Introduction

A current matter for concern within European trade mark law is the extent of the evolution of the concept “unfair advantage” and the impact that this is having upon the boundaries of protection offered to “well-known” trade marks. The European Court of Justice (hereafter referred to as ECJ) has recently made a preliminary ruling in the case Interflora v Marks & Spencer\(^1\) which builds upon their other recent judgements in the key cases Google France v. Louis Vuitton\(^2\) and L’Oreal v Bellure\(^3\). Together this body of case law has further expanded the protection available to famous trade marks and has reignited the debate over finding the correct balance between the role of trade mark protection and rules allowing legitimate competition. At the heart of these cases have been the various attempts to offer definitive guidance on the matter of unfair advantage. Its origin lies within Article 5(2) of Directive 2008/95/EC for the harmonisation of trade mark law and the accompanying provision within U.K. law, section 10(3) Trade Marks Act 1994. It was intended that this provision would offer greater protection to trade marks that had a reputation and protect them from dilution. They are protected from the use by a third party that “takes unfair

\(^1\) Interflora Inc. v. Marks & Spencer plc. Flowers Direct Online Limited (C-323/09)

\(^2\) Google France Sarl v. Louis Vuitton Malletier SA (C-236/08)

\(^3\) L’Oreal SA v. Bellure NV (C-486/07)
Whilst the term dilution does not appear in the Directive or the 1994 Act it is now widely accepted as the means by which to help define these terms and its use is widespread in court judgements. It is now accepted that unfair advantage is a head of damage in its own right. The boundary concerning what constitutes unfair advantage and the extent to which it subsumes the other two heads of damage is less well defined. This article aims to examine three key issues. Firstly, what is an unfair advantage? Secondly, what is/are the function(s) of a trade mark? Thirdly, what is the impact arising from the parallel application of Article 5(1)(a) and Article 5(2) in cases of so-called “double identity” (where the signs and the goods or services that they are used in relation to are identical)?

What is an Unfair Advantage?

The origin for this is the idea that famous trade marks are the product of vast expenditure and investment by their owners and therefore they ought to be the ones who benefit from the fruit of their labour and not a third party. Schechter\(^4\) seems to be regarded, at least in some quarters, as the founding father of modern trade mark law and while as Ilana Simon\(^5\) points out the idea of misappropriation was never central to his theory, he did observe the way that famous trade marks had a magnetism and were able to act as a means by which the trademark owner could attract customers to purchase the goods bearing that mark. “The mark actually sells the goods”. The mark stimulated sales. Naomi Klein in

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her book “No Logo”\textsuperscript{6} describes in detail how famous trade mark owners spend money in creating a brand image that transcends the goods and carries connotations of luxury, sophistication, and lifestyle choices and that this is the dream image that consumers buy into when they purchase these branded goods and therefore the brand stimulates the purchases. This reasoning was echoed by A-G Jaaskinen\textsuperscript{7} when he outlined the differences between the property based and the deception based approaches to trade mark protection. The deception based approach centres on the traditional notion that the role of trade mark law is to protect the origin function in order to prevent consumers and other end users from the danger of confusion as to the commercial origin of goods or services. Whereas the property based approach is based upon the notion that the law ought to protect the efforts and investments made by the proprietor and the independent value of the trade mark, that is the value of the mark as distinct from the goods or services. Therefore, this approach not only protects the origin function but also protects the communication, advertising and investment functions of trade marks thereby protecting the creation of a brand identity with a positive image and independent economic value. The result is that the trade mark can be used for various goods and services that have nothing in common apart from being under the control of the trade mark proprietor. Therefore the law seeks to offer protection to trade mark owners of famous marks in order to protect their investment. If a third party were to somehow use a sign similar to the sales of their own goods this would mean that they were reaping rewards from investment that was made by another. It is this aspect that is central to unfair advantage. Ilanah Simon\textsuperscript{8} has referred to this as

\textsuperscript{6} Klein Naomi, No Logo (2000) Flamingo.
\textsuperscript{7} Interflora v. Marks & Spencer plc. (C-323/09) at paragraph 50.
misappropriation dilution on the basis that a third party who uses a sign similar to that of a famous mark, thereby benefiting from the investment needed to create that fame is misappropriating that investment. While Simon thinks that misappropriation is a poor fit with the other types of damage included under the umbrella term dilution, such as blurring and tarnishment, because both are aimed at preventing harm being done to the mark itself, she notes that some commentators are attracted to unfair advantage because it is an unearned benefit and therefore this aspect of infringement protects the investment necessary to create and sustain the mark. Such activity has been referred to as “parasitic use”, “free-riding”, “riding on the coat tails” or as Dawson⁹ describes it “usurping a corner of the giant’s robe”. The latter expression contains connotations of a smaller enterprise wrapping itself in the guise of another much larger concern.

The theoretical link that unites these different types of dilution is that all three are based on the premise that trade marks are property worthy of protection in their own right and that this is distinct from the notion of consumer confusion. Indeed where infringement arguments are based upon dilution the consumer disappears from the equation as whether they are confused or not is irrelevant as that is not the type of damage that the trade mark proprietor is seeking to prevent. Traditional protection aimed at preventing a likelihood of confusion on the part of consumers between a similar sign and a registered trade mark, used in relation to identical or similar goods or services was aimed at preventing deception. The consumer would unwittingly be deceived and therefore the law ought to

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prevent this. While on the surface it can often appear that there is little consensus over the notion of dilution with differing detailed explanations and attempts to group these explanations together in various arrangements there is a fairly broad consensus about dilution in a wider sense and that it is about a property based approach to trade mark protection as opposed to ideas based upon deception.

The European approach to dilution, whereby it encompasses taking an unfair advantage, links with the ECJ’s jurisprudence defining the essential characteristics of a trade mark. The core of all trade marks is their ability to signal trade origin and to act as a badge of origin and signal that the goods are of a quality that the trade mark proprietor is content to distribute under his banner. Such guarantees are not absolute for a manufacturer can choose to vary the quality of his goods, but the resulting losses or gains are his. He alone carries the risk. Furthermore trade origin must be distinguished from physical origin as the same factory could manufacture products for two trade marks proprietors thus both sets of goods would have the same physical origin but because they are sold under different trade marks they would have different trade origins. The ECJ signalled in HAG II \(^{10}\) that this was the “specific subject matter” of a trade mark and that protecting this element was of paramount importance.

\(^{10}\) S.A. Cnl-Sucal N.V. v. Hag G.F.A.G. (HAG II Case) (Case C-10/89) [1990] 3 C.M.L.R. 571.
In more recent times there has been a development in judicial attitudes and the case law indicates that the essential functions of a trade mark have expanded to encompass more than being a signifier of trade origin\textsuperscript{11}. The ECJ have held that these essential functions include those of communication, investment and advertising as well as indicating trade origin. The importance of these functions was noted by A-G Colomer in \textit{Arsenal v. Reed}\textsuperscript{12} where he commented that for some trade marks their greatest value derived from their ability to generate sales through utilisation as a merchandising vehicle.

One of the most controversial additions to the ECJ jurisprudence on this matter can be found in the case \textit{L’Oreal v. Bellure}\textsuperscript{13}. In this particular case all of the trade marks at issue had a reputation within the meaning required for Article 5(2) and had received considerable financial investment from their proprietor. The facts are briefly thus. The L’Oreal Group is a manufacturer of high quality perfumes and many of its goods are aimed at the luxury perfume market. The four fragrances at the centre of this case were the famous perfumes Tresor, Miracle, Noa and Anais Anais. These were all manufactured and the trade marks registered to the L’Oreal Group who wanted legal redress from the defendants who sold replica perfumes, so-called “smell alikes”. These are cheaper

\textsuperscript{11} Google France Sarl v. Louis Vuitton Malletier SA (C-236/08) at paragraph 77. Here the Court made reference to their judgement in L’Oreal v. Bellure (C-486/07) at paragraph 58.

\textsuperscript{12} Arsenal Football Club v. Reed (C-206/01) A-G Opinion paragraphs 83-84.

\textsuperscript{13} L’Oreal SA v. Bellure NV (C-486/07)
versions of famous perfumes that are not counterfeits because they do not purport to be the genuine article only to smell very similar to the famous perfume.

At the time of the first instance hearing in the High Court in 200614 L’Oreal held the largest share of this particular market with the famous brand names Chanel and Estee Lauder not far behind. It was estimated by L’Oreal that the cost of launching a new fragrance costs between €60 million - €120 million and that the process takes on average about two years to complete from beginning to end. The biggest item of expenditure is the launch campaign which was itemised at around €50 million - €100 million. The launch campaign would be the chief mechanism by which the brand image of luxury would be created built upon the foundations of registered trade marks for both the fragrance name and bottle shape. The defendants were using the claimant’s trade marks on price comparison lists to explain to consumers which famous perfume their own cheap “smell alike” perfume was imitating. By the use of the famous trade marks the defendants were benefitting from the fame and reputation of those trade marks which in turn would help to increase the sales of their own perfumes.

The ECJ not only held that the defendants were taking an unfair advantage of the registered trade marks but also clearly signalled that this was a head of damage in its own right separate from that of damage to the distinctive character or the repute of the trade mark by stating that this concept relates not to the detriment caused to the mark but to the advantage taken by the third party as a result of the use of the identical or similar sign.

They held that it is possible for a third party to take an unfair advantage of the trade mark even in instances where there has been no damage to the distinctive character or repute of the mark. Therefore, while there will always be some link to the notions of distinctive character or repute of the trade mark, for what else could a third party latch onto and subsequently obtain an unfair advantage from, the head of unfair advantage is not reliant upon there being damage to either the distinctive character or the repute of the trade mark. A claimant can argue that a third party is taking an unfair advantage of the distinctiveness or reputation of their trade mark without having to prove that there is damage to either of those components. It is a subtle distinction but one of potentially immense importance especially in light of the further development that has arisen from the ECJ ruling in L’Oreal v. Bellure on the matter of unfair advantage. It is in this ruling that the ECJ clearly state that any advantage taken by a third party from a trade mark with a reputation is now automatically unfair. The interpretation of this concept has evolved by means of deleting the pre-modifier “unfair”. The ECJ signalled this in paragraph 50 of their judgement whereby they stated,

“The advantage arising from the use by a third party of a sign similar to a mark with a reputation is an advantage taken unfairly by that third party of the distinctive character or the repute of the mark where that party seeks by that use to ride on the coat-tails of the mark with a reputation in order to benefit from the power of attraction, the reputation and the prestige of that mark and to exploit, without paying any financial compensation, the

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15 L’Oreal SA v. Bellure NV (C-486/07) Judgement para 41.

16 L’Oreal SA v. Bellure NV (C-236/08)
Therefore any advantage gained by a third party as a result of such activities would automatically be unfair. There was no attempt to distinguish between what might amount to a fair advantage or acknowledge that such a notion may even exist. The ECJ’s failure to grapple with the notion “unfair” was criticised by Jacob L.J. when the case was resumed. The main criticism was that the provision now read as though the word unfair was not there and that no line was to be drawn between the notions of permissible and impermissible free-riding. Overall Jacob L.J. thought it was a judgement high in moral content and lacking economic content. For this conclusion meant that the defendant could not market his perfumes as alternatives or “smell-alikes” to the fine fragrances by describing them in the most simple method available, which is to state simply which luxury perfume the cheaper scents smell similar to. Note that they are only similar to and not the same. As pointed out by Jacob L.J. no consumer was going to be deceived into believing that a scent purchased for 1 Euro would be identical to a luxury perfume.

Therefore by preventing this method of explanation to consumers about the nature of the product being offered by the defendant the law was in effect interfering with competition in the marketplace. As Jacob L.J. was at pains to point out the defendants were not saying anything that was untrue. Once more there was tension between protecting trade marks and aiding free competition. This tension was on display once more in the case Interflora v. Marks & Spencer. In his opinion A-G Jaaskinnen takes issue with the ECJ ruling in

17 Ibid. Judgement at paragraph 50.
L’Oreal v. Bellure20. His views echo those of Jacob L.J. in that he too notes that such a
definition would prove counter active to promoting competition in the market place. He
links this argument to the need for harm or damage caused to the mark being necessary in
order to morally justify the law preventing such use. For if there is no actual harm to the
mark how can preventing such use produce any benefit?

There are certain parallels between the two cases. At heart both cases concern a defendant
who has used a well-known trade mark in order to signal that he is offering competing
products, a substitute service, to that offered by the proprietor of the famous trade mark.
In Interflora v. Marks & Spencer the defendant had purchased as a keyword in an internet
search engine which put simply means that whenever an internet user types Interflora into
the engine an advert for Marks & Spencer flower ordering service would appear alongside
the web link for Interflora. Marks & Spencer were in effect using the Interflora mark so
that they could alert consumers to the fact that they offered a competing service that
delivered flowers across the U.K. through a network of florists. They were showing
consumers that they operated an “Interflora style network”. This almost descriptive use of
the trade mark Interflora was mentioned by A-G Jaaskinen in his opinion21. For here there
was a “secondary meaning” whereby the trade mark INTERFLORA was being used to
describe a specific mode of flower delivery service. There was a feeling that the mark
INTERFLORA was becoming synonymous with a system with a delivery service where a
consumer would place an order for flowers to be delivered to a specific person and

20 Interflora v. Marks & Spencer plc. (C-323/09) A-G opinion para 94.

21 Ibid. at para 47.
destination and that the florist who was a member of this scheme and nearest to the recipients address would be the florist who arranged the display and its delivery. The key problem with this so-called secondary meaning is that INTERFLORA is at risk of becoming a generic term that describes a mode of sending flowers to someone and not a specific commercial organisation. This links in with the arguments in L’Oreal v. Bellure that the famous trade marks were being used by the defendant in a descriptive way to signal that his perfumes had a similar fragrance to those denoted by the well-known trade marks. However, there is a fine line between descriptive use and a trade mark becoming generic. To what extent ought the law to allow such descriptive use and force the trade mark proprietor to carry such risk? Furthermore it will always be the most famous marks, that have received the most investment from their owners, who will be chosen by others as descriptive labels and therefore encounter the greatest risk of becoming generic. The most famous marks are those that consumers recognise and associate with a particular set of characteristics or meaning for example with the mark “Anais Anais” they associate with a particular scent and possibly quality and luxury and “INTERFLORA” as associating a chain of florists who all meet a set minimum standard in flower arranging and therefore if you place your order in one shop to be despatched from another the bouquets will be the of the same type and standard. Under such an economic arrangement brand value is crucial for the customer needs to have faith in the service that will be provided as he is paying for the flowers in the full knowledge that he will not see the end product that is delivered elsewhere. This causes problems between the need for descriptive use to aid competition and allow enterprises to inform consumers that they offer an alternative to the leading

22 L’Oreal SA v. Bellure NV (C-486/07)
brand and the need to protect trade marks from the risks of being hurt by their own success and becoming generic. The risk of a trade mark becoming generic is part of the concept of dilution. Perhaps a trade mark becoming generic is the ultimate form of dilution. A-G Jaaskinen in his opinion points out such risks and divides dilution into blurring and tarnishing before further subdividing blurring into the risk of a trade mark becoming banal and that of it being denigrated. He believes that a mark becoming banal is where it simply loses its distinctiveness, the magical element that made it stand out from other marks and therefore be memorable and magnetic to consumers. Banal is the result of the mark being used in relation to many different goods or services and so thereby losing its ability to signify only one type of goods. Denigration on the other hand is where the trade mark acts as a referencing label to only one type of goods, but the problem is that it refers to the entire class of goods irrespective of their commercial origin, for example the mark ‘aspirin’. The risk to the mark INTERFLORA is quite clear. This builds on the jurisprudence that any such advantage should automatically be classed as unfair as it is an unearned benefit. This links in with the misappropriation theory of dilution. However, in order to ascertain what amounts to an unfair advantage one must also have recourse to the definition of the essential function of a trade mark for it is the way in which trade marks are used and the messages that they convey that are the key to understanding the way in which an advantage can be obtained by a rival trader.

What is/are the functions of a trade mark?

23 Interflora Inc. V. Marks & Spencer Flowers Direct Online Limited (C-323/09) A-G Opinion at paragraph 82.
This advance in unfair advantage, whereby any advantage gained is automatically held as being unfair, is of particular importance in that there is still room for debate as to what constitutes trade mark use. For where these two concepts interlink therein lies the mechanism by which protection for registered trade marks with a reputation will continue to increase above and beyond any link to consumers. These concepts now appear to be reinforcing each other in their quest to offer even greater protection to famous marks. As these famous trade marks have grown and become ever more expensive to create and maintain through expensive promotions and advertising this has altered the definition of the essential function of the trade mark. This has evolved to cover not only its ability to signal trade origin but to encompass its investment and advertising role. As the definition of the specific subject matter has grown so to has the definition of trade mark use. Most notably in Arsenal v. Reed where the ECJ held that any use that could jeopardise the essential function of a trade mark, its expanded view of the specific subject matter, would now be deemed to be trade mark use. Following on from this there is the opportunity for further expansion as unfair advantage is now any advantage gained by a third party from use of the mark. A wide definition of what constitutes use here expands the realm of protection for trade marks with a reputation even further.

A prime example of this is the line of case law concerning the use of adwords on the internet. In Interflora v. Marks & Spencer the claimant argued that their trade mark was being infringed by the defendant registering their trade mark as a Google adword. Google

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25 Arsenal Football Club v. Reed (Case C-206/01) at paragraphs 50-51.

26 Interflora Inc. v. Marks & Spencer Flowers Direct Online Limited [2009] EWHC 1095 (Ch).
operates a well-known internet search engine and their main source of revenue is advertising. The most lucrative form of advertising is a service that Google calls “adwords”. It works on the simple basis that when an internet user carries out a search the user is shown two types of links to third party web pages in the search results. The first type referred to as “natural” or “organic” links are links to websites that the search engine thinks are relevant to the search. The second type of link referred to as “sponsored links” are a form of advertising. A sponsored link is displayed when the internet user enters a particular word into the search engine. These words known as keywords can be purchased by advertisers from Google for a fee. A sponsored link consists of three elements, an underlined heading which functions as a hyperlink, some promotional text, and the URL of the advertiser’s website. The advertiser pays a certain amount each time an internet user clicks on the hyperlink in its sponsored link. The amount the advertiser pays is calculated on a cost per click basis. More than one advertiser can purchase the same keyword and the advertiser who pays the most will have their sponsored link displayed in the highest position. Interflora contended that they had lost sales as a result of this re-direction of internet traffic by the sponsored links. Once more the concepts of trade mark use and unfair advantage were intertwined in a case to determine the scope of trade mark protection. One key question was whether the purchase of a trade mark as a keyword by a third party constituted trade mark use. If it did, then the third party would be using an identical sign to the registered trade mark in relation to the identical goods or services covered by that mark. Therefore this would be a classic infringement under Section 10(1) Trade Marks Act 1994. Furthermore, the fact that Interflora is a well-known trade mark which would certainly qualify as a trade mark with a reputation under the criteria set out
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by the ECJ in *General Motors Corporation v. Yplon Sa*\(^{27}\), section 10(3) of the Trade Marks Act 1994 could also be invoked enabling Interflora to argue that the use of their trade mark as a keyword meant that Marks & Spencer were taking an unfair advantage. The argument concerning an unfair advantage could be significant given the ECJ ruling in *L’Oreal v. Bellure*\(^{28}\) where any advantage taken will be deemed to be unfair. Therefore Arnold J referred the matter to the ECJ for a preliminary ruling. Before the ECJ pronounced a judgement on these questions they had handed down a ruling in the case *Google France v. Louis Vuitton*\(^{29}\) where the adwords referencing service was central to the case. The famous couture fashion house Louis Vuitton is the proprietor of the community trade mark ‘Vuitton’ and of the French national trade marks ‘Louis Vuitton’ and ‘LV’. At the beginning of 2003 Vuitton became aware that the entry, by internet users, of terms constituting its trade marks into Google’s search engine triggered the display, under the heading ‘sponsored links’, of links to websites offering imitation versions of Louis Vuitton’s products.

In relation to the issue of trade mark use the court had two separate matters to decide. There was the use by Google who offered for sale as keywords the trade marks of others and also the use of those marks as adwords by the advertisers who purchased them as keywords. Upholding their earlier judgement in *Arsenal v. Reed*\(^{30}\) the ECJ stated that the use of a sign identical to a trade mark constitutes use in the course of trade where it occurs

\(^{27}\) General Motors Corporation v. Yplon Sa (Case C-375/97) at para 29.

\(^{28}\) L’Oreal SA v. Bellure NV (C-486/07)

\(^{29}\) Google France v. Louis Vuitton (C-236/08)

\(^{30}\) Arsenal Football Club v. Reed (Case C-206/01)
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in the context of a commercial activity with a view to economic advantage and not as a private matter. Therefore, applying this they concluded that the advertisers who purchased the sign identical to the trade mark of another, as a keyword was using this in the context of a commercial activity and therefore this was use in the course of trade. However, they made a distinction between the advertiser and the search engine operator for it is the advertiser who is the one who selects the keywords which may be identical with a trade mark and it is their advert which is displayed as a sponsored link and they are responsible for the content of that end advert. They continued by holding that the fact Google created the technical conditions necessary for the use of a sign and being paid for this did not mean that they themselves were using the sign. Therefore in relation to infringement under Directive 89/104 only the advertiser needed to be looked at and not the search engine operator. The issue of use being in relation to goods or services identical to those against which the mark is registered was easily dealt with and indeed the use of a sign identical to a trade mark as a keyword did fall within the definition. This left one further issue of the use being liable to have an adverse effect on the functions of a trade mark. This same reasoning has been upheld in Interflora v. Marks & Spencer where once again the focus was placed on the advertiser who had purchased the keyword and the end advert that was subsequently displayed. 31

The court set out that the proprietor should only be able to object to the use by a third party of an identical or similar sign where that use affects or is liable to affect the functions of

31 Interflora v. Marks & Spencer plc. (C-323/09) ECJ para 44.
the trade mark. Reiterating their stance in *Arsenal v. Reed* 32 they issued that the functions of a trade mark are wider than that of denoting trade origin and include the other functions “…in particular that of guaranteeing the quality of the goods or services in question and those of communication, investment or advertising.”33 The decision is a factual one and depends on the presentation of the end advert by the advertiser who has purchased the trade mark as a keyword.

Here there will be infringement if the trade mark is harmed if the use can cause confusion as to the trade origin either by being directly confused or by causing confusion in the wider sense, as outlined by Laddie J, in *Wagamama v. City Centre Restaurants*34, where there exists confusion as to the trade origin due to “a likelihood of association” whereby there is a mistaken belief that there is an economic link, for example that they are sister companies. If the end advert creates this kind of confusion then there will be an adverse effect on the ability of the trade mark to indicate origin. In the case of *Interflora v. Marks & Spencer* such an infringement would occur if the end advert led consumers to incorrectly believe that the flower delivery service offered by Marks & Spencer was part of the Interflora network. The court then went further to suggest that where the end advert was so vague to such an extent that the reasonable consumer would be unable to determine whether there

32 Arsenal Football Club v. Reed (Case C-206/01)

33 Google France Sarl v. Louis Vuitton Malletier SA (C-236/08) Judgement at para 77.

34 Wagamama Ltd. v. City Centre Restaurants Plc. [1995] F.S.R. 713
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existed an economic link between the advertiser and the trade mark proprietor that would constitute an infringement as it would adversely affect the origin function of the trade mark. Therefore, the end advert must be clear enough to enable the average internet user to see that there is no economic link between the two organisations.\textsuperscript{35}

This would appear to sit reasonably comfortably with traditional jurisprudence that uses consumer confusion as the moral justification for trade mark protection. It even sits comfortably alongside A-G Jaaskinen’s dilution theory that is aimed at preventing a trade mark from being denigrated, whereby it risks becoming generic, for that must surely be the ultimate form of confusion and the maximum damage that can be done to spoil a trade mark’s ability to denote origin. However, the court continued and looked at the effect the third party use of the sign may have on the trade mark’s advertising function. This advertising function is described as the means by which the mark can inform and persuade consumers to purchase the goods bearing that mark. Therefore, the trade mark proprietor is held to be entitled to prohibit a third party from using a sign in cases where that use adversely affects the proprietor’s use of its mark as a factor in sales promotion or as an instrument of commercial strategy. The use of a sign identical to a trade mark as a keyword will impact upon the commercial strategy of the proprietor of the mark but it was held that this was not in itself sufficient to constitute an adverse effect on the advertising function of the trade mark. Therefore, the decision is a factual one that is based upon the content of the end advert and whether or not that is likely to cause harm to the functions of the trade mark. The search engine operator does not use the sign chosen as a keyword in the course of trade for it is the advertiser who has chosen that sign and pays for it and

\textsuperscript{35} Interflora Inc. v. Marks & Spencer Flowers Direct Online Limited (C-323/09) Judgement at paragraph 66.
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therefore uses it. The displaying of the advert under sponsored links is not by itself sufficient to cause harm to the origin, advertising and investment functions of the trade mark. Consequently the issue will be determined on the basis of the content that is displayed in the third party’s advert that appears under the heading ‘sponsored links’.

When determining whether the end advert is likely to harm the functions of the trade mark the issue of unfair advantage appears once again. If the end advert is perceived as taking an unfair advantage of the distinctive character or the reputation of the registered trade mark then there will be an infringement of that mark. This is not as straightforward as it would initially appear to be due to the ECJ ruling in L’Oreal v. Bellure, and, as mentioned earlier in the article, the conclusion that any advantage taken by the defendant from the registered trade mark with a reputation, must be automatically unfair. This complicates the issue of what is and is not permissible use. Once again this issue has been debated in the case Interflora v. Marks & Spencer. As mentioned earlier in this article Advocate-General Jaaskinen has problems with the ECJ finding in L’Oreal v. Bellure and the notion that any advantage taken must be an unfair advantage36. Therefore, he looks at the issue of unfair advantage as meaning that the advantage obtained must be an unfair one as opposed to being fair use. The central problem is that Marks & Spencer are inevitably gaining an advantage from their use of the trade mark INTERFLORA as a keyword in a search engine. Marks & Spencer are taking advantage of the repute of Interflora’s trade mark. Jaaskinen A-G notes that it is “inconceivable that this selection of keywords could be explained with any other motive.”37 It is the reputation of Interflora as being the premier

36 Ibid. Opinion at paragraph 94.
37 Ibid. at paragraph 96.
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operator in this particular type of flower delivery service that has led to the trade mark almost becoming synonymous with this mode of sending flowers. This so-called secondary meaning that was noted and that demonstrates that for the dominant economic undertaking within a particular market there is always a very real risk that their trade mark could become generic if they do not remain vigilant. It is due to Interflora’s dominance through their trade mark and the advertising and investment functions that this will be the mark that an internet user types into the search engine and this is the reason why Marks & Spencer have chosen it. There will be consumers who are brand loyal and who have typed in INTERFLORA as a search term because they want to be directed towards Interflora’s own website and do not wish to purchase flowers from any other supplier. If this is the case and the consumer actually clicks on the link for Marks & Spencer flowers direct by mistake, then Marks & Spencer will be charged for this by the search engine operator but will probably gain nothing as the consumer will want Interflora and so resume their search for that particular website. However, these are not the consumers that Marks & Spencer were targeting with their advert. They want the consumers who have entered the only trade mark they know to be linked to sending flowers by this method into the search engine who will be open to persuasion that Marks & Spencer direct flowers operate a similar, alternative service. It is the fame of the Interflora mark that leads to that word being typed into the search engine by the consumer and therefore purchased by Marks & Spencer as an adword. Marks & Spencer are undeniably obtaining an advantage but does it follow that it ought to be deemed as being automatically unfair? In order to decide whether or not the advantage taken is unfair Jaaskinen A-G writes that this depends upon whether the use made of the mark is fair use and by this he means does it have due cause?
The use of the mark by Marks & Spencer is to show that they offer a substitute service and this is good for promoting healthy competition.\textsuperscript{38}

It ought to be noted that keywords and internet advertising has posed particular problems for trade mark lawyers due to their inherent nature and the fact that keywords are semantically empty. “The keyword as such does not have a meaning in the referencing system as the algorithms of the search engine pick up identical strings of signs regardless of their meanings in any linguistic system. Hence keywords as such are semantically empty; they have specific meanings and references only in the minds of the internet users typing them.”\textsuperscript{39} This makes them problematic in a unique way as no one can predict with any certainty the reference or meaning that a particular internet user has place on a particular keyword. This issue is further complicated by the fact that most trade marks are not unique they may be a descriptive word that had acquired a secondary meaning as a trade mark in a specific sector.\textsuperscript{40} Trade marks are registered in relation to a specific class or classes of goods or services and in different jurisdictions. Unlike the scenario where a supermarket shopper has to wander down set isles meaning they are unlikely to encounter “Bounty” for chocolate bars with “Bounty” for kitchen roll, the internet search engines respect no such boundaries and will search for all goods and services in the world at the same time.

What is the impact arising from the parallel application of Article 5(1)(a) and 5(2)?

\textsuperscript{38} Ibid. at paragraphs 98-99.
\textsuperscript{39} Ibid. paragraph 67.
\textsuperscript{40} Ibid. paragraph 70.
In *Interflora v. Marks & Spencer* the ECJ concluded that both Articles 5(1)(a) and 5(2) could be argued and applied in parallel in situations where there was a sign identical to the mark used in relation to the identical goods or services and the trade mark was one deemed to have a reputation. An array of arguments was advanced in court\(^\text{41}\). Counsel for Interflora submitted that Article 5(1)(a) ought to be interpreted as meaning that infringement could be established where the trade mark had suffered an adverse effect in relation to any of its functions. The European Commission submitted that in their view Article 5(1)(a) existed in order to protect the trade mark proprietor solely against acts affecting the trade mark’s function of signalling origin and Marks & Spencer submitted that this ought to be held as the correct interpretation if the Court wanted to protect free competition. In its judgement the ECJ steered a course somewhere in between these two arguments. Whilst holding that the trade mark is always supposed to fulfil its function of signalling origin, which according to established case law is its essential function and its specific subject matter, Article 5(1)(a) ought not to be interpreted as excluding protection against acts that adversely affect the other functions of advertising and investment.

Furthermore they stated that there were no grounds for holding that only trade marks with a reputation are capable of having functions other than that of indicating origin. However this raises some complex issues concerning the overall state and framework of the scheme of protection.

These issues are familiar in that they stem from the initial queries raised following the ECJ ruling in *Davidoff v. Gofkid*\(^\text{42}\). Here it was held that despite the wording of Article 5(2) stating that this provision could only apply to cases where the goods or services at issue

\(\text{41}\) (C-323/09) Judgement paragraph 35.

\(\text{42}\) Davidoff & Cie SA and Zino Davidoff SA v. Gofkid Ltd. (C-292/00)
were not similar it was decided that this provision ought to be read to cover all goods or services be them identical, similar or not similar. At the time it was felt that this offered a solution to the so-called logical lapse in the scheme of protection, it was widely referred to as such following Michael Spence’s article\(^{43}\). While *Davidoff v Gofkid* solved one problem it created others and perhaps the full impact of this ruling has not been felt until more recent times. For the questions that were raised then have taken on an added twist and pertinence following the judgement in *L’Oreal v. Bellure* that use of an identical sign falls under Article 5(1)(a) provided that there is an adverse effect on any of the functions of a trade mark, including those such as the quality, communication, advertising or investment functions, which underlie the protection against dilution accorded by Article 5(2).

Horton\(^{44}\) follows this reasoning and argues that if this is carried to its logical conclusion, this would mean that in cases of double identity the distinctiveness and repute of the trade mark might be protected irrespective of whether the mark has a reputation as required by Article 5(2), in other words whether it is well-known or not. Therefore, does the parallel application of these two provisions expand trade mark protection too far? It does not remove all limits to protection. It does not give trade marks without a reputation the ability to argue Article 5(2) as the requirement that a mark needs to have a reputation following the *Yplon v SA* criteria is maintained. If a trade mark with a reputation uses Article 5(1)(a) that means that they do not need to show that they have suffered any of the kinds of damage listed in Article 5(2), that they would have to show in order to be successful under this provision in relation to an identical sign used in relation to identical


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goods or services. However, if a trade mark with a reputation did use Article 5(1)(a) they would only be using the provision that is available to all registered marks so would not be given any special treatment. However, this begs the question whether famous trade marks are perceived to have more functions than ordinary trade marks? In order to answer this question one must first ascertain precisely what the functions of a trade mark are which may be affected by the use of a sign? Currently, the law is a little hazy about this. There have been various attempts at a clear definition in cases such as Arsenal v. Reed where the commercial investment function was given equal prominence. There have been phrases coined such as the “specific subject matter”, “essential functions”. The Max Planck study\(^{45}\) accept that there is a need for clarity on this issue and write that this should be clearly set out in the preamble to the directive in such a way as to provide a full account of the functions performed by trade marks. In relation to the issue of double identity they state that infringements falling under this rule are considered “absolute” in that it is not necessary to prove a likelihood of confusion. However, they point out that this limitation only applies to Article 5(1)(a). The fact that there are two different types of cases which can involve double identity (Article 5(1)(a) and 5(2)) and that they are subject to different limitations should be set out in the preamble. Furthermore they state that when considering the additional trade mark functions, in particular those guaranteeing quality, communication, investment and advertising and their interpretation in double identity cases it ought to be accepted as a principle for future practice that these functions do not play an autonomous role in defining the scope of protection under Article 5(1)(a). They conclude that an adverse effect on any of these functions has no relevance for protection.
Conclusion

The Max Planck study has grappled with the issue of unfair advantage and has concluded that there is a problem in the current English text in that this allows for an interpretation that “unfairness” relates only to the taking advantage and not to the detriment caused. This interpretation ought to be avoided and once again they advocate providing detailed guidance.

“This would also add to the understanding of the “taking advantage” part of the provision in so far as “unfairness” and lack of “due cause” need to be assessed separately, and are not implied in the taking of commercial advantage as such.”46

Even factoring in the problem with the English text it still leaves the unavoidable issue that in order to determine what is an unfair advantage and the detriment caused one must have recourse to the functions of a trade mark in order to ascertain what damage the trade mark has suffered and which aspect of the mark the alleged infringing party has derived an advantage. Until these other issues are resolved defining unfair advantage will remain problematic.

46 Ibid. at page 108 at paragraph 2.200.
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