

Marketing Analytics and Metrics

Legal Issues in Marketing

**Trademark Protection & Keyword Advertising
in the Luxury Industry**

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Declaration

I hereby declare that the work in this thesis is my own except for quotations and summaries which have been duly acknowledged.

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I wish to express my deepest gratitude to my family for always supporting me without ever pushing me. Above all, thank you to my brother for always teasing me to make me prove my best. I love you.

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I'll never feel accomplished by staying still. I still am eager of learning.

“Trying to do business without advertising is like winking at a pretty girl through a pair of green goggles.

You may know what you are doing, but no one else does. ”

Cyrus McCormick

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List of abbreviations

- SEO Search Engine Optimization
- SEM Search Engine Marketing
- SERPs Search Engines Result Pages
- EU European Union
- TMA Trademark Act
- TMD Trademark Directive
- CTMR Community Trademark Regulation
- EEA European Economic Area
- CJEU Court of Justice of the European Union
- TRIPs Trade-Related Aspects of Intellectual Property Rights
- WTO World Trade Organization
- ECJ European Court of Justice
- M&S Marks & Spencer
- HCJ High Court of Justice
- PEI Playboy Enterprises International, Inc.
- MTM Multi Time Machine, Inc.

Introduction

As today's most diffused communication tool, the Internet makes it possible for its users around the world to communicate with each other.

Given that the tool's communicative role has become nowadays central in modern society, another critical feature of the Internet is that it serves to provide a vast market for industries and business people in means of transactions, marketing, and overall user reach.

Most of modern Companies are now online, meaning they manage and analyze their business through their corporate and product web pages, which also enable them to reach out to consumers and present their own products and Brands in a whole new and direct way accordingly to consumers' needs and desires.

In order to be relevant for a consumer, Companies must find a way to keep a spot in Search Engine lists (Aitken, 2005) by developing Search Engine Optimization ¹ (SEO) strategies with the final goal of making consumers visit their websites or Brand related pages as often as possible. (Yalçın, 2010)

What happens when an Internet user enters a keyword on a Search Engine is that it gets both natural results² and sponsored links³ accordingly to the keyword of his research. For instance, if I were to type the word "bag," I might get results showing advertising from different competitors such as Louis Vuitton or Gucci.

Instead, if my result was more specific and I was already sure on the Brand to look for, I might have just used the Brand's name "Louis Vuitton" which is itself a trademark owned by the Company from which it takes its name, and would have let me go through results related to its products.

Beyond using SEO strategies, Search Engines also allow advertisers to use Search Engines Marketing strategies in order to make them buy keywords useful to reach those areas of research

¹ Search Engine Optimization Strategy or SEO stands for a set of rules to follow to make a website appear among top results on Search Engines webpages in order to be noticed more and in a faster way. The positioning of a website in Search Engines ranking is based on set algorithms which analyze different factors in order to choose which website to put first.

² The natural results are those results generated by the Internet user's research, without the payment of any amount of money to the service provider like Google.

³ The sponsored links are results related to the user's keyword, which are displayed at the top of the Search Engine list in return for fees paid by the sponsors of those links (advertisers).

which they wouldn't otherwise be able to deal with just by applying SEO strategies or to manage other companies' areas of relevance. What Search Engines offer is the possibility to use trademarks in keywords advertising both for the owners of the marks and for their competitors by paying a set amount of money.

For instance, recalling the above mentioned example, Louis Vuitton may buy the trademark "Gucci" as a keyword through Google Advertising and make consumers visualize its products when searching for the third party's Brand.

Of course, this use of trademarks as keywords by Companies advertising their goods and services on the Internet has given gives rise to legal problems related to the intellectual property field and questioned the fair use of trademarks.

A key issue is whether such a use could be considered to constitute a trademark infringement and in the European Union, this has been at the center of many disagreements between Search Engines (especially Google) and trademarks' owners.

In the following pages, I will provide an overview of exiting cases related to the role of trademarks in keywords advertising with respect to the role European trademark law plays in this regard, by outlining the controversies that it has given rise to starting from Google France and Google v. Louis Vuitton⁴ and Interflora v. Marks & Spencer⁵.

Moreover, an overview of the American case law related to this matter will be provided in Chapter three in order to make a comparison between the application of rulings in the European Union and the United States of America.

⁴ Google France and Google v. Vuitton, Joined Cases C-236/08 to C-238/08, March 2010

⁵ Interflora Inc and another v Marks and Spencer plc [2014] EWCA Civ 1403, November 2014

Chapter 1: Trademarks Analytical Framework

1.1 A Brief history of trademarks

Going back to the story of commerce, it is clear how signs have served as a distinctive tool to outline the different origins among products ever since their first creation.

Starting from the preindustrial era, where signs were key in order to outline the control of quality, the use of signs as trademarks became significantly more important with the advent of market liberalization. Trademarks went from being means to control and supervision by the authorities, to becoming a communication tool which allowed producers to directly address their customers without the need of physical contact, and simultaneously made it possible for consumers to repeat purchases that were satisfactory, and avoid those that were not. (Kur & Dreier, 2013)

Technological advances led to the introduction of TV, radio, and printing press through which marketers found a whole new road of opportunities to deliver desired information to consumers. The diffusion of the Internet was then successful in accompanying new online marketing strategies and introducing new kinds of advertising, such as banner advertising⁶. (Saunders, 2001) It didn't take long for banner advertising to be furtherly improved by combining with Search Engine technology. The technology used by Search Engines⁷ allows users to type in one or more "keyword" as search terms, which make the Search Engine search on the Internet for websites where the search term appears in the programming code. After the Search Engine has submitted a list of sites that contain the keyword, it shares them as a list of search results.

Just like most commercial websites, also Search Engines sell advertising space on their web pages, especially if these pages list each search result as it is common for Search Engines to sell keywords to advertisers making them pay more than they would with respect to non-

⁶ Keyword banner advertising is an essential advertising method on the Internet. The success of banner advertising is largely measured by the click-through rate – the percentage of users who have viewed an ad after having clicked on it.

⁷ A Search Engine is a service which allows Internet users to search for content via the World Wide Web. The user enters keywords into a Search Engine and receives a list of Web content results in the form of websites, images, videos or other online data.

targeted banner advertising. By paying set amounts of money, the Search Engine can be set up to display an advertiser's banner ads each time a user types in one of a series of selected terms in his search so that the advertiser can target its ads to reach a more receptive audience and hence maximize the effectiveness of its online advertising.

In order to generate considerable revenues, most Search Engines today use keywords as tools. Moreover, some advertisers have managed to acquire their competitors' trademarks as keywords in order to make their banner ads appear on the webpage displaying results from a search that used another's trademark as the query term. As obvious, this may also stimulate further competition among sellers, which would hence result in lower prices and improved quality.⁸ However, some sellers have challenged this marketing strategy as a threat to their trademark rights and goodwill (Frauenfelder, 1999). The question of whether this practice is a benefit to consumers and competition or a new form of trademarks' rights violation is just one of the many legal issues emerging from the new marketplace of electronic commerce.

As the Courts have evaluated the applicability of traditional principles of trademark law in the context of the Internet, as it is easy to confound sound legal reasoning and public policy with a misunderstanding of the technology giving rise to the dispute.

In the next paragraph, we will examine the use of trademarks as keywords for advertising and trademark law issues that this practice has generated.

1.2 The Economic Functions of trademarks

According to the general definition, a trademark is a sign which is used by a producer within economic activities in order to differentiate and identify a specific product or service hence enabling the differentiation of goods and services to make it easier for consumers to recognize and differentiate between different products.

Looking at trademarks from an economic point of view, their role is key both for the trademark owners and for the consumers in a double way. First of all, considering trademarks from a consumers' perspective, they have a central role in facilitating consumers' choices among experiences and goods, thus showing the quality signals with respect to infrequently consumed goods in order to guarantee an efficient provision of products demanded. In the issue with information asymmetry, trademarks serve as the key which allows consumers to have more

⁸ Sometimes buying a competitor's trademark as a keyword can be effective if the advertiser has a low Brand awareness among consumers, since the ads for the smaller advertiser can appear when the user enters a famous trademark as a search term.

clear and better information on the product they are willing to purchase, especially if such information is not observable by the external features of a good as it could be the case for food and beverages.

Trademarks manage to make a product-market more efficient and in some cases they may also result essential for the market's very existence (Katz, 2010).

The second effect trademarks have on consumers is that of trust, in the sense that they allow consumers to rely upon the signals they are granted by firms as a guarantee on quality and performance of a product also preventing the so called "*lemonization*"⁹ of markets (Akerlof, 1970) for goods with experience¹⁰ and credence¹¹ attributes. If trademarks were absent from the market, consumers would randomly pick goods which may not match with their requirements and expectations and the firms, would on their side, lower the quality of their productions.

Another key economic aspect of trademarks is that of providing a good ground for the creation of Brand identity in the mind of consumers, especially important in modern market economies which rely on Branding¹² as a central element of success in everyday life. Nowadays, firms and Companies invest a large amount of money in advertising their goods and services in order to build a solid reputation in the marketplace. The role of advertising has become key in influencing consumers' choices and hence determining the commercial success of Brands. The commercial success of different Brands also deals with competition among firms which may also lead to important implications for economic welfare.

The concept of branding goes against the early theories on how market economies work in which economic scholars believed that all humans are rational agents, meaning that they, as consumers, have full knowledge of all products and potentiality which are presented on the market and that their purchase decisions form part of the invisible hand¹³ that guides firms'

⁹ According to George Akerlof's theory, the quality of goods traded in a market can degrade due to information asymmetry between buyers and sellers, leaving only lemons behind. A lemon is defined as a car that is found to be defective only after it has been bought.

¹⁰ An experience good is a good whose qualities can only be determined after consumption such as food and beauty products (Katz, 2010)

¹¹ A credence good is a good whose quality cannot be determined even after consumption, because such determination is prohibitively costly for most consumers such as education and professional services. (Katz, 2010)

¹² By Branding we define the process involved in creating a unique name and image for a product in the consumers' mind by making use of advertising campaigns. The goal of Branding is that of establishing a significant and differentiated presence in the market in order to create and retain loyal customers. (BusinessDictionary, 2019)

¹³ The invisible hand is a metaphor by Adam Smith according to which, in a free market economy, self-interested individuals operate through a system of mutual interdependence. Each free exchange creates signals about which goods and services are valuable and how difficult they are to bring to market. These signals, captured in the price system, spontaneously direct competing consumers or producers to fulfill the needs and desires of others.

production decisions (Smith, 1776). On the contrary, the concept of branding was linked to consumers behavior through the analysis which demonstrated how consumers tend to be “imperfectly informed” on market products and activities and hence, the market outcomes can be influenced by a set of market strategies which involve nudges¹⁴, advertising campaigns and pushing.

By becoming Brands, trademarks enable the building of Companies’ reputation such that consumers no longer buy products solely for their qualities but mostly for loyalty and attachment to the Brand and as ways to express their own identity.

As we all know, in today’s market each product can be acquired by different sources and in different places, so that the space for consumers’ choice-making becomes unlimited. If consumers were to be fully rational agents, the choices would have fallen on the most efficient decision in comparing the cost-benefit relation among each product. What happens, in reality, is that a consumer may prefer one product over another for an infinite number of reasons from how functional or effective the product is to its reliability, duration, simplicity, how it tastes, sounds or smells...etc. Most of the time these characteristics cannot be easily observed at the time of purchase and hence consumers may only be able to evaluate them as they experience the product by using it ex-post.

To find out which products may be best suited for each consumer, they shall rely on their past experience (in case there is any) or on information about the product provided by the producer or a third party, which is nothing but the product’s reputation. Of course, this happens only if consumers can find reliable products made by different producers in the marketplace which they can identify through brands. Thinking about it, if producers were to market their products independently by using the same Brand, consumer intelligence would have little value as and producers would not be able to build a reputation.

In order to better understand the way consumers' choices are shaped, there is to say that beyond the value of reputation, there are some other factors that may influence consumers’ choices towards one Brand or another. This is because brands also possess an image value. For instance, a consumer may acquire pleasure from wearing the same bag as a Hollywood actor. What happens in most cases is that the image value comes from showing off the possession of a popular Brand to other members of society in order to be socially accepted. This is mostly relevant for many luxury products, where Brands enable consumers to communicate their

¹⁴ By definition, a nudge is described as “any aspect of the choice architecture that alters people's behavior in a predictable way without forbidding any options or significantly changing their economic incentives. To count as a mere nudge, the intervention must be easy and cheap to avoid. Nudges are not mandates. Putting fruit at eye level counts as a nudge. Banning junk food does not.” (Richard H. Thaler, 2008)

affluence and attention to the luxury world. Moreover, consumers chose brands they identify with, brands that show exactly the image each consumer wants to give for himself as either traditional, modern, alternative, fashionable or classy. The economic analysis on rationalizing what's beyond trademarks has mainly focused on the reputational value of brands. (WIPO, 2019)

In the following pages, we will analyze some disputes among the exploit of strong Brands trademarks from third parties in order to obtain greater economic returns for their own business.

1.3 Trademark Law as an analytical framework

After having briefly outlined the history of trademarks and most importantly their economic role as to why they are so important in modern markets, the question onto what trademarks represent in the market from a legal perspective arises.

If we analyze trademark law by using brand theory, it becomes clear that such theory is useful in explaining the expansion of trademark law with regard to initial interest confusion, post-sale confusion, and dilution. Also, Brand theory highlights a current weakness in trademark law on its view of consumers' role by not recognizing the active role they play in Brands development.

According to trademark law, trademarks' protection is ensured in order to guarantee that the mark is recognized as an indication of origin, that the indication of origin is clear for the consumer in order to avoid his confusion and finally to distinguish a product or service from other Brands. The three conditions to be satisfied are described in of Article 4 EUTMR¹⁵ as follows: *(a) it must be a sign, (b) it must be capable of being represented graphically, (c) it must be capable of distinguishing the goods or services of one undertaking from those of others.*¹⁶ Recognizing a mark as such does not prevent third parties from using it, but it makes sure that the mark is used according to honest practices in an industrial or commercial matter.

According to European Directive (Art. 3) and Regulation (Art. 4), a trademark may consist in *“any sign, in particular words, including personal names, or designs, letters, numerals, colors, the shape of goods or the packaging of goods, or sounds.”* The importance of recognition of marks provided by the new EU Directive (Art. 3) and Regulation (Art. 4) stands in the fact it makes clear that trademarks enable competent authorities and the public to identify the correct

¹⁵ For more information on article 4, please visit:

<https://eurlex.europa.eu/legalcontent/en/TXT/HTML/?uri=CELEX:32017R1001&from=EN#d1e573-1-1>

¹⁶ CJEU, case C-321/03, Dyson, January 2007

subject matter of the protection afforded by trademark's owners. Moreover, according to the new Art. 38 of the EU Directive and Art. 28 of EU Regulation, goods, and services for which trademark's registration is applied, should be classified in conformity with the system of classification provided by the Nice Agreement¹⁷. The goods for which the protection of trademarks is needed shall be clearly identified by the applicant in order to let the competent authorities determine the exact extent of protection needed. This role is generally covered by the EUIPO¹⁸ which has the power to eventually reject unclear applications or those applications in which wording unacceptable.

By definition indeed, the very function of a trademark is that of being used as an indicator of source for customers which allows them to immediately associate the product they are visualizing with the firm related to it.¹⁹ In addition to this, a trademark might also be used as an indicator of quality which would allow consumers to associate the trademark with superiority or inferiority to competing products.²⁰

Overall, the first need for a trademark to be recognized as such was the ability to be graphically represented. According to the new EU Directive (Art. 3) and Regulation (Art. 4), the mere definition of trademarks is no longer that of *any sign capable of being represented graphically* making hence possible to distinguish the good or service from that of a third party and also to be represented on the Register of European Union trademarks in order to allow competent authorities to determine the subject matter of protection. The need of graphic representation, which assumed the sign under analysis to be represented visually in order to be clearly identified, with a clear, precise, self-contained, easily accessible, intelligible, durable and objective graphic representation, is no longer the key requirement for a trademark to be defined as such. The new EU Directive (whereas 13) and Regulation (whereas 9) has established that: *"A sign should be permitted to be represented in any appropriate form using generally available technology and hence not necessarily by using a graphic mean as long as the representation is clear, precise, self-contained, easily accessible, intelligible and durable."*

¹⁷ The Nice Agreement was established in 1957. It outlines the Nice Classification which is an international classification of goods and service to be updated every five years. According to the classification, all goods and services are divided into 45 separate designated classes in which classes 1-34 indicate goods and classes 35-45 indicate services.

¹⁸ EUIPO stands for The European Union Intellectual Property Office, which is the European Union Agency responsible for the registration of the European Union trademark and the registered Community design, the two unitary intellectual property rights valid across the 28 Member States of the EU.

¹⁹ More than one scholar has suggested that trademarks serve not only as source identifiers, but also as part of the good or service itself. (Kozinski, 1993)

²⁰ As such, they lower costs of consumer search by providing a reliable signal of product quality.

Of course, the lack of graphic representation does not abolish the need for a trademark to be distinguishable. As mentioned in EU Directive (Art. 4) and Regulation (Art. 7) indeed, trademarks that lack any distinctive character, descriptive signs or indications, trademarks that have become customary in the current language or in bona fide and established practice of trade, shall not be registered.

Overall, a mark is considered distinctive if it is either inherently distinctive²¹ or it has acquired distinctiveness through use, so it is legitimate to affirm that the more the trademark is distinctive, the greater will be the protection afforded by law, and in case a trademark is not inherently distinctive, it may, after all, be protected as long as it has acquired distinctiveness, though the use of “secondary meaning.”²² In order to determine whether a primarily descriptive mark²³ has managed to acquire a secondary meaning, Courts has to consider the following aspects: the length and manner of use of the mark; nature and size of advertising and promotion; the efforts made to promote an attentive connection in the public’s mind between the trademark and the business; and range to which the public does identify with the mark and the product or service, by measuring it with consumer surveys. If the Court recognizes that a preponderance of these factors has led consumers to associate the mark with the product, it then means that the mark has acquired secondary meaning.

Following EU general principles, for a trademark to possess distinctive character it must serve to identify the product in respect of which registration is applied for as originating from a particular undertaking, hence to distinguish that product from those of other undertakings. In addition to this, the distinctive character must be assessed by reference of the good in respect of which the registration has been applied for and by reference of the perception of them by the significant public. Furthermore, it may be more difficult to establish distinctiveness in relation to marks if certain categories with respect to marks of other categories. Some categories certainly include signs which are less likely to be distinguished by *prima facie*²⁴, but even in this case, the competent authorities will have to implement a careful examination on the distinctiveness of such marks.

²¹ A mark is considered inherently distinctive if it can direct consumers to the origin of the product immediately without consumers needing to be taught about the origin.

²² Secondary meaning indicates the ability of a consumer to identify a trademark of a certain product overtime. If this happens, also a descriptive trademark that a business would have not been able to register initially may be subject to registration because of this association.

²³ A descriptive mark is a term which has an inherent dictionary meaning which is used by a firm in connection with products or services directly related to that meaning.

²⁴ Latin word for “at first sight”

Aside from the EU Regulation, another important set of rules regarding the protection and regulation of trademarks is provided by the American Lanham Trademark Act²⁵ which grants federal protection to both registered and unregistered trademarks used in interstate commerce.²⁶ The Act also protects trademarks owners by allowing the obtaining of injunctions and monetary damages for the improper use of the owners' trademarks this way forbidding infringement and dilution.

1.4 Protection of trademarks

Overall, a trademark can be protected either on the basis of use or on the basis of registration which today grants appropriate preservation for trademark register. Nonetheless, use still covers a key role in many countries in which the act of trademark registration serves as a confirmation of the fact that the trademark right has been achieved through use leading to the consequence that in the eventuality of a trademark dispute, the first user would prevail on the first that has registered the mark.

Trademarks registrations also include a time limit to stick to which limit can also be renewed when the time limit expires. The time limits differ in different legislations, it is set to no less than seven years for the TRIPs and to ten for EU.

Regarding the rights conferred to a trademarks owner, it is clearly outlined in article 16th of the TRIPs²⁷ that *“The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.”*

Overall, signs shall be compared at three different levels which are namely visually, aurally and conceptually as one can perceive signs visually, aurally and conceptually (if they evoke a concept). If it aint possible to compare the marks at one level (e.g. the aural comparison when

²⁵ United States Code §§ 1051-1127 (2000).

²⁶ In the US most states provide for their own registration of trademarks, but state registration is not an effective form of protection as trademarks used on the Internet are transmitted through interstate and international commerce. Federal registration of a trademark creates a presumption of validity, ownership, and the right to use the mark, and allows the owner to prevent importation of products into the United States that may infringe the mark.

²⁷ TRIPs stands for the agreement on Trade-Related Aspects of Intellectual Property Rights which is an international legal agreement between all the member nations of the World Trade Organization (WTO).

both marks are purely figurative) this will be stated in the decision. The comparison of signs may then lead to the finding of three different outcomes: identity, similarity or dissimilarity, the result of which becomes decisive for further examination of the opposition as it has different implications according to the definition it falls under. (EUIPO, 2017)

As mentioned above, if a finding of identity between signs has to be detected, this would lead to absolute protection according to Article 8(1) (a) EUTMR if the goods and/or services are also identical. A finding of similarity (or identity) would result in the opening of the examination on the likelihood of confusion in conformity with Article 8(1) (b) EUTMR.

More generally, a trademark can be violated either directly or indirectly. According to EU Directive (Art. 5) and Regulation (Art. 8) a trademark owner shall be secured by law to prevent a third party from using his registered trademark without his consent in the course of trade. As clearly described in the Directive indeed, a trademark proprietor shall be able to prevent a third party from taking advantage of a sign which is identical to the trademark in relation to goods or services identical to that for which it is being registered or already used, phenomena known as *double identity*²⁸. Creating a double identity could result in great disadvantages for the original trademark owner as it could lead the consumer to confusion and hence affect the sales and revenues of the proprietor, or worse the reputation of the trademark doubled.

According to CJEU, case C-291/00 if we are facing a double identity conflict scenario, there is no need to prove the likelihood of confusion as the very risk of confusion is presumed. This requires the criterion of identity to be interpreted strictly indicating a situation in which a sign reproduces without any modification or addition to all of the elements constituting the trademark of if the sign contains very little differences which would not be noticed by an average consumer exposed to it. (EUIPO, 2017)

Another conflict scenario that may occur is that of similarity of signs where a sign, because of his similarity to a good or service covered by an earlier trademark, may result in a likelihood of confusion by the consumers. By definition, the similarity of signs depends on the distinctiveness and dominant character of signs' components, and on other eventually possible relevant factors defined in the opposition decision. In the comparison of marks, the similarity can be assessed through a likelihood of confusion criterion²⁹ which is crucial for protection. (EUIPO, 2017)

²⁸ Any sign that is identical in relation to goods or services which are identical with those for which an earlier trademark is registered will be referred to as double identity. By earlier trademark we indicate both those trademarks whose date of application for registration is earlier of the date of application for registration of a trademark, taking into account the priorities claimed in respect of those trademarks, and those trademarks which are well known in the Member State concerned on the date of application

²⁹ The likelihood of confusion may as well include the likelihood of association which is not by itself a sufficient ground for concluding that there is a likelihood of confusion

The third direct violation of trademarks may occur for those signs that are not similar to those for which the trademark is registered or if there is a reputation and the use of such sign without due cause may take unfair advantage of the registered trademark or may result in detrimental actions of the distinctive character of it, this is why an enhanced protection for well-known and reputed trademarks was established. When assessing whether the similarity between goods may give rise to likelihood of confusion, the reputation of the earlier trademark must be taken into account. In such cases indeed, the consumer may believe that the goods come from the same undertaking. According to EU Directive (Art. 5) and Regulation (Art.8): *any sign which is identical to an earlier trademark in relation to goods and services which are not similar to those for which the trademark is registered, where the latter has a reputation and where the use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the earlier trademark.* Meaning that enhanced protection becomes important also in relation to goods or services that are not similar to those for which the trademark is registered or in case the owner of the trademark with a reputation is not conditional upon there being a likelihood of confusion on the part of the consistent part of the public or there is some degree of similarity between the trademark at issue and the sign used by third party.

The different kinds of trademark abuse against which the EU Directive mentioned above provides for protection are three, each of which would be sufficient by itself to result in persecution.

The first type of injury is known as dilution³⁰ and consists of a detriment to the distinctive character of the mark. In such cases, protection is provided against trademarks use that could result in a loss of reputation by the registered trademark. Because of dilution, a trademark may no longer be able to create an immediate association in the mind of consumers as the misuse of it by a third party could result in its reduction of the capability of distinguishing itself from those of different origin.

The second kind of injury is the tarnishment³¹, which consists in damage to the reputation of the previous mark, which happens when the goods or services of the later sign are recognized by the public in such a way that the earlier mark's power of attraction is reduced. The damage to reputation may be caused from the fact that the goods or services of the later mark possess a

³⁰ Namely, dilution occurs when someone uses a famous mark in a manner that blurs or tarnishes the mark. (Stim, 2019)

³¹ Tarnishment is also referred to as "degradation".

feature or quality which is liable to have a negative impact on the image of the reputed mark. (Maniatis, 2016)

The third kind of injury related to trademarks reputation is that of free riding, which relates to the unfair advantage taken by a third party subsequently to the use of an identical or similar sign and that it covers, more specifically, cases where there is clear exploitation on the coat-tails of the reputed mark, by reason of a transfer of the image embedded in that mark, or of the characteristics which the mark projects, to the goods designated by the later sign. Namely Unfair Advantage does not deal with the damage caused to the trademark but with the advantage obtained by the third party exploiting such mark.

Even if the above-mentioned regulations may unfairly suggest that stronger trademarks are more protected by law compared to smaller or weaker ones, this is not true. The relation between a trademark's strength and scope is always positive meaning that the strongest marks receive the widest scope of protection. But if a mark obtains very high levels of strength, the relation between strength and confusion may turn in negative. The very strength of a super-strong mark operates to assure that consumers will not confuse other marks for it. Thus, the scope of protection for such marks needs to be narrower compared to merely strong marks. (Beebe & Hemphill, 2017)

The second type of liability, contributory infringement³², may arise when the defendant either actively induces third parties to directly infringe the trademark of the prosecutor or if it keeps on supplying a product to another who is directly infringing the prosecutor's trademark. We may also refer to these two aspects as participant-based or relationship-based. A participant-based liability occurs by virtue of the secondary infringer inducing, contributing to or facilitating the harmful conduct of the primary infringer. This kind of claim tends to whirl in part around the level of knowledge of the defendant concerning the infringing conduct, sometimes constructively imputed through proxies, and the extent to which the defendant has actively contributed to causing the harm regarded as actionable by trademark law. Rather, secondary liability may also arise where the defendant takes advantage from the harm and is sufficiently close in relationship to the primary infringer that the law will treat them as one and the same. (Dinwoodie, 2014)

The standard for contributory infringement was posed by the U.S. Supreme Court in the famous case *Inwood Labs. V. Ives Labs*³³ where Ives Laboratories, a defendant drug manufacturer sold

³² Contributory Infringement is also referred to as "secondary infringement"

³³ *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982).

similar generic drugs of Cyclospasmol through pharmacies, which committed primary infringement by passing the drug off as the Branded version of Inwood. The prosecutor sued the generic drug manufacturer for secondary infringement and thus the U.S. Supreme Court held that: “[I]f a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit.”³⁴

Nowadays, the Inwood test may be used by the prosecutor in two different ways by which establishing secondary liability: intentional inducement; and continued supply with actual or constructive knowledge of infringement. Even if secondary liability’s role had been of limited importance among trademark law in the past, it has today acquired considerable relevance because of the role covered by search engines.

The most notable application of Inwood case in the online environment has been to assess the secondary liability of auction sites, such as eBay, for the listing of infringing items for sale on their respective websites. A famous case is that of Tiffany v. eBay³⁵ where Tiffany sued eBay for selling counterfeit goods by affirming that eBay failed to take sufficient actions to remove counterfeit goods from the auction website so it was contributorily liable for the infringing acts of those who were selling counterfeit goods through eBay website. E-Bay claimed that it had implemented a strong takedown policy and it had managed to take down the counterfeit goods, so the U.S. Court applied the Inwood test assessing that the service provider (in this case eBay, must have some contemporary knowledge of which particular listing are infringing or will infringe in the future, but willful blindness is equal to actual knowledge, so if a service provider has reasons to suspect that some listings are infringing a protected trademark, they have to take actions. (Dinwoodie, 2014)

³⁴ Id. at 854.

³⁵ Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93 (2d Cir. 2010).

1.5 Keyword Advertising

Every time a consumer types the name of a Brand into a Search Engine, what happens is it gets two different kinds of results which are either organic³⁶ or paid search results³⁷. If a competitor to the Brand bids on the Brand name keyword, their ads could also appear as sponsored links. The position of the competitor advertisement on the search result page depends on whether the ad is relevant to users' queries, which is measured by a number of clicks it is likely to get, and by how much the advertiser bids on the Brand name keyword. As a result, when a consumer types Louis Vuitton handbags on a Search Engine, it may end up seeing organic results or sponsored links for another Brand in addition to Louis Vuitton related link.

Just to give you a visive idea on how to recognize an organic result (1) from a paid result (2), here is an example of both:

1. *Organic* *Results:*

The image shows a Google search interface for the query "louis vuitton bags". The search bar is at the top with the Google logo on the left and a microphone and search icon on the right. Below the search bar, the first organic result is from eu.louisvuitton.com, titled "All Handbags Collection for Women | LOUIS VUITTON". The snippet below the title reads: "LOUIS VUITTON Official International Website - Discover our latest Women's All Handbags collection, exclusively on louisvuitton.com and in Louis Vuitton ... Handbags Collection for ... · Neverfull MM · Alma BB · Locky BB + 3 colour(s) + 1 ...". Below this result is an "Images for louis vuitton bags" section with filters: "original", "classic", "authentic", "real", "mens", and "speedy". There are four image thumbnails showing different styles of Louis Vuitton handbags. Below the images is a link "More images for louis vuitton bags" and a "Report images" button. The second organic result is from us.louisvuitton.com, titled "Louis Vuitton Handbags & Iconic Bags for Women - LOUIS ...". The snippet below the title reads: "LOUIS VUITTON Official USA Website - Discover Louis Vuitton's handbags and iconic bags for women, made with outstanding craftsmanship and quality ...".

³⁶ Organic search results are the Web page listings that most closely match the user's search query based on relevance according to SEO inputs, sometimes organic search results are also referred to as "natural" search results.

³⁷ Payed search results are basically advertisements which have been paid for by website owners in order to display for certain keywords so that they show up when someone runs a search query containing those keywords. Sponsored links and ads fall into the category of payed search results.




Google

louis vuitton bags

All Images Shopping News Videos More Settings Tools

About 121,000,000 results (0.82 seconds)

See louis vuitton bags Sponsored

 <p>Coach Charlie Carryall Borsa a mano black, Donna, Tagli...</p> <p>€394.99</p> <p>Zalando.it</p> <p>Free shipping</p> <p>By Shoptail</p>	 <p>Gucci Mini borsa GG Marmont</p> <p>€790.00</p> <p>Gucci</p> <p>Free shipping</p> <p>By Lyst</p>	 <p>Valentino by Mario Valentino Carillon Marsupio, Donna,...</p> <p>€89.99</p> <p>Zalando.it</p> <p>Free shipping</p> <p>By Shoptail</p>
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Ad · it.louisvuitton.com/Borse ▾

Louis Vuitton® Borse | Design Unico e Senza Tempo

Ordini ora la sua Borsa Louis Vuitton dal Sito Ufficiale. Consegna offerta. Pagamento Sicuro. Boutique Online Ufficiale. Consegna e Reso Gratuiti. Ritiri in Boutique in 48h. Tipi: Borse, Profumi, Viaggio, Calzature, Piccola Pelletteria, Accessori, Idee Regalo.

By definition, keyword advertising is a form of online advertising in which the owner of a Brand or of a trademark pays an amount of money to Search Engines in order to get his Brand, keyword or advertisement appear in the results listing when an Internet user types keywords on the net through the use of Search Engines.

The theme of keywords protection, therefore, falls under the gradual expansion of the protection of the Brand, in line with the trend that concerns the entire intellectual property system, and its competitive reflexes, emphasized by the new environmental context in which a significant part of the competitive comparison: if the traditional function of indicating the entrepreneurial origin of the goods is no longer the only function to be legally protected, but also the advertising and investment one, the use of the distinctive signs on the Internet ends, in the case of keyword advertising, to be translated into the assessment of the legitimacy of a proprietary control over certain words. In the case of keyword advertising, in fact, the same word fulfills three different functions, since it is primarily considered as the search term that any user can choose to insert on a Search Engine on the Internet; secondly, a keyword purchased by some advertisers for an advertising service offered by a Search Engine manager; and finally as the symbol registered and used as a trademark to indicate the origin of certain goods or services from a single commercial source.

The main problem with keyword advertising arises when there happens to be an unfair use of keywords which are similar to, or sometimes identical to, trademarked terms for the purposes

of advertising. Such use may generate different controversies as Search Engines allow advertisers to select also protected trademarks as keywords and then link those keywords to search results of third parties websites that are not owned nor related to trademark proprietor. For instance, when typing “Gucci” on the selected Search Engine like Google, one may get the name of another Brand under sponsored link which refers to the direct competitor to the Brand. It often happens that when advertisers try to purchase a generic word, for instance, “bag”, Google also gives them the suggestion to buy some specific Brands related to the generic word as Gucci or Dior.

Of course, this practice has generated some discontent among trademark owners regarding the way Search Engines categorize their search results which could lead to different legal issues such as trademark infringement or unfair competition. On their side, Search Engines get economic advantages out of keywords advertising and hence claim that, if used correctly, keyword advertising does not infringe on the rights of trademark owners. What is sure is that, in the age of e-commerce and digital communication, keywords advertising surely raise questions of trademark infringement, most of which are still pending.

According to Advocate General Poiares Maduro³⁸, as evident, the aim of trademark owners is to extend the scope of trademark protection in order to cover actions by a party that may contribute to trademark infringement by a third party. Trademark owners believe that the mere possibility of a system used by a third party to infringe a trademark makes that system itself a kind of infringement. Indeed, the scope of trademark owners would be that of preventing Google from being able to make keywords corresponding to their trademarks available for selection. As trademarks may be used from third parties and Search Engines to promote counterfeit goods, trademarks owners believe that the use of trademarks as keywords shall be forbidden by law.

If the claims of the trademark proprietors were to be followed, they would constitute great obstacles to any system for the delivery of information. Each system dealing with keywords research and advertising would have to be overprotected in order to defeat the possibility of eventual infringement by third parties. What is clear is that if Google were to be placed under such binding obligations, the nature of Search Engines would be completely different from the one we know now and even the concept and use of the Internet itself would change.

Overall, the theme of Keywords Advertising deals with the gradual expansion of the protection of the Brand, in line with the emerging trend which is interesting the whole intellectual property

³⁸ Advocate General’s Opinion in Joined Cases C-236/08, C-237/08 and C-238/08, 2009

rights system and its competitive aspects that are emphasized by the new environmental context in which a significant part of the competitive comparison takes place. The mark's feature to be legally protected becomes the one of advertising and investment, not only the mark's traditional function of origin's indicator of goods. This way, the use of distinctive signs on the Internet for keywords advertising turns into the assessment of the legitimacy of proprietor control over certain words. Indeed, in the case of keyword advertising, the same word fulfills three different functions, becoming in the first place the search term that any Internet user can choose to insert in a Search Engine on the Internet; secondly, a keyword purchased by some advertisers for an advertising service offered by a Search Engine manager; and finally the symbol registered and used as a trademark to indicate the origin of certain goods or services from a single commercial source. Multiple European judges have been called in order to rule over keywords advertising disputes among entities in the Member States in the past decade.

In the following chapter, we will explore the major cases which have provided to outline the borders of keywords advertising legislation.

Chapter 2: EU case law

As predictable, the possibility to sell and purchase trademarks as keywords has given rise to numerous lawsuits at the international level framed around the issue of whether such transactions may give rise to actionable confusion under trademark law. In the following pages, I will provide an overview of two famous exiting cases related to the role of trademarks in keywords advertising with respect to the role European trademark law plays in this regard, by outlining the controversies that it has given rise to.

The first mandatory legal reference to be mentioned is the ruling of the European Court of Justice in the *Google France and Google v. Louis Vuitton*³⁹ in which the ECJ stated that Search Engines operators do not themselves infringe trademark rights if they allow advertisers to use a competitor's trademark as a keyword.

The second case we will analyze is that of *Interflora v. Marks & Spencer*⁴⁰ where the ECJ was called to rule over a case in which M&S has used a keyword corresponding to Interflora's trademark in order to promote his own business which is in competition with that of the owner of the trademark to which the keyword corresponds.

2.1 Louis Vuitton v. Google France

As mentioned above, the dispute between Google France and Louis Vuitton is the most celebrated cases related to keywords advertising. Google makes it possible for web users to pick Vuitton's mark as keywords in online researches,⁴¹ and it even allowed users to possibly accompany the mark with words for illegal practice such as "imitations", "replica" or "copy". This way, a user entering "Louis Vuitton imitations" on Google search bar would receive as a result all of the advertisements that were generated, which led them to websites offering products that were clearly selling imitations of Louis Vuitton luxury Brand.

³⁹ *Google France and Google v. Vuitton*, Joined Cases C-236/08 to C-238/08, March 2010

⁴⁰ *Interflora Inc and another v Marks and Spencer plc* [2014] EWCA Civ 1403, November 2014

⁴¹ Louis Vuitton as the proprietor of the CTMs, including the three reputable marks "Vuitton", "Louis Vuitton", and "LV"

As is well known, Google is the most widespread Search Engine on the Internet. When a user is looking for something on the web, the first thing he would do is selecting a limited number of keywords on the search bar and start his research. The Search Engine, in turn, provides the user with a list of results related to the keywords entered following a descending order of relevance. The websites that fit better with the keywords are displayed first and defined as natural research results which are those results generated by the Internet user's research, without the payment of any fee to the service provider like Google in this case.

Alternatively, Google also proposes a paid positioning service which is called AdWords⁴² and allows any economic operator to display an advertising link to its site by selecting keywords, if those words coincide with those contained in the request addressed by a user to the Search Engine (this link appears in the list of sponsored links).⁴³

The payment by the advertiser is made for each link selection and is calculated according to the "maximum price per click" which, at the time of the conclusion of the positioning service contract with Google, the advertiser declared to be willing to pay, as well as the number of clicks on this link by users. Multiple advertisers can select the same keyword: the order in which their advertising links are displayed in this case will be determined based on the maximum price per click, by how many times those links have been previously selected, as well as by the quality of the announcement as evaluated by Google.

Louis Vuitton Company, together with Viaticum Company⁴⁴ and Mr. Thonet⁴⁵ became aware that the entry, by Internet users, of terms constituting those trademarks into Google's Search Engine triggered the display, under the heading of sponsored links, of links to sites which were offering imitation versions of Vuitton's products and to sites of competitors of Viaticum and of the *Centre National de recherché en relations humaines respectively*. They therefore brought separate sets of proceedings against Google for declarations that it had infringed their trademarks. (Fretwell, 2019)

⁴² Google AdWords is an advertising service provided by Google for businesses wanting to display ads on Google and its advertising network. The AdWords program enables businesses to set a budget for advertising and only pay when people click the ads. The ad service is largely focused on keywords.

⁴³ Today, Google AdWords has become main service advertisers use for online promotion of their content, Brands or website, to achieve traffic or leads. It works by matching relevant advertising content to that contained on a publisher page. Advertisers pay for a click generated by user (cost per click), which is revenue to Adwords, which is shared with the publisher in a certain percentage. This helps not only the advertiser to pay for traffic which is real as Adwords employ a lot of methods to detect and minimize fraud clicks, but also helps publisher monetize its content which was previously less monetized or not monetized at all.

⁴⁴ Owner of the French Brands "Bourse des Vols", "Bourse des Voyages" e "BDV"

⁴⁵ Owner of the French Brand "Eurochallenges"

Vuitton Company brought his action against Google in the French Courts where it won at the lower Courts which stated that Google was liable for trademark infringement. Next, Google decided to appeal to the *Cour de Cassation*, which decided to seek clarifications from the CJEU on three different questions in order to be able to judge the liability of Google. The first question raised was if a paid referencing service provider that supplied registered trademarks as keywords to advertisers, and agreed to create and display, through those keywords, links to sites offering imitation products, was using the said trademarks in a way that the proprietors of the marks could oppose on the basis of Article 5(1) (a) and (b) TMD, as well as Article 9(1) (a) and (b) CTMR. The second question was that, if the relevant trademarks were found to be reputable, as it is the case for Louis Vuitton, their proprietors could oppose such use pursuant to Article 5(2) TMD, and Article 9(1) (c) CTMR. Third and last question to answer was whether such use was not one that the proprietors of the marks were entitled to oppose under both TMD and the CTMR, if the paid referencing service provider could be considered to be an information society service provider that stored information supplied by the users of the service within the context of Article 14 of the Ecommerce Directive, and hence not liable, unless it had been notified by the proprietors of the marks of the advertisers illegal use of the sign.

The French Court of Cassation, *Cour de cassation*, which was ruling as a Court of final instance in the sets of proceedings which the trademark proprietors had brought against Google, then submitted the referred questions to the Court of Justice onto whether it is lawful to use, as keywords in the context of an Internet referencing service, signs which correspond to trademarks, where consent has not been given by those trademarks' proprietors.

The Court has stated that the use of a sign, by a third party, which is identical with, or similar to, the proprietor's trademark implies that that third party uses the sign in its own commercial communication. A referencing service provider, however, allows its clients, namely the advertisers, to use signs which are identical with, or similar to, trademarks, but does not itself use those signs.

The Court has also noted that, by purchasing the referencing service and selecting, as a keyword, a sign corresponding to another person's trademark, with the aim of offering Internet users an alternative to the goods or services of that proprietor, an advertiser uses that sign in relation to its products or services. That is not the case, however, where a referencing service provider permits advertisers to select, as keywords, signs identical with trademarks, stores those signs and displays its clients' ads on the basis of those keywords.

What becomes evident is that if a trademark has been used as a keyword, the proprietor of that trademark cannot rely on the exclusive right which it derives from its mark, as against Google.

By contrast, the trademark owner can invoke such right against those advertisers which, by means of a keyword corresponding to its mark, arrange for Google to display ads which make it impossible, or possible only with difficulty, for average Internet users to establish from what undertaking the goods or services covered by the ad originate. (Fretwell, 2019)

In the situation under judgment, which is characterized by the fact that the advertisement in question appears immediately after the trademark has been entered as a search term by the Internet user and is displayed, the Internet user may find it challenging to recognize the origin of the goods or services in question. This would for sure affect the primary function of the trademark, which is that of promptly guaranteeing users to recognize the origin of goods or services.

For what regards the use of a sign corresponding to another person's trademark as a keyword for purposes of the display of advertising messages by Internet advertisers, the Court concluded that such use is liable to have inevitable repercussions on the advertising use of that mark by its proprietor and on the latter's commercial strategy. The side effect of third parties' use of a sign identical to a trademark does not alone constitute an adverse effect on the advertising function of marks.

For what regards the question onto whether an Internet referencing service such as 'AdWords' is an information society service consisting in the storage of information supplied by advertisers and whether, on that ground, the liability of the referencing service provider may be limited, the Court has ruled that it is for the referring Court to examine whether the role played by that service provider is neutral, in the sense that its conduct is merely technical, automatic and passive, pointing to a lack of knowledge of, or control over, the data which it stores. This means, that if the Search Engine proves that it has not played an active role, then he cannot be held responsible hence liable for the data which it has stored at the request of an advertiser, unless, having obtained knowledge of the unlawful nature of those data or of that advertiser's activities, it failed to act expeditiously to remove or to disable access to the data concerned.

2.2 Case law after Google France

The principles expressed in Google France have been confirmed and furtherly specified in many ulterior pronouncements. In this section we will provide a brief description of the most relevant cases related to it.

2.2.1 Die BergSpechte Outdoor Reisen und Alpenschule Edi Koblmüller v. Günter Guni and trekking at Reisen

The first case to mention is Die BergSpechte Outdoor Reisen und Alpenschule Edi Koblmüller c. Günter Guni e trekking at Reisen⁴⁶ dated back to 2010, which case looked like the facts analyzed by the aforementioned Google France case. In this case, the keywords ‘Edi Koblmüller’ and ‘Bergspechte’ were sold by Google to the defendant which, by searching the said keywords on Google’s search engine, activated the visualization of sponsored links to the defendant’s website advertising trekking and nature tours.

The point was that the applicant, also selling trekking and nature tours from his website as being a direct competitor of the defendant, had already purchased the words for “BergSpechte – Outdoor-Reisen und Alpenschule Edi Koblmüller”. The question raised by the claimant in this case was whether the use of the trademark by the defendant constituted a use that the applicant should have been entitled to prevent.

When the case was presented to the ECJ, the Court followed the same reasoning it had developed in the Google France vs. Louis Vuitton case in stating that the purchase of a keyword that is identical or similar to that of another party’s trademark, does itself constitute a behavior which the proprietor is entitled to prevent. However, the determining factor in cases such as this should be whether the use of the keyword by the third party is one which is “liable to have an adverse effect on one of the functions of the mark”. If a keyword purchased by a third party is identical to a competitor’s trademark, the “adverse effect” referred to must relate to the detriment caused to the “function of indicating origin”. Therefore, a trademark owner should be entitled to prevent the use of his own trademark as a keyword by a third party if the ad does not allow internet users to recognize if the goods or services referred to by the ad belong to the trademark owner or not.

In such case, the ECJ recommended that the use of the keyword ‘Bergspechte’, even though it was not identical to the word and figurative trademark owned by the claimant, should be treated as such due to the fact that the keyword contained differences which were so insignificant that they might have gone unnoticed by an average internet user.

Regarding the keyword for ‘Edi Koblmüller’, the ECJ stated that it could not be considered as identical to the claimant’s trademark, as it does not “reproduce, without modification or addition, all the elements constituting the trademark”. Therefore, the question of whether it is

⁴⁶ CJ, 25 March 2010, causa C-278/08, Die BergSpechte Outdoor Reisen und Alpenschule Edi Koblmüller v. Günter Guni and trekking.at Reisen.

similar to the claimant's trademark is for the national Court to decide, as is the question of whether there would be a likelihood of confusion.

Again, there is little by way of guidance in the judgment as to the circumstances in which a keyword can be considered identical, or merely similar, to a trademark, mainly where the trademark in question is more than simply written text (for example, a logo). This is particularly important, given that, currently, the AdWords service is text only, and does not incorporate images or logos.

2.2.2 Eis.de v. BBY Vertriebsgesellschaft

Another case to take into account when mentioning the principles expressed in *Google France* is that of *Eis.de v. BBY Vertriebsgesellschaft*.⁴⁷

The question risen was whether such reference would entail that the use of a sign identical to a registered trademark as a keyword for a search engine operator lacking consent from the trademark's owner so that when entering the trademark as search term into the search engine would result in getting results from an electronic promotional link to the third party's website selling identical goods marked as *sponsored links* without compromising the trademark nor making any reference to its owner could fall under the purposes of article 5(1)(a) of Directive 89/104/EEC.

According to the Court indeed, the interpretation of 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 trademarks, entitles the trademark owner to prevent an advertiser from advertising without his consent if using a keyword identical to his mark which refers to a service or a good identical for those registered for the trademark without making it evident for the internet user to recognize the origin of the goods or services referred or by an undertaking which is economically connected to it or, on the contrary, originate from a third party.

The response provided by the Court of Justice in this case resembles that provided for the above mentioned *BergSpechte*'s case.

⁴⁷ CJ, 26 March 2010, cause C-91/09, *Eis.de v. BBY Vertriebsgesellschaft*;

2.2.3 Portakabin v. Primakabin

Again over the relationship between trademarks and keyword advertising on the internet, the *Portakabin v. Primakabin* case serves as an ulterior example. The dispute concerning the display of internet advertising links of keywords that are identical or very similar to a trademark saw the rivalry between Portakabin Ltd and Portakabin BV and, Primakabin BV ('Primakabin'). Both Portakabin and Primakabin were selling their goods on their respective websites. On the AdWords service, Primakabin selected the following keywords: 'portakabin', 'portacabin', 'portokabin' and 'portocabin', choosing the last three options in order to consider internet user's possibility of misspelling the words and hence missing the ad. As at the beginning the heading of Primakabin's ad was "new and used units", it was later changed into "used portakabins".

Portakabin brought an action against Primakabin before the *voorzieningenrechter te Amsterdam* in which it sought an order requiring Primakabin to pay a fine ad to stop using the signs similar to Portakabin, including the trademarks it had registered. However, the argument was rejected by the Court which claimed that Primakabin was only using the trademark to catch direct interested parties to its website, on which it offered 'used portakabins' for sale. Portakabin decided then to appeal against that decision to the *Gerechtshof te Amsterdam* which stated that Primakabin had to refrain from using advertising containing the words 'used portakabins' and, in the event that it used the keyword 'portakabin' and variants thereof, from providing a link leading directly to pages of its website other than those on which units manufactured by Portakabin were offered for sale.

The decision of the ECJ led to the conclusion that a trademark holder had the right to bind an advertiser from using his registered trademarks as keywords for goods or services which were identical, if the advertisement would make the consumers get confused on the origins of the goods and services referred to in it. In this case, the Court was not able to ascertain whether consumers were to get confused by the use of the trademarked word Primakabin, so it left it up to the national Court to decide.

Moreover, the ECJ considered that a trademark holder couldn't censor advertisers from advertising the resale of goods if those goods were already on the market within the European Economic Area (EEA) by the holder or with his/her consent, unless there was a legitimate reason for such a ban. The ECJ stated that Portakabin could oppose the use of keywords in Primakabin's advertisement, if the use of such keywords was:

- (i) giving the impression that Primakabin and Portakabin were economically linked or
- (ii) being seriously detrimental to the reputation of Portakabin's trademark.

The mere fact that a trademark was being used by an advertiser to outline the kind of goods he was reselling by using words such as 'used' or 'second hand', as the Court underlined, was not enough to prove the impression of a relationship between the reseller and the trademark holder, or existence of serious detriment to the reputation of the trademark.

The novelty of the Portakabin v. Primakabin ruling is that of being the first case in which the question addressed by the ECJ is whether advertisers are allowed to use registered trademarks as Google AdWords in order to advertise the resale of genuine goods of the trademark holder. While trademark holders may find it difficult to enforce their rights where the trademark is being used in an advertisement of goods already put on the market with his/her consent, the ruling provides some level of comfort to trademark owners whose trademarks are being used in advertisements by creating an impression of economic connection between the advertiser and the trademark holder or causing serious detriment to his/her mark.

2.2.4 L'Oréal v. eBay

The last case is that of L'Oréal against eBay in which L'Oréal argued that eBay was liable for selling counterfeit goods on its website. The French cosmetics company L'Oréal and owner of various trademarks in Europe, brought an infringement action against the online marketplace, its European subsidiaries, and individual defendants who had sold several counterfeit items resembling brand names associated with L'Oréal. Among other claims, L'Oréal argued that eBay was liable for the use of its trademarks by displaying them on the website and on the advertising-sponsored links provided by Internet search engines, such as Google.

In 2009, the UK Chancery Division of the High Court of Justice stayed the proceedings pending a preliminary ruling by the European Court of Justice in light of the applicable EU directives. Relevant to eBay, the Court held that *"a trademark owner is entitled under EU Directive 89/104 and Regulation 40/94 to prevent the operator of an online marketplace from advertising its goods without consent which was targeted at consumers in the EU"*. In addition to that, the Court established that eBay could not be exonerated from liability provided under Article 14(1) of Directive 2000/31 as it was playing an active role in the sale of goods by optimizing the presentation of the offers or promoting them on search engines.

In such case, the High Court referred the following question to the ECJ, inspecting whether eBay:

- 1) It could be held liable for trademark infringement through the sale of counterfeit products by its users.

- 2) Could be liable for infringement through the use of sponsored links on third party search engines and its own site as they led people to postings for infringing products.
- 3) Could, be prevented under Article 11 of the Intellectual Property Rights Enforcement Directive (2004/48/EC) (Article 11) from selling infringing goods on its site, even if there was no infringement by eBay itself.

In replying to the above-mentioned questions, the ECJ stated that eBay could be banned as an intermediary and also in relation to past, as well as future, infringements in order to fulfill the requirements of Article 11. It also found that eBay could not benefit from the Article 14 defense. This defense is confined to merely technical and automatic processing of data, where there is no actual knowledge of unlawful activity or information.

The Court outlined that *“the mere fact that a website is accessible from the territory covered by the trademark is not a sufficient basis for concluding that the offers for sale displayed there are targeted at consumers in that territory.”* As a matter of fact, the Court determined that it was up to the national Court to assess whether the particular sales offer included enough evidence of the fact that the action was targeting consumers in the given territory which included the geographic area where the products were to be shipped.

For what regards the second question raised on whether the advertisement of a trademarked good by an online marketplace was covered by Directive 89/104 and Regulation No. 49/94, the Court believed that because *“a keyword is the means used by an advertiser to trigger the display of his advertisement,”* such method amounts to using a mark *“in the course of trade”*.

Being also addressed the question onto whether L'Oréal was able to prevent advertisements resembling its trademarks that were displayed by eBay by means of sponsored links provided by Google, the Court established that eBay's use of keywords corresponding to L'Oréal's trademarks was made to promote its own service as online marketplace instead and that such use was not in relation with the counterfeit goods at issue. But still, with the aim to promote *“transparency in the display of advertisements on the Internet”* within the EU community, the Court held that an advertisement originating by an online marketplace and later displayed by a search engine operator must *“disclose both the identity of the online marketplace operator and the fact that the trademarked goods advertised are being sold through the marketplace that it operates.”*

In the end, the Court judged that under Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No. 40/94, a trademark proprietor was entitled to prevent an online marketplace from advertising goods identical to its trademarks, as long as the advertisement did not easily

enable reasonably well-informed and reasonably observant Internet users to be sure on the origin of the goods.

Regarding the legal responsibilities of eBay, the Court ruled questioned whether the operator of an online marketplace could rely on the exemption from liability provided under the EU Directive 2000/31. In the first place, the Court ruled that the information society services regulated by the Directive also include online marketplaces. Being applicable to markets, Article 14 of the Directive binds EU States from imposing liability against service providers which store information obtained by their beneficiaries, as long as: *“(a) the provider does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent; or (b) the provider, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information.”*

According to the Court, such exemption from liability could only be applied if the information society service was acting as a mere intermediary and not playing an active role in giving knowledge of or controlling over the data entered by recipients. As eBay generally processes data entered by its users, it does in some cases provide assistance to optimize or promote certain offers for sale. Therefore, eBay was not under the exemption from liability offered in Article 14(1) of Directive 2000/31.

2.3 Interflora v. Marks & Spencer

In the context of the post-Google France European case study, the Interflora pronouncement deserves an appropriate analysis, as it consents to analyze the principles mentioned above in relation to the protection of a well-known trademark and with reference to a crucial further function of the brands, the economic one.

Interflora, the litigant, is the world’s largest and most experienced flower delivery network which is associated with over 58,000 affiliated flower shops in over 140 countries globally, including independent florists. The Interflora Trademark is very reputable in different parts of the European Union including the United Kingdom. On the other side, Marks and Spencer (M&S), is a major British multinational based in the United Kingdom which is specialized in selling high-quality home products and food products which also sold flowers without being in the Interflora network. M&S commercial activity is in competition with that of Interflora.

Using 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”⁴⁸ such that when users were to enter the Internet searching for “Interflora” they would get M&S advertisement among the results under the heading of sponsored links. None of the advertisements included the Interflora trademark but all offered M&S flower delivery service to Internet users so, following the discovery of those facts, Interflora brought this suit for trademark infringement against M&S before the High Court of Justice of England & Wales, Chancery Division. (Meale D. , 2012)

The HCJ decided to suspend the proceedings and refer the questions to the Court of Justice for a preliminary ruling. After the request for clarification from the Court, by the decision of 29 April 2010, the referring Court maintained only four of the ten questions posed, as follows:

1. Where a trader which is a competitor of the proprietor of a registered trademarked which sells goods and provides services identical to those covered by the trademark via its website: i) selects a sign which is identical...with the trademark 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 trademark 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: i.) Article 5(1) (a) of [Directive 89/104] and Article 9(1) (a) of [Regulation No 40/94]; and ii) 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: i.) 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 trademark proprietor’s commercial network contrary to the fact; or ii) the Search Engine

⁴⁸ Such as ‘Interflora Flowers’, ‘Interflora Delivery’, ‘Interflora.com’, ‘interflora co uk’ and so forth).

operator does not permit trademark proprietors in the relevant Member State...to block the selection of signs identical to their trademarks as keywords by other parties? (Hewlett, 2011)

The Interflora case represents the opportunity to examine the ways in which the Court of Justice seeks to ensure the correct balance between the protection of the legally recognized functions to the distinctive signs and the competitive instances emerged with the development of new technologies: each a decision on the legitimacy of Brands in keyword advertising must, in fact, necessarily balance the interests of the owners to protect the value of their Brand, the desire of consumers to receive non-deceptive information and the right of advertisers to use the various marketing tools for competing in the market.

In this case the word “Interflora” acquires three different functions in this case. First, as a search term which can be typed into an Internet Search Engine by choice by any Internet user. Second, as 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 trademark denoting that certain goods or services come from a single commercial source.

The reason for the particular interest put on the Interflora case, lies in the fact that such case, unlike that of Louis Vuitton, has the advertiser using a keyword corresponding to another's trademark in order to promote his legitimate business, in competition with that of the owner of the trademark to which the keyword corresponds.

Taking into account the decisions made on Google France, in the ruling of September 2011, the Court affirmed that the use of a sign as a keyword in advertising is equal to use in the course of trade, and in relation to the goods, or services offered by the party making the advertisement. Hence, the fact that a keyword is not shown in the advertisement generated by it, is not relevant.

On the infringement of Article 5(1) (a) TMD, which forbids the use of a sign that is identical to a registered trademark, and in relation to goods, or services for which the mark was registered, the Court ruled that this turned on whether the alleged use had an adverse effect on the functions of the mark. Just like the Court had ruled in Google France, the owner of a trademark could only oppose such use if it affected the functions of the mark negatively. In the Interflora case, the Court specified that both the essential function of a mark in guaranteeing the origin of products and its investment, and advertising functions had to be considered and hence outlined the steps to be followed in order to determine whether the infringing use produced adverse effects on those functions.

As mentioned above, the first function of trademark is that of indicating origin. According to the CJEU, relying on its ruling in the Google case, the use as a keyword of a sign identical with, or similar to a trademark, will be considered to adversely affect the function of that mark in indicating origin, if the advertisement generated through the use of the sign does not make it possible for a consumer to easily recognize the origins of a trademark.

Regarding the investment function of marks on the other hand, the CJEU noted that this enables proprietor not only to build and maintain a reputation, but also to win customers, and retain their patronage. This function will be adversely affected, if a third party uses a sign that is identical with the mark and in relation to goods, or services that are identical with those for which that mark was registered, in a way that substantially interferes with the proprietor's own use of the mark in building and maintaining a reputation, as well as in attracting customers, and retaining their patronage. Pertinently, the Court observed overlap between the advertising and the investment functions of a mark. The implication is that, as in the case of the advertising function, if a proprietor is compelled to adopt additional marketing measures because of the use of his mark in keyword advertising, which does not, as a matter of course, imply an adverse effect on the investment function of the mark. The Court left it to the national Court to decide whether the use by M&S of the "Interflora" trademark and the like endangered that mark, thereby inhibiting Interflora from winning customers, and keeping their loyalty.

Overall, in resolving trademark infringement disputes arising from keyword advertising, it is important to balance the protection of reputable marks with the need to promote fair competition. In the above cases, the CJEU has tried to provide direction on how pre-existing laws, which defined "use" could be applied to the new environment of keyword advertising and its associated challenges.

In expressing the view that a trademark is instrumental to the acquisition and preservation of reputation, which could help its proprietor to win customers and retain their loyalty, the CJEU would lean to suggest that a mark could help in obtaining goodwill. The Court also noted that advertising, together with other commercial means, is considered as a way of investing on a mark and any use that considerably conflict with the objective of acquiring and preserving the trademark's reputation, would constitute an adverse effect on the investment function of that mark, therefore entitling its proprietor to build an opposition. The Court further indicated that in cases where a mark had already acquired a reputation, its investment function would be diminished by any use that affected that reputation, and consequently endangered its preservation. (Meale D. , 2011)

It is meaningful that, in this case, the effect of the use is not required to be substantial. One is also not sure whether the reputation of a mark alluded to by the Court above is the type conceived by Article 5(2) TMD, or otherwise. Apparently, with the need to ensure fair competition in mind, the CJEU made the further qualification that it did not suffice if the only effect of use was to compel the proprietor of a mark to adapt in order to acquire, or maintain the reputation of his mark. But this reasoning is difficult to grasp. This is because, if a proprietor is forced to adapt, it means that the status of his mark is facing peril or interference. Although the Court has, without doubt, provided useful insights into the several functions that a mark may serve, this last point is less illuminating.

Regarding trademarks with a reputation, in *Interflora* the English national Court agreed that the *Interflora* trademark was reputable but it was still uncertain as to the appropriate circumstances for the application of Article 5(2) TMD, which protects reputable marks against dilution. Article 5(2) TMD, Article 9(1) (c) CTMR and the additional protection afforded to famous marks.

EU trademark law provides extra protection for reputable trademarks, alternatively described as “well-known” or “famous” marks. The legal approach, which prevailed in *Google France*, and, indeed, during the period before *Interflora*, addressed issues related to keyword advertising on the basis of the protection granted to trademarks generally, without giving any special attention to reputable marks. That approach essentially gave the impression that advertisers were free to engage in keyword advertising. And it is clear that, in bidding for keywords, advertisers would, more often than not, opt for reputable marks owned by their most acclaimed competitors. Reasonably well informed and observant Internet user to determine, or only makes it possible with difficulty for him to determine whether the goods, or services mentioned in the advertisement actually originated from the proprietor of the mark, an entity economically related to him, or from a third party. In the case at hand, the Court expressed the view that it would be difficult for a reasonably well informed and observant Internet user who entered “*Interflora*”, and the like on the Google Search Engine, to differentiate, from the advertisement generated, between the service, which *Interflora*, offered, and the one originating from M&S, in the absence of any clarification by the latter. In other words, the resulting M&S” advertisement tended to give Internet users the wrong impression that M&S was part of the *Interflora* flower delivery network. The Court, however, left this matter to be decided by the English national Court. (Meale D. , 2012)

The next function is the advertising function of trademark. While acknowledging that a trademark is useful in promoting the owner’s goods, or services, the CJEU noted that the mere ownership of a mark did not necessarily entitle one to prevent practices that were by nature fair to the competition. Although in keyword advertising, competitors may use identical keywords

that do not stop the proprietor of the mark from winning its own customers. However, if as a result of the use of his mark, the proprietor is compelled to adopt extra marketing measures, then that use may be said to adversely affect the advertising function of his mark. The more advertisers that bid for a particular keyword, the more that keyword is likely to cost. In the present case, M&S by bidding for the “Interflora” trademark made it costlier for its owner to bid for the same. The consequence is that Interflora will be forced to scale down on its advertising, or be prepared to pay more for it. This, arguably, is an adverse effect on the advertising function of its mark.

But in Google France, the CJEU did not accept such an argument, and it maintained the same position in Interflora. However, by observing in Interflora that keyword advertising did not adversely affect the advertising function of a mark in the Court seemed to have acknowledged that, in some cases, keyword advertising might have such an effect. Nevertheless, the Court tried to rationalize its refusal to consider the consequences, noted above, of the competitive bidding for a mark as amounting to a sufficiently adverse effect.

According to the Court, the purpose of trademark law is not to safeguard trademark proprietors from practices inherent to competition and keyword advertising answers to the objective of providing Internet users with options other than those needed in the first place when entering the keyword in the Search Engine bar.

The Court maintained that keyword advertising does not deprive the proprietor of a mark of the opportunity to effectively communicate with consumers nor to attract them. The questionable doubt that may arise is related to the fact that the prospect of a trademark proprietor to communicate with, and attract his customers effectively might be lost as a result of the escalated cost of advertising caused by the competitive bidding for his mark as a keyword.

According to CJEU, the use by a competitor of a sign identical with or similar to a mark does not necessarily affect the advertising function of that mark negatively.

The final ruling by CJEU stated that M&S took unfair advantage of the Interflora mark, without any financial compensation of its proprietor and that such use would constitute an infringement, unless there was a just cause for it. With policy considerations in mind, the Court concluded that where the products advertised were simply imitations of those offered by the proprietor of the mark, this could amount to an infringement. However, there may be no infringement, according to the Court, where the products advertised were commercial alternatives to those offered by the proprietor of the mark, and they do not dilute or tarnish the products of that proprietor or affect the functions of his mark. Such use would generally be considered to be fair competition in the relevant class of products, and thus with a just cause.

2.4 Further Considerations on the Economic Role of Trademarks

In the past years the Court of Justice of the European Union has extended the role of trademark protection, but as the digital environment is facing different challenges, the approach adopted by the CJEU has become more questionable. The overall protection of trademarks created by this system has sometimes become redundant and sometimes conflicting.

Among the different solutions proposed by the scholars, the question raised is whether the Court of Justice is able to limit the scope of trademark law to the traditional protection against confusion with only minor extensions concerning dilution or whether the most successful solution would be that of creating a more flexible limitation infrastructure. In order to find this out, in the following pages a brief overall look of the current extension and problems related to the advent of the digital environment will be provided. Overall, the natural purpose of EU protection against confusion is that of preventing competitors from using a trademark that would go beyond the mere communication of information about the commercial origin of goods and services offered by the trademark owner. (Helden & Van, 2011)

However, the rights necessary to assure protection against confusion can be used strategically by the trademark owner to realize additional economic benefits. In order to allow trademarks to bring information on the commercial origin of goods or services which have to be reliable for consumers, it is crucial to reserve use of the trademark exclusively for the trademark owner in all market segments where the use of identical or similar signs could lead to confusion. This way, the trademark owner is entitled to an exclusive channel of communication in several areas of the market and in the very first place, only those owning a trademark right were allowed to bring accurate information to consumers.

Trademarks owner have the power to deploy advertising campaigns in order to make their consumers identify selected attitudes or features to their trademark in order to build a *brand image* by which consumers will no longer make purchases for the mere product but also because they feel attached to the trademark of the source they are buying from and positively identify themselves with it. This leads the consumer to buy a whole new bundle made of products, their brand image and the *trademark experience* it is able to provide. (Schroeder, 2008)

Of course the building of a strong brand image through the association of enterprises with their trademark becomes an investment that generates value, a value which has to be protected in order to avoid confusion among consumers who need to easily associate the enterprise with the respective trademark.

As stated in Article 15.1 of the Trade-Related Aspects of Intellectual Property Rights and already mentioned in the above chapter, the function of trademarks is that of “*distinguishing goods and services of undertakings in the course of trade*”. Each trademark owner has a legitimate interest in safeguarding the capacity of his trademark to be recognized as distinctive by third parties. Protecting the distinctiveness of the trademark allows the trademark owner to also defend its economic value coming from the trademark’s reputation.

The World Trade Organization Panel dealing with European Court’s protection of trademarks and geographical indications for agricultural products and foodstuffs described this protection reflex as follows: “*The function of trademarks can be understood by reference to Article 15.1 [TRIPS] as distinguishing goods and services of undertakings in the course of trade. Every trademark owner has a legitimate interest in preserving the distinctiveness, or capacity to distinguish, of its trademark so that it can perform that function. This includes its interest in using its own trademark in connection with the relevant goods and services of its own and authorized undertakings. Taking account of that legitimate interest will also take account of the trademark owner’s interest in the economic value of its mark arising from the reputation that it enjoys and the quality that it denotes.*”

The focus of the WTO Panel was merely on the role of a trademark’s brand image and reputation for its protection. The question becomes whether the creation of a brand image should be compensated with increased protection regarding cases of dilution, meaning that the trademark owner would have the right to have an additional layer of protection against dilution. (Senftleben, 2013)

The point is all on the creation of the brand image. Once the trademark becomes associated and personified with a set of values and features which make it unique, it then becomes an independent product or service for which customers are willing to pay. This gives the trademark an economic power that the Brand owner seeks protection for.

Realizing the economic potential of the trademark, the brand owner will seek protection for the brand image as such. Once sufficient protection is acquired, the marketing and commercialization of the brand can easily be extended to additional products. To make an example, the owner of a prestigious and well-known clothing brand, may consider to start selling jewelry and perfume under the same trademark of the clothing brand or decide to grant licenses for this purpose. Making this kind of product diversification potentially results in the maximization of revenues through the exploit of a powerful brand image. The possibility of making additional revenues automatically loses the initial defensive nature of trademarks’ protection. Seeking enhanced protection against dilution, the brand owner asks for control over

the use of the trademark across all markets and regardless of whether there actually would be ground for confusion. This brings anti-dilution rights close to exploitation rights.

Yet, the brand owner shall be granted brand protection as protection for the investments he shall make in order to improve his company's market position on a selfish decision that may not necessarily make the rest of society better off. Given this interpretation of the background of the trademark's ownership rights, the question one could rise is whether trademark law should entail rights dedicated to brand exploitation. (Senftleben, 2013)

As there is little evidence of any need for brand image creation in society that would justify the invocation of this rationale and an extra incentive for brand image creators, we shall not take for granted the fact that the extra incentive of brand exploitation rights is needed to stimulate investment in brand creation.

One argument could be that creating a strong brand image presenting charming and captivating lifestyle models to follow and messages, may result in confusing consumers' decisions which would then be made on the model they are chasing rather than on effective qualities of products and services and hence result in overall less objective. On the economic consequences this would cause, a mention needs to be done regarding the role of competition and the intensification of overall products' quality.

In building its own brand image, the trademark proprietor invests in both time and money, so its efforts shall be recognized. However, if we were to compare the building of a brand image to the establishment of other intellectual creations, the question would be whether trademark owners shall merit this kind of reward. As already mentioned, while intellectual creations usually generate satisfaction among mankind, trying to make some life aspects better off, the risk with trademarks is that of being monopolized by the sole owner.

It's then up to law and policymakers dealing with trademark law to carefully evaluate whether the extensions of trademark law would have to be protected beyond the traditional field of protection against confusion.

Chapter 3: US case law

In order to make a comparison between the application of rulings in the European Union and in the United States of America the first thing to do is that of detecting the operability of the contributory infringement as a mechanism of imputation for the actions of other people against the intermediary.

First and foremost, in the *Inwood Laboratories* ruling, the Supreme Court stated that a trademark infringement occurs when a person induces others to violate a trademark intentionally, or if a person continues to supply their products to those who he knows or has reason to know are violating a trademark. This doctrinal structure has been extended to recent cases that, directly or indirectly, have affected keyword advertising. In particular, in the case *Tiffany v. eBay*⁴⁹ which will be analyzed below.

3.1 Tiffany v. eBay

eBay is a web platform that allows its users to sell or buy a very varied choice of items. Having become distinguished for the sale through auction, it gives its users the possibility to use different types of online auctions with both fixed and dynamic price mechanisms. The risk on eBay, however, is the probability of incurring in fraud arranged principally by users who sell counterfeit goods.

The well-known jewelry brand Tiffany, recognized for its brand image and for its excellent design and quality which never sells overstock merchandise nor makes any discount, was especially fearful of incurring such probability because of eBay. Indeed, the company had the concern that some users could use eBay to sell counterfeit items. For this reason Tiffany had instituted an action against eBay. Tiffany products are not sold using liquidators, sold as overstock merchandise, nor put on sale at discounted prices. The causes identified by Tiffany as motivating the action fell into trademark infringement, trademark dilution and false advertising arising from eBay's advertising and listing practices. Tiffany in fact made two different tests by buying various goods on eBay and evaluate them to assess if they were original or counterfeit. This evaluation proved that eBay sold a “significant portion of the 'Tiffany'

⁴⁹ *Tiffany, Inc. v. eBay, Inc.*, 600 F.3d 93 (2nd Cir. 2010)

sterling silver jewelry listed on the eBay website . . . which was counterfeit” and claimed that eBay knew “that some portion of the Tiffany goods sold on its website might be counterfeit”.

eBay implemented different measures to combat infringement with manual searches and a fraud engine software adding also Tiffany-specific filters which included approximately ninety different keywords to help distinguish between real and counterfeit Tiffany goods. Despite this, eBay still offered the possibility to advertise through sponsorships which gave the possibility to third parties of being able to buy Tiffany goods at low prices through their website. Although Tiffany asked eBay to end this type of advertising, the company realized that while eBay had agreed to stop this kind of business, the practice still continued through third parties. This led Tiffany to initiate the cause for trademark infringement, trademark dilution and false advertising against eBay's advertising and listing practices.

Tiffany alleged that eBay had infringed its trademark by using the mark without their consent to buy these sponsored links containing their mark and using it on eBay’s website. The District Court rejected these arguments saying that eBay was compliant with the doctrine of *nominative fair use*. The theory allows a litigant to use a plaintiff's trademark to identify the complainant’s goods so long as there is no likelihood of confusion about the source of the defendant's product or the mark holder's sponsorship or affiliation. To comply with this doctrine first, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.

As in the case under question eBay had used the trademark to describe real Tiffany goods that were on sale, with also a reference to the “About Me” page of Tiffany on eBay’s website which stated that “most of the goods declared to be as ‘Tiffany & Co.’ silver jewelry and packaging available on eBay were instead counterfeit goods and listed all the direct selling channels of Tiffany, this had not to be considered as direct trademark infringements.

The second question posed was if in this case eBay could be considered guilty for secondary liability, that is facilitating the infringing conduct of the seller of counterfeited goods. The case law by which the judgment in question was inspired is based primarily on the Inwood case, in which a pharmacist who intentionally labeled generic drugs as a branded drug was held contributorily responsible for any harm done. According to the Supreme Court, in order for the manufacturer or distributor to be held responsible of secondary trademark infringement he shall: (1) “*Intentionally induces another to infringe a trademark,*” or (2) “*Continues to supply its product to one whom it knows or has reason to know engaging in trademark infringement.*”

The question that arises is whether in this case the Inwood test shall be applied to eBay. On its side, eBay argued that it could not be judged under Inwood as the latter was meant for manufacturers and distributors of products while eBay was offering a supply service. Instead, it adopted the reasoning of the Ninth Circuit in Lockheed was applied in order to conclude that Inwood could apply to a service provider who exercises sufficient control over the means of the infringing conduct. But still, the question remaining unanswered was whether eBay could be held liable under the Inwood test as being the service provider for distributors of counterfeit goods which were using the platform to sell Tiffany fake products.

By submitting eBay case to the Inwood test to configure itself a secondary trademark infringement the following conditions must apply: a) the service provider needs to *"intentionally induce another to infringe a trademark,"* b) the service provider needs to *"continue to supply its [service] to one whom it knows or has reason to know is engaging in trademark infringement."*

The first part of the test does not apply to the case in question, as Tiffany does not accuse eBay of selling counterfeit goods directly on its website. Tiffany claimed that: *"eBay continued to supply its services to sellers of counterfeit Tiffany goods while knowing or having reason to know that such sellers were infringing Tiffany's mark"*. However, the Court was able to confirm how Tiffany had just given eBay the chance to think that some goods sold through the platform were counterfeit and eBay immediately proceeded to dispose of these goods, inform the buyers, cancel fees it earned from that listing, e blocking those goods that were still on sale. For this reason, Tiffany's argument was rejected.

Tiffany still argued that eBay already had enough knowledge to perceive that counterfeit goods were being sold on its website, also because many unsatisfied customers had complained to eBay that the products they had purchased were counterfeit so eBay had to be held contributorily liable as, despite the knowledge, it was still providing its services to infringing sellers. However, the conclusion of the District Court was that while eBay clearly possessed general understanding as to counterfeiting on its website, such generalized knowledge is insufficient under the Inwood test to impose upon eBay an affirmative duty to remedy the problem. Indeed, in order to be held responsible for the crime indeed, eBay would have had to *"continue to supply its product – or in this case, its service - to one whom it knows or has reason to know is engaging in trademark infringement."* So the only way Tiffany could have proven that eBay was responsible was by showing that eBay *"knew or had reason to know of specific instances of actual infringement."*

3.2 Playboy Enterprises v. Netscape Communications⁵⁰

While in Google France the European Court of Justice has established the principle that the search engine that provides a keyword advertising service does not commercially use the distinctive signs of others, the US case law, based on the Playboy Enterprises and Rescuecom decisions, is substantially uniform in the belief that the use of a brand as a keyword for sponsored links is commercially available by both the advertiser and the provider of the positioning service. This is why in the United States it is open to search engines, as well as online intermediaries, the possibility of a direct violation, where the use of the brand of others in the context of keyword advertising is suitable to generate a risk of confusion.

Playboy argued that Netscape's use of some terms in its keying strategy represents a trademark infringement. What's more, by showing the contender's promotions that are not clear from a contender from the start, Playboy argues that Netscape has submitted trademark deterioration. Netscape showed flag promotions of an organization like Playboy, anyway Netscape didn't determine the optional organization's name. Playboy contended that, after survey their flags and those of the other organization comparative in nature, the client would get confounded and expect they were both under responsibility for Enterprises, Inc. This activity is lawfully viewed as trademark infringement under the underlying interest perplexity act.

As for the Ninth Circuit, neglecting to adequately recognize the wellspring of a flag promotion could bring about trademark infringement with respect to the web index administrator as per the 'underlying interest perplexity' teaching. There is no infringement given the promotions are appropriately named and related to the promoter's imprints as the customer knows about the wellspring of the notice and the unmistakable site to which the notice will guide him.

The litigants took advantage of the offended party by keying through the presentation of standard promotions related to one of 400 hunt terms which included "Playboy" and "playmate", two of the offended party's enrolled trademarks. The litigants had numerous promoters whose advertisement flags would have shown upon the closeness of these research terms. The promotions were not required by the respondents to be distinguished as to their source. In this manner upon the inquiry of the offended party's enrolled imprints Playboy and Playmate, outside promoters had the option to interface their pennants to these hunt questions without the need to determine the advertisement's source to the benefactors analyzing the web.

⁵⁰ Playboy Enterprises v. Netscape Communications, 354 F.3d 1020 (9th Cir. 2004)

The main content of this litigation was confusion, and in order to determine the likelihood of confusion, the Ninth Circuit used the Sleekcraft eight-factor test⁵¹, which requires to take into account: strength of the mark; proximity of the goods; similarity of the marks; evidence of actual confusion; marketing channels used; type of goods and the degree of care likely to be exercised by the purchaser; defendant's intent in selecting the mark; likelihood of expansion of the product lines.

These factors are not always present simultaneously in the same case, hence their importance varies from one to another, but the most important factor is number four: *evidence of actual confusion*. In the case at stake, Playboy tried to prove that confusion was generated among consumers. Therefore, Playboy made some studies in which it was shown to some participants search results of the term playboy and 51% of the participants believed that Playboy sponsored or was associated with that banner ad displayed. Defendants criticized Playboy's study but the Court concluded that there was a high likelihood of initial interest confusion among consumers.

Looking at the Sleekcraft factors, the Court argued that there was a genuine issue of material fact to Playboy's trademark infringement and dilution claims. Indeed, among the other things, Playboy has a strong secondary meaning for its descriptive marks and also is well known (factor 1); it is precisely the similarity between Playboy's products and the competitor's that pushed Netscape to carry out the "keying" action in place, so factor two results very relevant (factor 2); customer care for low-cost items are required to be very low (factor 6).

3.2 Rescuecom v. Google⁵²

One more case to be analyzed is that of Rescuecom versus Google where litigant Rescuecom appealed from a judgment of the United States District Court for the Northern District of New York declining its action against Google for failure to state a claim upon which relief could be granted. Indeed, Rescuecom accused Google of being liable for infringement, false designation of origin, and dilution. However, the Court believed that Rescuecom failed to allege that Google's use of its mark was a "*use in commerce*".

The first claim argued that an internet user could have been erroneously misled to believe that the order of the advertisements on webpages is listed on relevance based criteria. With this belief, the internet user may then think that if he or she enters the word "Rescuecom" and gets

⁵¹ AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341 (9th Cir. 1979).

⁵² Rescuecom v. Google, 562 F.3d 123 (2nd Cir. 2009)

results showing competitor's ads, it might get confused with respect to affiliation, origin, sponsorship, or approval of the service. According to the accusation, this may happen as Google does not provide a labeling system which makes it clearly evident which ads were purchased and which were not. More specifically, Rescuecom accused Google of having an economic advantage in selling as many keywords as possible in order to increase its revenues.

As Rescuecom was not the only one in its category to use an online advertisement, Google suggested the trademark "*Rescuecom*" to its competitors as a fit term to be purchased. Doing so, each time an internet user types the term "*Rescuecom*" on the search bar, he will be shown the competitor's advertisements. Because of this, the internet user is likely to get confused about the origin of the advertisement and could mistakenly associate it with Rescuecom.

On appeal, the Court believed that the comparison made by the district court between this case and 1-800 was mistaken, as the two cases strongly differ from one another. One of the main factors which guided the Court of Appeal to the decision in 1-800 was that under the accuses of the litigant, "*the defendant did not use, reproduce, or display the plaintiff's mark at all.*" The whole case was about the use of the website address, not the use of the trademark. The second difference taken into account by the Court while comparing this case with 1-800, is that the latter did not constitute a case of use in commerce. Indeed, Google was selling Rescuecom's trademark to advertisers when offering its services, encouraging them to purchase the keyword through a suggestion tool, hence falling under the definition of use in commerce.

Moreover, Google claimed that the use of Rescuecom's trademark has to be considered as retailers who use product placement to allow one seller to take advantage of a competitors' name recognition. But Google failed to understand that even the mere practice of product placement would result in liability if made to confuse consumers and make them mistakenly buy a product over another. Moreover, unlike the brand's practices of product placement, Google here has made use in commerce of Rescuecom's trademark.

It's not clear to the Court whether Rescuecom can actually prove that Google's use of Rescuecom's trademark in its AdWords program caused a likelihood of confusion or mistake as Rescuecom alleged. If the internet user searching for "*Rescuecom*" gets a different brand name he might believe that the different name which appears is connected with the brand name sought in the search and will not suspect, because the fact is not clearly outlined by Google's presentation, that this is not the most relevant response to the search.

3.4 1-800 Contacts v. WhenU.com⁵³

WhenU is a marketing company that monitors computer user's online activities in order to present the user with pop-ups advertising through a proprietary software called "SaveNow". On the other side, 1-800 Contacts is a contact lens distributor which sells through online channels and telephone. 1-800 had registered a trademark in the service mark "*We Deliver, you save*" and had filed applications to register the service mark "1-800CONTACTS", and on October 2, 2000, to register the service mark of "1-800 CONTACTS" in a specific color-blocked design logo described as a box behind the word contacts, written in blue letters, in yellow with a blue border around it and a box behind the term 800 in blue, where 800 is written in white numbers. The box behind the term "800" is blue.

1-800 presented a claim against WhenU claiming, inter alia, that WhenU was breaching its trademark by showing to internet users landing on his website the pop-up advertisements of its competitors.

The District Court accepted 1-800's motion for a preliminary injunction related to 1-800's trademark claims, and admonished WhenU from using or anything similar to such trademarks which could confuse internet users if used close to WhenU's advertising. Indeed, if WhenU uses 1-800's trademarks including 1-800's website address in an unpublished directory of terms that trigger delivery of WhenU's contextually relevant advertising to computer users; or causes separate, branded pop-up ads to appear on an internet user's computer screen either above, below, or along the bottom edge of the 1-800 website window, in such cases WhenU is not complying within the meaning of the Lanham Act. On the other side, WhenU argued that its pop-up ads are not likely to create confusion among internet users, as it did not "use" the trademark by 1-800 so there was no ground for issues on the likelihood of confusion. WhenU outlined that their property program SaveNow was performing "contextual marketing" which means showing consumers something they were looking for. The use of pop-up ads in this case was similar to that made from other computer programs.

Issuing the preliminary injunction, the District Court held that WhenU used the trademark of 1-800 mark in two ways:

- 1) making pop-up advertisements for Vision Direct to appear when SaveNow users have specifically attempted to access 1-800's website-on which Plaintiff's trademark appears;
- 2) using the complainant's website address which incorporates the trademark (www.1800contacts.com), triggering pop-up advertisements on SaveNow users' computers.

⁵³ 414 F.3d 400 (2nd Cir. 2005)

Upon appeal, the United States Court of Appeals for the Second Circuit held that WhenU's actions did not correspond to the "use" that the Lanham Act requires in order to constitute trademark infringement. The appeal Court reversed the preliminary injunction and ordered the dismissal of all claims made by 1-800 that were based upon trademark infringement, leaving only the arguments based on unfair competition and copyright infringement.

3.5. Network Automation v. Advanced Systems Concepts⁵⁴

Regarding the criteria that the Courts are called to follow in assessing the risk of confusion in cases of keyword advertising, it is worth recalling the Network Automation case, where the United States Court of Appeals for the Ninth Circuit stated that using a competitor's trademark as a keyword for Internet Search was not to be interpreted as trademark infringement.

Both Network Automation and Advanced Systems Concepts were selling job scheduling and management software that was advertised on search engine results. Each firm had its own product, namely *Automate* for Network Automation and *ActiveBatch* for Advanced Systems Concepts. The latter keyword was bought by Network Automation in order to appear as a sponsored link in search results. Following this decision, Advanced System Concepts stated that Network Automation was breaching Advanced System Concept's trademark rights by purchasing its keyword.

The Court concluded that *"the use of a trademark as a search engine keyword that triggers the display of a competitor's advertisement is a 'use in commerce' under the Lanham Act,"* agreeing with the Second Circuit's decision in *Rescuecom Corp. v. Google*. The court also rejected the conclusions that usually internet users experience low consumer care and are subject to a greater risk of confusion, stating that the default degree of consumer care is becoming more intense as the Internet is no longer a novelty and online commerce is becoming more diffused. Moreover, the court noted that consumers who were purchasing expensive business software were usually those more likely to understand the mechanics of internet search engines and thus less likely to be confused by sponsored links for competing products.

⁵⁴ 638 F.3d 1137 (9th Cir. 2011).

3.6 Rosetta Stone Ltd. v. Google⁵⁵

Rosetta Stone, the owner of a language learning software and online services, had registered a number of trademarks related to its activity and services and used them on different channels as means of advertisement, among which Google's advertising services.

Google policies concerning the use of trademarks had changed after 2009 stating that: "*the AdWords Program now makes two distinct uses of a given keyword (1) as a trigger to the Sponsored Link advertisement and (2) as part of the advertisement itself.*" With the new policy, advertisers different from trademark owner and its authorized licensees were allowed "*to include the trademark in the advertisement's text if they (1) resell legitimate products bearing the trademark; (2) sell components, replacement parts, or compatible products corresponding to the trademark; or (3) provide non-competitive information about the goods or services corresponding to the trademark term.*"

Over the years indeed, Google has weakened his approach to trademarks and to addressing alleged infringements making it clear that it would have enforced restrictions on trademarks use only after the trademark owner had submitted a valid complaint to their Trust and Safety team. Of course, this led to different legal disputes originated by unhappy trademark owners of which the case we are analyzing is only one of the most recent.

The first claim Rosetta brought against Google after learning the Search Engine was selling its trademarks as keywords, was that of actively misleading consumers and misappropriating its trademarks. Afterward the district court analyzed the three factors the defendant's intent, actual confusion and the consuming public's sophistication, stating that: there was no evidence suggesting that Google was trying to confuse Rosetta Stone's consumers to send forth its own goods; Google's use of Rosetta's marks did not amount to direct infringement as the use the Search Engine was making of the keywords was in line with the functionality doctrine.

Although Rosetta Stone also proved that Google had received Rosetta Stone's warnings on domain names associated with counterfeit Rosetta Stone Sponsored Links, the district court was not convinced by Rosetta Stone's evidence. The court believed there was no evidence to prove that Google had been "*supplying a service to those it knew or has reason to know is engaging in trademark infringement.*" As the court found Google not contributorily liable it could not grant Rosetta Stone summary judgment.

⁵⁵ 676 F.3d 144 (4th Cir. 2012).

Regarding the issue of vicarious trademark infringement, while Rosetta was arguing that Google exercises joint ownership and control over third party advertisers' Sponsored Link titles and text on its website, the district court quickly declined the claim as Google had “*no control over third-party advertisers' Sponsored Links or their use of the Rosetta Stone Marks in the advertisement text.*”

Therefore, the district court entered summary judgment against Rosetta Stone as to its direct trademark infringement claim, stating that there was no proof that “*Google, through the use of Rosetta Stone's trademark had created confusion among internet users*”.

After the summary judgment in favor of Google, Rosetta Stone decided to appeal to the Court of Appeal arguing that the district court had failed to consider the effect of the other “*undisputed*” confusion factors stating that there was sufficient evidence to create a genuine issue of fact as to whether the three disputed confusion factors had favored Google or Rosetta Stone.

On appeal, the Court affirmed the district court's order with respect to the vicarious infringement and unjust enrichment claims, but vacated the district court's order with respect to the direct infringement, contributory infringement and dilution claims and remanded these claims for further proceedings. As a matter of fact, according to the Court of Appeals, issues of material facts did exist and hence a court action was needed in order to assess whether the selling of keywords by Google resulted in trademark infringement or dilution and if Google was contributorily or vicariously liable also for selling Rosetta Stone's counterfeit products sold by keyword advertisers.

In analyzing the district court's judgment, the Court of Appeals considered that the lower court had “not properly applied the summary judgment standard of review but instead viewed the evidence much as it would during a bench trial” so summary judgment should not have been granted. Considering the issue of intent, the Court concluded that Google was aware of the fact that granting trademarks to be used as a text in its ads was likely to result in confusion. Rosetta Stone provided the Court with further data (both a survey and anecdotal evidence) proving actual confusion due to Google's use of its trademarks in AdWords program, which the Court of Appeals accepted as relevant as providing more evidence by customers. Moreover, Google's studies made to ascertain whether the user's confusion was likely to occur were considered by the Court “*probative as to actual confusion in connection with Google's use of trademarks*”.

Regarding the district's court conclusion according to which, due to *consumer's sophistication*, confusion is unlikely to occur, the Court of Appeals did not agree. Indeed, after having analyzed both Rosetta Stone consumer's depositions and a study made by Google, the Court of Appeals

stated that there was enough evidence to create a question of fact on each of the aspects challenged, intent, actual confusion and consumer sophistication, to exclude a summary judgment. Additionally, the Court of Appeals evaluated the holding of the district court according to which the use of trademarks was protected by the functionality doctrine. As the latter does not apply to this kind of situations, the Court of Appeals concluded that the district court's summary judgment on this basis was mistaken as the functionality analysis made was *"focused on whether Rosetta Stone's mark made Google's product more useful, neglecting to consider whether the mark was functional as Rosetta Stone used it."*

The next factor to be challenged by Rosetta Stone was on the basis of trademark infringement, holding that the district court had failed to correctly apply the standards of review required, hence resulting in a lack of contributory infringement's finding. The Court of Appeal agreed with the claim, stating that the evidence presented to the district court were alone enough to establish a question of fact as to whether Google had continued to supply its services to known infringers.

The following challenge posed by Rosetta Stone was on the district court's rejection of its vicarious liability theory, arguing that the evidence proposed was enough to question if Google jointly controls the appearance of the ads or sponsored links on Google's search engine results page. The Court of Appeals concluded that there was no evidence of such fact, so it confirmed the district court decision on this claim. Furthermore, Rosetta Stone complained that the district court had improperly dismissed its claim for unjust enrichment on the basis that it had failed to present enough evidence to claim so. The Court of Appeals agreed with the decision of the lower court.

Finally, the last issue the Court of Appeals considered was that trademark dilution. According to the Court of Appeals, the district court was mistaken in ruling that *"Google was not liable for dilution simply because there was no evidence that Google uses the Rosetta Stone marks to identify Google's own goods and services."* The lower court's summary failed to raise the question of good faith only investigating whether Google was using Rosetta Stone's trademark to identify its products. The Court of Appeal hence dissolved the summary judgment by the district court and remanded for a reconsideration of Rosetta Stone's claim for dilution.

Because of all the considerations made above, the Court of Appeals agreed with the lower court's orders on vicarious infringement and unjust enrichment, but vacated the decisions related to direct infringement, contributory infringement, dilution claims and finally decided to remand the case for further proceedings.

In October of the same year, Rosetta Stone and Google agreed to settle all claims by releasing a joint statement in order to dismiss the lawsuit between them and to cooperate for the future in order to fight against counterfeit goods and abuse of trademarks on the Internet. (Bayneys, 2012)

3.7 Multi Time Machine, Inc. v. Amazon.com

Finally, with particular reference to the relevance of the ways in which the results of the research are shown for the purposes of the risk of confusion, it is useful to recall the decision held in the case *Multi Time Machine, Inc. v. Amazon.com, Inc.*⁵⁶

The plaintiff, Multi Time Machine, Inc. was a manufacturer for military watches that were sold by retailers. The registered trademark for Multi-Time was “*MTM Special Ops*”. The aim of Multi Timing was that of maintaining an exclusive branding, and to do so, Multi Time only sold its watches directly and through selected retailers. Multi Time did not sell its watches through Amazon.com, Inc., an online shopping site. Amazon’s website had a search engine for finding products. If consumers were to search for “*MTM Special Ops*” in the search bar, Amazon’s website would have displayed the list of military-style watches that Amazon was actually selling. The search-result list included the brand and a picture for each available watch. Multi Time sued Amazon for trademark infringement, alleging that Amazon had created a likelihood of initial interest confusion because its search results did not state that Amazon was not selling Multi Time watches. The District Court granted summary judgment for Amazon and initially dismissed Multi Time’s infringement claims, so Multi Time appealed.

The appeal confirmed the decision of the District Court to reject the likelihood of confusion because “*Amazon is responding to a customer's inquiry about a brand it does not carry by doing no more than stating clearly (and showing pictures of) what brands it does carry.*” Moreover, Amazon clearly labeled the other products and also displayed images of them, preventing actual confusion between consumers. The Sleekcraft test of eight-factors couldn’t be applied to the case as the test is only useful to decide whether two competing brands are too similar and their similarity is likely to cause confusion. In this case, MTM argues that the factors that caused confusion were the design of Amazon’s results page, not the fact that competitor’s brands were similar to its trademarks.

⁵⁶ *Multi Time Machine, Inc. v. Amazon.com, Inc.*, 792 F.3d 1070 (9th Cir. 2015)

In order to understand if there was a likelihood of confusion in this particular case, the Court made an evaluation of the web page to determine if a “*reasonably prudent consumer*” was likely to be confused by the design of the webpage by answering to two different questions: a) who is the relevant reasonable consumer? b) what would he reasonably believe based on what he saw on the screen?

To answer the first question the Court focused on the nature of the goods and the type of the consumer. By recalling the sentence *Network Automation*, in which it was specified that “*Confusion is less likely where buyers exercise care and precision in their purchases, such as for expensive or sophisticated items.*” and that, “*the default degree of consumer care is becoming more heightened as the novelty of the Internet evaporates and online commerce becomes commonplace.*” Since the goods in question are considered as expensive, the Court could positively affirm that in this case the consumer “*is a reasonably prudent consumer accustomed to shopping online*”.

For the second question, the Court specifies that clear labeling might remove the likelihood of initial interest confusion. In this case, when in the results page all products listed are clearly labeled with different information, including the product’s name and its manufacture, highlighted in bold and large letters and also accompanied by pictures of the items. There is also to consider that some of the products listed are not even watches. Under these circumstances, the Court concludes that no reasonably prudent consumer could conclude that the products in the results page of the research “*MTM Special Ops*” are products by MTM. For this transparency, Amazon didn’t need to add on its search results page any quote to explain to consumers that there were no MTM watches available for sales on the website, as MTM had initially requested. In this case, the Court concluded that the questioned initial confusion was highly unlikely to happen thanks to summary judgment because the case was highly implausible since the first review of the product listing issue.

In this case the Court believed that even it was to evaluate all of the Sleekcraf factors, the results of the sentence wouldn’t have changed. As a matter of fact, the actual confusion which is the most important factor, was not existent in this case and also the defendant’s intent was not applicable since all the other products were correctly labeled. All the other factors were considered unimportant under the circumstances of the case in scope and in any case the correct labeling makes the website compliant. For these reasons the Court rejected the request of MTM ruling in favor of Amazon. As stated by the Court, if the labeling is correct and the rest for Sleekcraft’s factors are unimportant, the risk of confusion among consumers is really unlikely to occur and so is the possibility of trademark infringement.

Conclusions

The aim of the study was to analyze the European and US case studies related to the use of trademarks in keyword advertising and the role of Search Engines within this matter.

As today most of the modern companies are online, each company seeks a way to keep a high place in search engine's results by developing different strategies with the final goal of making consumers visit their websites as often as possible and eventually make a purchase. The ground for competition among brand owners is no longer set solely in the marketplace, but also on the Internet through the use of trademarks as keywords for advertising.

In the first place, I started from a brief analysis of the history and economic role of trademarks in the modern era in order to explain their actual functionality as expressions of economic relevance and impact in the digital age and their meaning to brand owners. The use of trademarks as keywords by companies advertising their goods and services on the Internet has given rise to a set of legal issues related to the intellectual property field which questioned the fair use of trademarks. For this reason, the next step was that of analyzing the role of trademarks from a legal perspective.

According to trademark law, trademarks' protection is ensured in order to guarantee that the mark is recognized as an indication of origin, that the indication of origin is clear for the consumer in order to avoid his confusion and to distinguish a product or service from other brands. Trademark law is a relatively new field of application but the existing case studies were useful in analyzing the different contexts in which trademark protection had to be ensured or had no reason to exist.

Both the EU and the US trademark regulation serve as trademarks' protection tools to ensure companies' guidelines to follow, but also an ad hoc analysis on the context of each of the cases was needed in order to understand the field of application of the cases.

Regarding the European case law, the first legal reference mentioned on this matter was the ruling of the European Court of Justice in the Google France and Google v. Louis Vuitton case in which the Court held that search engine operators such as Google do not themselves infringe trademark rights if they allow advertisers to use a competitor's trademark as a keyword. The principles expressed in the Google France case were then confirmed and furtherly specified in many ulterior pronouncements. Another case which served as an example was that of Interflora v. Marks & Spencer, where the Court was called out to rule over a case in which M&S used a

keyword corresponding to Interflora's trademark in order to promote his own business which was directly competing with that of the trademark owner to which the keyword corresponded.

On the other side, regarding at the US case law, the main distances with the European approach are related to the very assumption of responsibility arising from the availability of keywords coinciding with the trademarks of third parties and the use in commerce of such trademarks with economic return for the advertiser. Indeed, while in Google France the ECJ had established the principle according to which the search engine which provides a keyword advertising service does not use the distinctive signs of others on the market, the US jurisprudence, starting from the case of Playboy Enterprises and Rescuecom decisions on the other hand, agrees in stating that the use of a trademark as a keyword for sponsored links can be qualified as commercial use by both the advertiser and the positioning service provider.

For this reason, in the United States there's also the possibility of a direct violation against search engines as well as online intermediaries where the use of third parties' trademark in the context of keyword advertising may also generate a likelihood of confusion as we have seen in Playboy and Rescuecom decisions.

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Executive Summary

As today's most diffused communication tool, the Internet makes it possible for its users around the world to communicate with each other.

Most of modern Companies are today online and they manage their business also through their corporate and product web pages, which enable them to reach out to consumers and present their own Brands in a new direct way according to consumers' needs and desires.

In order to be visible for consumers, Companies must find a way to keep a spot in Search Engines lists by developing Search Engine Optimization strategies in order to make consumers visit their websites as often as possible with all of the consequences this leads to.

Beyond using SEO strategies, Search Engines also allow advertisers to use Search Engines Marketing strategies in order to make them buy keywords useful to reach those areas of research which they wouldn't otherwise be able to deal with just by applying SEO strategies or to manage other companies' areas of relevance. Search Engines offer the possibility to use trademarks in keywords advertising both for the owners of the marks and for their competitors by paying a set amount of money.

This use of trademarks as keywords by Companies to advertise their goods and services on the Internet gives rise to legal problems related to intellectual property field and marks use, and both in the European Union and in the United States of America this has been at the center of many disagreements between Search Engines Companies and trademarks owners.

In Chapter One, a brief look into the history of trademarks is provided in order to explain their role in the modern era. Back in history, trademarks served as means to control and supervision different products by the authorities while in the years they've become one of the most powerful communications tools which allow producers to directly address their customers without the need of physical contact, and at the same time make it possible for consumers to repeat purchases that were satisfactory, and avoid those that were not.

With the advent of technological means, such as the Internet, new online marketing strategies were invented which went close together with entirely new kinds of advertising, such as banner advertising, which combined with Search Engine technology led to profitable results for trademark owners.

Today, Search Engines allow users to type in one or more “keywords” as search terms, which as a result give them a list of sites containing the keyword. Like most commercial websites, Search Engines sell advertising space on their web pages, especially if these pages list each search result as it is common for Search Engines to sell keywords to advertisers at a much higher rate than non-targeted banner advertising. By paying an amount in money, the Search Engine can be programmed to display an advertiser’s banner ads whenever a user types in one of a series of selected terms in his search so that the advertiser can target its ads to reach a more receptive audience and thereby maximize the effectiveness of its online advertising.

Some advertisers have managed to acquire their competitors’ trademarks as keywords so that their banner ads appear on the page displaying results from a search that used another’s trademark as the query term.

According to the general definition, a trademark is a sign which is used by a producer within economic activities in order to differentiate and identify a specific product or service to enable the differentiation of goods and services to make it easier for consumers to recognize and differentiate between different products. From an economic point of view, the role of trademarks is vital both for the trademark owners and for the consumers to facilitate consumers’ choices and to make consumers recognize hence trust products they already know.

Another critical economic aspect of trademarks is that of providing a good ground for the creation of Brand identity in the mind of consumers, which is nowadays a big deal among firms and Companies who invest a large amount of money in advertising their goods and services in order to build a solid reputation in the marketplace. The role of advertising is key in influencing consumers’ choices and hence determining the commercial success of Brands. By becoming Brands, trademarks enable the building of Companies’ reputation such that consumers no longer buy products solely for their qualities but mostly for loyalty and attachment to the Brand and as ways to express their own identity.

Analyzing trademark law by using brand theory, it is clear that such an approach is useful in explaining the expansion of trademark law with regard to initial interest confusion, post-sale confusion and dilution. Also, Brand theory highlights a current weakness in trademark law on its view of consumers’ role by not recognizing the active role they play in Brands development.

According to trademark law, trademarks’ protection is ensured in order to guarantee that the mark is recognized as an indication of origin, that the indication of origin is bright for the consumer in order to avoid his confusion and finally to distinguish a product or service from other Brands. Recognizing a mark as such does not prevent third parties from using it, but it makes sure that the mark is used according to honest practices in an industrial or commercial

matter. A mark is considered distinctive if it is either inherently distinctive or it has acquired distinctiveness through use, so it is legitimate to affirm that the more the trademark is distinctive, the greater will be the protection afforded by law, and in case a trademark is not inherently distinctive, it may after all be protected as long as it has acquired distinctiveness, though the use of “secondary meaning.”

A trademark can be protected either on the basis of use or on the basis of registration which today grants appropriate preservation for trademark register. Nonetheless, use still covers a key role in many countries in which the act of trademark registration serves as a confirmation of the fact that the trademark right has been achieved through use leading to the consequence that in the eventuality of a trademark dispute, the first user would prevail on the first that has registered the mark.

More generally, a trademark can be violated either directly or indirectly. According to EU Directive (Art. 5) and Regulation (Art. 8) a trademark owner shall be secured by law to prevent a third party from using his registered trademark without his consent in the course of trade. As clearly described in the Directive, a trademark owner shall be able to prevent a third party from using a sign which is identical to the trademark in relation to goods or services identical to that for which it is being registered or already used, phenomena known as *double identity*. Creating a double identity could result in great disadvantages for the original trademark owner as it could lead the consumer to confusion and hence affect the sales and revenues of the proprietor, or worse the reputation of the trademark doubled.

Another conflict scenario that may occur is that of similarity of signs where a sign, because of his similarity to a good or service covered by an earlier trademark, may result in a likelihood of confusion by the consumers. By definition, the similarity of signs depends on the distinctiveness and dominant character of signs’ components, and on other eventually possible relevant factors defined in the opposition decision. In the comparison of marks, the similarity can be assessed through a likelihood of confusion criterion which is crucial for protection.

Meaning that enhanced protection becomes essential also in relation to goods or services which are not similar to those for which the trademark is registered or in case the owner of the trademark with a reputation is not conditional upon there is a likelihood of confusion on the part of the relevant section of the public or there is some degree of similarity between the trademark at issue and the sign used by the third party.

The different kinds of trademark abuse against which the EU Directive mentioned above provides for protection are three, each of which would be sufficient by itself to result in persecution.

The first type of injury is known as dilution and consists of a detriment to the distinctive character of the mark. In such cases, protection is provided against trademarks use that could result in a loss of reputation by the registered trademark.

The second kind of injury is the tarnishment, which consists of damage to the reputation of the earlier mark, caused when the goods or services of the later sign are perceived by the public in such a way that the earlier mark's power of attraction is reduced.

The third kind of injury related to trademarks reputation is that of free riding , which refers to the unfair advantage taken by a third party as a result of the use of an identical or similar sign and that it covers, more specifically, cases where there is apparent exploitation on the coat-tails of the reputed mark, by reason of a transfer of the image embedded in that mark, or of the characteristics which the mark projects, to the goods designated by the latter sign.

Another type of liability, contributory infringement, may arise when the defendant either actively induces third parties to directly infringe the trademark of the prosecutor or if it keeps on supplying a product to another who is directly violating the prosecutor's trademark. Instead, secondary liability may also arise where the defendant benefits from the harm and is sufficiently close in relationship to the primary infringer that the law will treat them as one and the same.

In the second part of Chapter one analysis of keywords advertising was provided. By definition, keyword advertising is a form of online advertising in which the owner of a Brand or of a trademark pays an amount of money in order to get his Brand, keyword or advertisement appear in the results listing when an Internet user types keywords on the net through the use of Search Engines.

From a legal point of view, the theme of keywords protection falls under the gradual expansion of the protection of the Brand, in line with the trend that concerns the entire intellectual property system, and its competitive reflexes, emphasized by the new environmental context in which a significant part of the competitive comparison: if the traditional function of indicating the entrepreneurial origin of the goods is no longer the only function to be legally protected, but also the advertising and investment one, the use of the distinctive signs on the Internet ends, in the case of keyword advertising, to be translated into the assessment of the legitimacy of a proprietary control over certain words. In the case of keyword advertising, in fact, the same name fulfills three different functions, since it is primarily considered as the search term that any user can choose to insert on a Search Engine on the Internet; secondly, a keyword purchased by some advertisers for an advertising service offered by a Search Engine manager; and finally as the symbol registered and used as a trademark to indicate the origin of certain goods or services from a single commercial source.

The main problem with keyword advertising arises when there happens to be an improper use of keywords which are similar to, or sometimes identical to, trademarked terms for the purposes of advertising. Such use may generate different controversies as Search Engines allow advertisers to select also protected trademarks as keywords and then link those keywords to search results of third parties websites that are not owned nor related to trademark proprietor.

Trademark owners believe that the mere possibility of a system used by a third party to infringe a trademark makes that system itself a kind of infringement. Indeed, the scope of trademark owners would be that of preventing Google from being able to make keywords corresponding to their trademarks available for selection. As trademarks may be used from third parties and Search Engines to promote counterfeit goods, trademarks owners believe that the use of trademarks as keywords shall be forbidden by law.

Overall, the theme of Keywords Advertising deals with the gradual expansion of the protection of the Brand, in line with the emerging trend which is interesting the whole intellectual property rights system and its competitive aspects that are emphasized by the new environmental context in which a significant part of the competitive comparison takes place. The mark's feature to be legally protected becomes one of advertising and investment, not only the mark's traditional function of origin's indicator of goods. This way, the use of distinctive signs on the Internet for keywords advertising turns into the assessment of the legitimacy of proprietor control over certain words.

After having granted an overview of the role of trademarks in keywords advertising and the possible grounds for infringement and protection, in Chapter two, an analysis of the major causes which have served to outline the borders of keywords advertising legislation in Europe was provided.

The first legal reference mentioned was the ruling of the European Court of Justice in the Google France and Google v. Louis Vuitton case in which the ECJ held that Search Engines operators such as Google do not themselves infringe trademark rights if they allow advertisers to use a competitor's trademark as a keyword.

The dispute was about the fact that Google allowed users to possibly accompany trademarks with words for illegal practice such as "imitations", "replica" or "copy". This way, a user entering "Louis Vuitton imitations" on Google search bar would receive as a result all of the advertisements that were generated, which led them to websites offering products that were selling imitations of Louis Vuitton luxury Brand.

Vuitton Company brought his action against Google in the French Courts where it won at the lower Courts which stated that Google was liable for trademark infringement. Next, Google decided to appeal to the *Cour de Cassation*, which decided to seek clarifications from the CJEU on three different questions in order to be able to judge the liability of Google.

The French Court of Cassation, which was ruling as a Court of final instance in the sets of proceedings which the trademark proprietors had brought against Google, then submitted the referred questions to the Court of Justice onto whether it is lawful to use, as keywords in the context of an Internet referencing service, signs which correspond to trademarks, where consent has not been given by the proprietors of those trademarks.

The Court stated that the use by a third party of a sign which is identical with, or similar to, the proprietor's trademark implies, at least, that that third party uses the sign in its own commercial communication. A referencing service provider, however, allows its clients to use signs which are identical with, or similar to, trademarks, but does not itself use those signs. The Court has also noted that, by purchasing the referencing service and selecting, as a keyword, a sign corresponding to another person's trademark, with the purpose of offering Internet users an alternative to the goods or services of that proprietor, an advertiser uses that sign in relation to its goods or services.

For what regards the use of a sign corresponding to another person's trademark as a keyword for purposes of the display of advertising messages by Internet advertisers, the Court concluded that such use is liable to have certain repercussions on the advertising use of that mark by its proprietor and on the latter's commercial strategy. The side effect of third parties' use of a sign identical to a trademark does not alone constitute an adverse effect on the advertising function of trademarks.

The principles expressed in *Google France* were confirmed and furtherly specified in many ulterior pronouncements, the most relevant ones were briefly described in the second section of Chapter two.

Always in the context of the post-*Google France* European case study, another key pronouncement was that of *Interflora v. Marks and Spencer* as it consents to analyze the principles mentioned above in relation to the protection of a well-known trademark and with reference to the economic function of brands.

In this case the litigant, *Interflora*, with a very reputable trademark sued one of its competitors, *Marks and Spencer*, for the unlawful use *Interflora's* trademark such that when users were to access the Internet searching for "Interflora" they would get M&S advertisement among the

results under the heading of sponsored links. None of the advertisements included the Interflora trademark but all offered M&S flower delivery service to Internet users so, following the discovery of those facts, Interflora sued for trademark infringement against M&S.

The reason for the particular interest put on the Interflora case, lies in the fact that such case, unlike that of Louis Vuitton, has the advertiser using a keyword corresponding to another's trademark in order to promote his legitimate business, in competition with that of the owner of the trademark to which the keyword corresponds.

Taking into account the decisions made on Google France, the Court affirmed that the use of a sign as a keyword in advertising is equal to use in the course of trade, and in relation to the goods, or services offered by the party making the advertisement. Hence, the fact that a keyword is not shown in the advertisement generated by it, is not relevant.

In expressing the view that a trademark is instrumental to the acquisition and preservation of reputation, which could help its proprietor to win customers and retain their loyalty, the CJEU would lean to suggest that a mark could help in obtaining goodwill. The Court also noted that advertising, together with other commercial means, is considered as a way of investing on a mark and any use that considerably conflict with the objective of acquiring and preserving the trademark's reputation, would constitute an adverse effect on the investment function of that mark, therefore entitling its proprietor to build an opposition. The Court further indicated that in cases where a mark had already acquired a reputation, its investment function would be diminished by any use that affected that reputation, and consequently endangered its preservation.

The last section of Chapter two offers a reflection over the increasing role of trademarks in modern economies corresponding to the increasing need for their legal protection.

Chapter three was then dedicated to a comparison between the application of rulings in the European Union and in the United States of America, where the main distances with the European approach were related to the very assumption of responsibility arising from the availability of keywords coinciding with the trademarks of third parties and the use in commerce of such trademarks with economic return for the advertiser.

Indeed, while in Google France the ECJ had established the principle according to which the Search Engine which provides a keyword advertising service does not use the distinctive signs of others on the market, the US jurisprudence, starting from the case of Playboy Enterprises and Rescuecom decisions on the other hand, agrees in stating that the use of a trademark as a

keyword for sponsored links can be qualified as commercial use by both the advertiser and the positioning service provider.

For this reason, in the United States there's also the possibility of a direct violation against Search Engines as well as online intermediaries where the use of third parties' trademark in the context of keyword advertising may also generate a likelihood of confusion as it is presented in Playboy and Rescuecom decisions.

While in Google France the European Court of Justice has established the principle that the Search Engine that provides a keyword advertising service does not commercially use the distinctive signs of others, the US case law, based on the Playboy Enterprises and Rescuecom decisions, is substantially uniform in the belief that the use of a brand as a keyword for sponsored links is commercially available by both the advertiser and the provider of the positioning service. This is why in the United States it is open to Search Engines, as well as online intermediaries, the possibility of a direct violation, where the use of the brand of others in the context of keyword advertising is suitable to generate a risk of confusion.

Through the Chapter, a list of cases regarding the criteria that the Courts are called to follow in assessing the risk of confusion in cases of keyword advertising was presented. In particular, the case Network Automation was analyzed, where the United States Court of Appeals for the Ninth Circuit stated that using a competitor's trademark as a keyword for Internet Search was not to be interpreted as trademark infringement.

Another important pronouncement on the same matter was that of Rosetta Stone Ltd. v. Google which is considered by scholars as the last great American challenge to state the lawfulness of Google's AdWords program.

In the aforementioned case, Rosetta Stone sued Google claiming that it had committed trademark infringement by selling Rosetta Stone trademarks to third-party advertisers for use as search keywords. At first the District Court held that the use of the keywords was unlikely to confuse consumers, but on appeal the Fourth Circuit disagreed with the lower court and held that a trier of fact could find in Rosetta Stone's favor.

One important thing about this judgment is that it outlines a few important issues related to Google's AdWords program. It places the Fourth Circuit in line with the Ninth Circuit with respect to a functionality defense and it also confirms that the Fourth Circuit may apply a variation on the traditional likelihood of confusion analysis in determining whether the use of a competitor's trademark in connection with keyword advertising and sponsored listings constitutes trademark infringement.

Finally, in the last part of Chapter three there is a particular reference to the relevance of the ways in which the results of the research are shown for the purposes of the risk of confusion, it is useful to recall the decision held in the case *Multi Time Machine, Inc. v. Amazon.com, Inc.* In such a case, Multi Time was a manufacturer for military watches that were sold by retailers and which had registered its own trademark. In order to maintain an exclusive branding by selling its watches only directly and through selected retailers, not including Amazon. Multi Time sued Amazon for trademark infringement, claiming that Amazon had created a likelihood of initial interest confusion because its search results did not state that Amazon was not selling Multi Time watches. After the first summary judgment for Amazon and the successive appeal of Multi Time, the Court noted that Amazon's search results page did not create a likelihood of confusion by displaying other brands' watches. The main issues of this case were related to the identity of the relevant reasonable consumer of MTM watches, considered as reasonably prudent, and to consumer's reasonable belief based on Amazon's search results which resulted to be clearly labeled and, therefore, no reasonably wise consumer would be confused by Amazon's search results. The decision held in this case was effective in shaping the link between the ways in which search results are shown and the likelihood of confusion which may arise from it to consumers.

Overall, the aim of this thesis was to analyze the European and American case studies related to the use of trademarks in keyword advertising and the role of Search Engines within this matter.

The main factor combining all of the cases mentioned in these pages is the lack of a real guideline to follow which is fit for each situation, regardless of the specific case. On the contrary, we can tell that there is no standardization to state undoubtedly whether someone is infringing a trademark or has the right to use such trademark according to the law, one of the reasons for this is probably that the subject is so new that it is hard to make any sort of standardization to simplify the processes.

The cases analyzed in this work were similar one another yet each of them was treated in a different way. The only universal factor relies in the economic value each trademark represents both for the litigant and for the defendant. Sometimes the same judgments would result with different decisions among different courts.

The protection of trademarks is surely gaining increasing attention at the international level and it will probably be at the center of increasing cases over the years to come due to the more and more frequent use of Search Engines as purchase platforms.

The difficulty rests no longer just in the use of the instrument but it is the very tool that keeps on changing at a speed which makes it challenging to identify any static precedent to be used as a reference. The result is a *corpus* of sentences that do not always go in the same direction.