

Trademark owners should remain vigilant as gTLD space expands

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The Google AdWords program, in which the highest bidders are offered third party-owned trademarks for keyword advertising, remains debated by trademark owners. This programme is on a pay-per-click basis, also known as the sponsored link campaign, whereby an advertiser pays only when the link is clicked on.

The Google Adwords program is a highly popular means of generating traffic to a website and helps to boost online advertising. As a general rule, foreign courts have said that the use of a trademark as a keyword is acceptable; provided the internet user can discern that there is no connection or association of the mark with the trademark proprietor. In considering the issue of keyword advertising and trademark infringement, the importance of fair competition has, therefore, remained paramount.

Recent key ruling

On 21 May 2013, the High Court of Justice (England and Wales, Chancery Division) found in favour of Interflora, Inc ("Interflora") ruling that Marks & Spencer's ("M&S"), use of the Interflora trademarks by virtue of its successful bids in the Google Adwords program amounts to trademark infringement. This brings to an end a four-year battle between Interflora and M&S (Interflora British Unit vs Marks & Spencer PLC, Flowers Direct Online Limited C-323-09) and, as a consequence, M&S is now prevented from future bids on Interflora trademarks in the Google AdWords program.

It would be fair to infer from this judgment that the use of someone else's trademark in keyword advertising will now be more restricted. The Interflora ruling is, however, very specific because the court found that due to the manner in which the advertisements were displayed, it wasn't evident to the "reasonably well informed and reasonably attentive internet user" that M&S is not part of the Interflora network of florists.

Relevant to the ruling is that M&S had purchased keywords in the Google AdWords program. As a result, M&S adverts appeared on sponsored links when internet users searched terms including "Interflora", "Interflora Flowers", "Interflora Delivery", "Interflora.com" and "Interflora.co.uk" on Google. Although these adverts did not contain any references to the Interflora mark and its services per se, they did offer internet users flower-delivery services.

Defining the trademark

Contextually, this judgment comes after various questions concerning the interpretation of European trademark law were referred to the Court of Justice of the European Union ("CJEU"). Striking a balance between protecting trademark owners while fostering competition remains paramount and important considerations concerning the use of trademarks in keyword advertising have emerged as a result:

1. The function of a trademark indicates origin - in so far as keyword advertising is concerned, the CJEU in its erstwhile Google France decision, introduced a test of a reasonably well-informed and reasonably observant Internet user to determine whether there is trademark infringement where key word advertising is concerned.

2. In applying this test in the Interflora case, the CJEU's ruling recognises two other functions of trademarks that should be considered when assessing whether there are any adverse effects in keyword advertising that is:

- a) The investment function meaning that a trademark allows the owner to acquire a reputation and further attract consumers and retain their loyalty;
- b) The advertising function whereby it is recognised that a trademark is instrumental in advertising the owner's goods and services.

Consequently, the CJEU found that only when these three functions are adversely affected through use of a trademark in keyword advertising, will there be trademark infringement. The court, in applying this test, considered it relevant that the reasonably well-informed and reasonably observant Internet user could not necessarily discern from the advertisements concerned that M&S was not part of the Interflora network.

It is speculated that the number of successful claims by trademark owners, even as a consequence of the Interflora ruling, will, however, be small. As a norm, Internet adverts do indicate that the advert is that of a competitor and that the goods or services are those of the competitor and not the trademark owner.

Comment

While the CJEU ruled in Interflora's favour, the case illustrates a continued awareness of the need to foster competitive behaviour on the World Wide Web. Provided a reasonably well-informed and reasonably observant Internet user does not infer an association between the trademark owner and advertiser, keyword advertising by virtue of using a third party's trademark is permitted and may not constitute trademark infringement.

This impartial approach is no doubt necessary with the release and registration of approximately 1900 new Top Level Domains (gTLDs) which commenced at the beginning of 2013. These will include, among others, generics such as .wine and .adult; brands such as .mcdonalds; community such as .latin; and geographics, such as .joburg and .africa.

What does this mean for trademark owners?

This gradual introduction of more domain names and more websites will increase both competitive and anti-competitive activity. The considerations herein highlight two issues which trademark owners should heed:

- 1. Keyword advertising will increase - a trademark owner should monitor any third-party use of its trademarks on the internet. A registered trademark affords the proprietor the exclusive right to use the trademark for goods and/or services for which it is registered and, consequently, any unauthorised use could constitute trademark infringement. While it may be possible to rely on an unregistered trademark by demonstrating good will and repute in the mark as a consequence of use, this may prove onerous. Proprietors of unregistered marks would be best advised to register trademarks so as to circumvent rampant online advertising.
- 2. Cyber-squatting will increase - unauthorised third parties are likely to register gTLDs comprising trademarks. The damage this may cause remains unknown.
- 3. Trademark owners should apply for TradeMark Clearinghouse (TMCH) validation and registration which provides two distinct advantages:

a) Sunrise period: trademark owners will be given preference to register a trademark as a domain name prior to the registry opening up for the public. The Sunrise period for all new domain name registries will be at least 30 days;

b) Alert: Should an unauthorised third party register a trademark as a domain name, the trademark owner will be notified within the first 90 days of general registration, thus allowing the trademark owner to take the relevant recourse.

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