

Portokabin, Google France and Interflora: The ECJ's AdWords Trifecta

Posted on [July 21, 2010](#) by [Kelly Merkel](#)

The latest **European Court of Justice (ECJ)** ruling in a dispute about Google's AdWords service and trademarks is instructive for multinational brand owners and their customers. In the matter of *Portakabin Ltd., Portakabin BV v. Primakabin BV*, the ECJ again addressed the liability of third parties who **choose keywords that are identical or similar to a proprietor's registered trademarks**. Under the facts of this case, Portakabin Ltd., a manufacturer and supplier of mobile buildings, owns a Benelux trademark registration for the mark PORTAKABIN designating metal and non-metal buildings, parts and building materials. Portakabin BV is a subsidiary of Portakabin Ltd. that sells the goods designated by the mark PORTAKABIN pursuant to a trademark license from its parent (the parties hereinafter are collectively "Portakabin"). Primakabin, being unrelated to either Portakabin entity, sells and leases new and second-hand mobile buildings, including those manufactured by Portakabin.

Both Portakabin and Primakabin offer their goods for sale on their respective websites. In order to advertise its products, Primakabin purchased the keywords "portakabin", "portacabin" and "portocabin" using Google's AdWords referencing service. Portakabin brought an action against Primakabin in which it sought an order requiring Primakabin to cease all use of marks and/or signs identical or similar to the registered mark PORTAKABIN, including the purchased keywords.

In the July 8, 2010 decision, the ECJ affirmed Portakabin's standing to bring actions under Article 5 of Directive 89/104 to **prevent third parties from unauthorized use of marks** that are identical with, or similar to, the owner's trademarks and used to designate goods and/or services that are identical to those for which the trademark is registered (consistent with the ECJ's March 23, 2010 ruling in *Google France*, in which Louis Vuitton pursued a finding of primary trademark infringement against Google for making keywords available to advertisers that included marks identical to Louis Vuitton's registered marks). The ECJ, however, punted to the national courts the determination of whether or not there was, in fact, a use by advertisers of signs identical with, or similar to, trademarks as keywords for an internet referencing service which could be regarded as having been made in accordance with honest practices in industrial or commercial matters (as "use" is understood within the terms of Article 6 of Directive 89/104).

The ECJ further deferred to the national courts the question of a "legitimate reason" under Article 7 of Directive 89/104 by which a trademark owner is justified in opposing an advertiser's use of a sign that is identical with, or similar to, the owner's trademark (such as the impression of an economic link between the trademark owner and the advertiser or use that is seriously detrimental to the reputation of the mark). In assessing whether or not such a legitimate reason exists, the ECJ provides the following guidelines:

(1) The national court cannot find that the ad gives the impression that the reseller and the trademark owner are economically linked, or that the ad is seriously detrimental to the reputation of that mark, merely on the basis that an advertiser uses another person's trademark with additional wording indicating that the goods in question are being resold, such as 'used' or 'second-hand'.

Comment:

This is consistent with current commercial practices for traders in the second-hand market and further consistent with established principles of trademark exhaustion.

(2) The national court is obliged to find that there is such a legitimate reason where the reseller, without the consent of the owner of the trademark that it uses in the context of advertising for its resale activities, has removed reference to that trademark from the goods, manufactured and placed on the market by that proprietor, and replaced it with a label bearing the reseller's name, thereby concealing the trademark.

Comment:

This opens up questions of unfair competition in a number of jurisdictions even if there is no literal trademark infringement.

(3) The national court is obliged to find that a specialist reseller of second-hand goods under another person's trademark cannot be prohibited from using that mark to advertise to the public its resale activities which include, in addition to the sale of second-hand goods under that mark, the sale of other second-hand goods, unless the sale of those other goods, in the light of their volume, their presentation or their poor quality, risks seriously damaging the image which the trademark owner has succeeded in creating for its mark.

Comment:

This affects the predictability of an infringement ruling in a trademark owner's favor in cases involving keywords and comparable internet referencing services. The judgments rendered shall be highly fact specific, and to an extent subjective in view of a national court's own precedents and preferences.

The Portakabin decision, reviewed in concert with the Google France decision, leads the way for a highly-anticipated trifecta of related decisions upon resolution of *Interflora Inc & another v Marks and Spencer Plc & another* [2010] EWHC 925 (Ch). Google France established that an internet service referencing provider (such as Google) is not primarily liable for trademark infringement for simply sorting keywords that are identical with one or more trademarks (the organizing of the display of advertisements on the basis of those keywords does not constitute "use" of those marks within the meaning of Articles 5(1) and (2) of Directive 89/104). Portakabin further outlines the defenses that a reseller may have when that reseller buys keywords designating the second hand products and establishes advertisements on the basis of such purchased keywords. The crucial question is whether a third party's ad ameliorates the primary function of origin that trademarks serve to consumers. What activity, or combination of activities, engaged in by an advertiser rise to the level of actionable "use"?

Further guidance on the overall advertiser activity that could constitute "use" under the Directives is expected in the pending case of *Interflora Inc & another v Marks and Spencer Plc & another* [2010] EWHC 925 (Ch). Initially presented with ten questions on the concept of "use" under the Directives, the Google France decision answered all but the following four queries:

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

(i) selects a sign which is identical (in accordance with the Court's ruling in Case C-291/00) with the trade mark as a keyword for a search engine operator's sponsored link service,

(ii) nominates the sign as a keyword,

(iii) associates the sign with the URL of its website,

(iv) sets the cost per click that it will pay in relation to that keyword,

(v) schedules the timing of the display of the sponsored link and

(vi) uses the sign in business correspondence relating to the invoicing and payment of fees or the management of its account with the search engine operator, but the sponsored link does not itself include the sign or any similar sign,

do any or all of these acts constitute 'use' of the sign by the competitor within the meaning of Article 5(1)(a) of the Trade Marks Directive and Article 9(1)(a) of the CTM Regulation?

(2) Is any such use 'in relation to' goods and services identical to those for which the trade mark is registered within the meaning of Article 5(1) (a) of the Trade Marks Directive and Article 9(1) (a) of the CTM Regulation?

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

(a) Article 5(1)(a) of the Trade Marks Directive and Article 9(1)(a) of the CTM Regulation; and

(b) assuming that such use is detrimental to the distinctive character of the trade mark or takes unfair advantage of the repute of the trade mark) Article 5(2) of the Trade Marks Directive and Article 9(1)(c) of the CTM Regulation?

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

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

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

Both European and US-based multinational brand owners are encouraged to keep abreast of the Interflora decision. The “trifecta” will be instructive for creating a global branding strategy in concert with teams of legal, marketing and IT specialists to enhance brand value and ensure resources are expended on true counterfeiting enterprises rather than the resellers that positively influence brand recognition within underserved market segments.



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