not be acted or relied upon as doing so. Professional advice appropriate to the specific situation should always be obtained.

Macfarlanes LLP is a limited liability partnership registered in England with number OC334406. Its registered office and principal place of business are at 20 Cursitor Street, London EC4A 1LT. The firm is not authorised under the Financial Services and Markets Act 2000, but is able in certain circumstances to offer a limited range of investment services to clients because it is regulated by the Solicitors Regulation Authority. It can provide these investment services if they are an incidental part of the professional services it has been engaged to provide. © Macfarlanes September 2011