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Confusion Online: Does The Test For Trade Mark Confusion On The Internet Differ From That Applied To Infringement In Other Spheres?

Authored By Alice Blythe, School of Law, University of Bolton

Introduction

The confusion rationale is often perceived as being the traditional basis for trade mark infringement and pre-dates the advent of the internet. Recent times have seen a spate of cases where confusion of a mark on the internet has formed an important part of the action and some where the entire facts of the proceedings took place online. Therefore it is timely to examine the way in which this rationale operates in the online world of internet shopping. This article asks whether the confusion rationale operates differently when applied to the online world, as opposed to the offline world from whence it originated, and will examine the sources from where most difficulties arise before drawing conclusions about the present law and attempting to predict future developments.

The Confusion Rationale in EU Law

The confusion rationale is currently found in Article 5(1)(b) of Directive 2008/95, Article 9(1)(b) of Regulation 207/2009/EC and Section 10(2) Trade Marks Act 1994. These three provisions are identical in all chief matters the only difference being that the first is the directive to harmonise trade mark law across all EU Member States and has been transposed into U.K. law by the Trade Marks Act 1994. The Regulation concerns Community Trade Marks, whereby a proprietor can apply to OHIM in Alicante for his mark to be registered by one central application in any of the EU Member States he chooses thus reducing the need for

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multiple applications across the EU. The confusion rationale is based upon preventing a likelihood of confusion on the part of the consumer between a registered trade mark and the use of a similar sign in relation to similar goods or services. The confusion the law seeks to prevent is confusion as to the trade origin of the goods or services bearing the registered mark. Thus the overall aim of the law is to allow the trade mark to clearly signal trade origin and for this to be unimpeded by the actions of third parties. The confusion rationale places the role of the average consumer centre stage for it is through his eyes, the eyes of the reasonable well informed and circumspect, that the likelihood of confusion is assessed. The advent of the internet created a whole new range of opportunities in which trade marks could be exploited. With the advent of online shopping was a new medium of communication between trader and customer and sparked a new wave of advertising methods such as adwords and pop-up messages. The creation of this new mode of communication has created further opportunities for confusion, on the part of the average consumer to arise.

Initial Interest Confusion on the Internet

One of the most recent arguments concerning the confusion rationale has been the extent to which initial interest confusion should be deemed to form part of the likelihood of confusion contained within Article 5(1)(b) of Directive 2008/95. In *OCH-Ziff v. OCH Capital*¹ it was debated whether initial interest confusion could comprise any part of the confusion rationale and despite this being answered in the affirmative there remains some doubt as to the extent to which this argument has been accepted and whether this issue will be reopened at some point in the future. Initial interest confusion is where a person upon encountering a sign

¹ *OCH-Ziff Europe Ltd v OCH Capital* [2010] EWHC 2599 (Ch.)

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similar to a registered trade mark is initially confused by such use, but that this is corrected

before the purchase is complete. Whilst initial interest confusion can take place in the real

world, as opposed to the virtual world, it is particularly important in relation to the internet.

As Philip Johnson² notes this type of confusion is likely to be particularly relevant in relation

to the use of a mark on a website. Therefore it is likely that this is where the future pressure

to have this type of confusion fully recognised as part of the confusion rationale will

originate.

The interesting point about initial interest confusion is that even though the confusion is

corrected prior to purchase it may still cause confusion enough to amount to being a

likelihood of confusion for the purpose of a trade mark infringement action brought under

Article 5(1)(b) Directive 2008/95 which reads as

“The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

...

b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark.”

Trying to pin-point the exact moment at which initial interest confusion meets this legal

threshold is particularly important in relation to the internet. When consumers surf the web

they often type trade marks into search engines hoping that they will be directed to the

² Johnson P., *Ambush Marketing and Brand Protection, Law and Practice*, Second Edition, (2011) Oxford University Press, p. 50.

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relevant website. However, it is big business to try and re-direct and divert internet traffic to alternative rival websites. Thus a whole industry has been built on the basis of confusing and diverting internet traffic to different websites than the user initially wanted to visit.

One of the main ways internet traffic can be redirected is through the use of adwords. Search engines work on the basis of the surfer entering a search term into the search box, these terms are called keywords and they trigger a listing of websites that most closely correspond to that entry. These are called the organic links. However, search engines make their revenue by selling keywords to advertisers as adwords where the advertiser will be charged on a cost per click basis. Multiple advertisers can purchase the same keyword as an adword and the one who pays the most will have his link appear in the most prominent position in the sponsored link section of the search results page, which is often highlighted so as to look more appealing to the surfer than the organic links. The idea being to lure the surfer into clicking on a sponsored link, hence generating money for the search engine and potential custom for the website entered via the sponsored link. Trade marks are often purchased as adwords by both the registered proprietor of that mark and their rivals. Therefore when a consumer enters a trade mark into a search engine it will trigger an organic link for that result and also sponsored links for the proprietor and their rivals and depending upon who is the highest bidder the rival sponsored link could be in the most prominent position and be a very tempting lure to consumers.

Most internet surfers quickly realise they have clicked on the wrong link and within seconds find the link they were seeking in the first place. However, some may linger for a time on the site they have been diverted to. Even the surfers who quickly spot their mistake and re-trace

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their steps and find the route to the site they were seeking now know of the existence of this other website. The search engine operator, the adwords and the alternative website have all achieved their aim of cajoling more internet surfers to visit this different website. In light of this it is easy to see how initial interest confusion is likely to play an increasingly important role in trade mark disputes where the alleged infringement takes place online.

If initial interest confusion is fully accepted as forming part of the confusion rationale under Article 5(1)(b) of the Directive it will have the effect of widening the boundaries of this provision. Due to the role initial interest confusion plays on the internet it is possible that the boundaries for confusion in the online world and the offline world could diverge, with the possibility that initial interest confusion could help widen the scope of this provision for the online world more than the offline world, for there is greater scope for initial interest confusion to take place with greater frequency on the internet. Therefore the question to be examined is to what extent has initial interest confusion been accepted as forming part of the likelihood of confusion prohibited by the Directive.

Initial Interest Confusion as Part of the Confusion Rationale: *OCH-Ziff v. OCH Capital*³

The legal methodology employed in deciding whether there exists a likelihood of confusion on the part of the average consumer under Article 5(1)(b) was set out by the CJEU in *Sabel v. Puma*.⁴ It was held that the global appreciation approach was to be employed whereby all relevant circumstances were to be weighed by the court together in answering the one

³ *OCH-Ziff Europe Ltd. v OCH Capital* [2010] EWHC 2599 (Ch.)

⁴ *Sabel B.V. v Puma A.G. Rudolf Dassler Sport* (C-251/95) [1998] R.P.C. 199.

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question which was whether there existed a likelihood of confusion. The court thereby avoided the messy legal questions of whether greater weight ought to be attached to the similarity between the sign and the mark or the goods or services concerned, and whether when assessing the mark more attention should be paid to its distinctive and dominant components or its impression overall. Therefore the court will appreciate globally all the relevant factors including the similarity between the registered mark and the sign and the goods or services to which they are attached. The greater the degree of similarity between the mark and the sign can allow for a greater degree of dissimilarity between the goods or services and vice versa. The assessment will take into account the mark and a sign each as a whole whilst taking into account their distinctive and dominant components and the fact that a consumer rarely has the chance to compare the two side by side and therefore will carry an imperfect recollection of the trade mark in his mind. Credit will be given to both the inherent distinctiveness of a mark and its acquired distinctiveness which will usually be the result of widespread marketing, longstanding use or a wide geographical reach or a combination of these. Also it is believed that the more well-known the trade mark the more likely it is to be confused by a consumer upon encountering a similar sign. Given the extreme flexibility of this approach it is easy to comprehend how initial interest confusion could be added to this mix and simply become one more factor to be weighed when the courts make their assessment. It would easily fit into the existing framework and sit comfortably with the legal principles already employed. It would not for example place pressure on any of the factors or judicial reasoning outlined above.

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Furthermore the likelihood of confusion includes the likelihood of association as set out in the wording of this provision. The CJEU in *Sabel v. Puma* upheld the earlier reasoning of Laddie J. in *Wagamama v. City Centre Restaurants*⁵ where it was held that the wording including a likelihood of association did add to this provision. Here Laddie J. held that this meant the provision covered situations where consumers upon encountering the sign would form a mistaken belief that the two economic undertakings signalled by the sign and the trade mark were economically linked in some way for example that they were sister companies or part of the same franchise network. This took into account that consumers were aware of these economic links between companies. In this particular instance Laddie J. perceived that the average consumer upon seeing or hearing the sign 'Rajamama' for an Indian restaurant would mistakenly associate it with the famous trade mark 'Wagamama' for a chain of Chinese restaurants and be confused into thinking that 'Wagamma had gone Indian' and branched out from Chinese cuisine into Indian cuisine. Once again this addition fit comfortably with the global appreciation approach and shows how the flexibility created by such an approach allows for these matters to be included so as to strengthen rather than undermine the provision.

As has already been mentioned the CJEU in *Arsenal v. Reed*⁶ famously held that post-sale confusion, which is the opposite of initial interest confusion, was actionable. Given that this has been accepted as forming the basis for an infringement, albeit under Article 5(1)(a) where both the sign and the mark and the goods or services indicated must be identical, it seems only right that its counterpart should be given legal standing and comprise part of the

⁵ *Wagamama Ltd. v City Centre Restaurants Plc.* [1995] F.S.R. 713.

⁶ *Arsenal Football Club v Reed* (C-206/01)

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confusion rationale. In the same way that this existing approach was widened to encompass a likelihood of association it can easily expand to include initial interest confusion such an approach would be a response to consumer behaviour and would enable the law to better reflect what actually occurs in real transactions, especially those which take place on-line. In both the likelihood of association, as defined by Laddie J. in *Wagamama v. City Centre Restaurants*⁷, and initial interest confusion the infringement action stems from confusion as to the trade origin of the goods or services. In this sense initial interest confusion is a perfect fit with what Article 5(1)(b) is attempting to prevent for whilst the confusion is corrected at a later point, until that time the consumer is confused about the same matter, namely the trade origin being signalled by the mark and therefore the same type of damage is occurring in both circumstances.

In *OCH-Ziff v OCH Capital*⁸ counsel for the claimants submitted that initial interest confusion was part of the confusion rationale covered by Article 9(1)(b) of Regulation 207/2009/EC. As part of their submission they outlined the origin of initial interest confusion as being an expression that derives from U.S. trade mark law and as being defined in a resolution adopted by the International Trade Mark Association on 18th September 2006. In the following terms:

“Initial interest confusion is a doctrine which has been developing in U.S. trademarks cases since the 1970s, which allows for a finding of liability even where a plaintiff can demonstrate

⁷ *Wagamama Ltd. v City Centre Restaurants Plc.* [1995] F.S.R. 713

⁸ *OCH-Ziff Europe Ltd. v OCH Capital* [2010] EWHC 2599 (Ch.)

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that a consumer was confused by a defendant's conduct at the time of interest in a product or service, even if that initial confusion is corrected by the time of purchase."⁹

Counsel for the claimants also cited a well-known hypothetical example of initial interest confusion taken from the U.S. case *Brookfield Communications Inc. v. West Coast Entertainment Corp*¹⁰. The example given involves two video stores one called West Coast and another called Blockbuster. If Blockbuster were to display a billboard on a highway reading "West Coast Video: 2 miles ahead at Exit 7" when West Coast Video is located at Exit 8 but Blockbuster is located at Exit 7 customers looking for West Coast would turn off at Exit 7 and upon looking for West Coast and being unable to locate it spy Blockbuster and take their custom there instead. Some customers may even prefer West Coast Video but simply find they cannot be bothered trying to locate it and go to Blockbuster. The customers would know that they were buying from Blockbuster and that it was a different store and not economically linked to that enterprise but nevertheless Blockbuster would still be misappropriating West coast's acquired goodwill. It should be noted that although this example involves a real world highway where traffic is being misdirected it shares many points of resemblance to internet traffic being misdirected by the use of adwords and search engines. If one moves from the real highway to the 'super information highway' of the on-line world, suppose a consumer types a trade mark into a search engine and it has been bought by a competitor as an adword therefore triggering a weblisting in the search results for the rival website, and the consumer mistakenly clicks on this sponsored link and is misdirected to this rival website, surely this has much in common with the example taken

⁹ At paragraph 80.

¹⁰ *Brookfield Communications, Inc. v West Coast Entertainment Corp.* 174 F. 3rd 1036 (9th Cir., 1999) at 1064

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from *Brookfield Communications Inc. v. West Coast Entertainment Corp.* Possibly the main difference is that in relation to the internet such an occurrence is more likely to take place and with greater frequency. In *OCH-Ziff v. OCH Capital*¹¹ Arnold J. thought that two points ought to be noted about this example.

*“The first is that it is a “double identity” case (use of a sign identical to the trade mark in relation to good or services identical to that for which it is registered.) The second is that it involves conduct that is something referred to as “bait-and-switch”. That is to say, the defendant deliberately uses the claimant’s trade mark as a bait to attract the consumer’s attention, and then exploits the opportunity thus created to switch the consumer’s purchasing intention to his own product or service.”*¹²

Counsel for OCH-Ziff argued that there is no requirement for a likelihood of confusion at any particular point in the process of selecting and purchasing goods or services, still less is there any requirement for actual confusion. This argument was upheld in that confusion as to trade origin prior to the point of purchase is still confusion and therefore damaging to the trade mark proprietor even if that confusion is dispelled prior to any purchase taking place.

These two points made by Arnold J. deserve further deliberation. Double identity cases where the trade mark and sign and the goods or services at issue are identical are covered by Article 5(1)(a) of the Directive and here confusion is presumed for how can a trade mark accurately signal trade origin to a consumer if another trader is using the identical mark in

¹¹ OCh-Ziff Europe Ltd. v OCH Capital [2010] EWHC 2599 (Ch.)

¹² At paragraph 82

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relation to the identical goods. However, both Articles 5(1)(a) and 5(1)(b) share the same object of preventing confusion as to trade origin. Therefore to some extent there is an overlapping ethos with the provisions that is brought sharply into focus when looking at activities online. For example the traditional idea of bait-and-switch outlined in the example of the video stores is more sophisticated when carried out online. Due to the use of adwords rival websites will often purchase their rivals trade marks as adwords. Also due to the ease with which typing errors can be made by consumers they will often purchase misspellings of their rivals trade marks as adwords. Therefore the mark and the sign are not strictly speaking identical, they will be one or two keystrokes different, but to all intents and purposes they are performing this same function of bait-and-switch. It is here that one will find the need for actions to be brought under both Article 5(1)(a) and 5(1)(b). It is this type of activity that could be the new frontier in the battle for trade mark protection and the introduction of initial interest confusion as part of the likelihood of confusion would be the chief weapon in the claimant's armoury.

One case which illustrates this point is *Interflora v. M&S Flowers Direct*¹³. Interflora brought infringement proceedings against Marks and Spencer for its use of the Interflora trade mark as an adword on an internet search engine which triggered a sponsored link for the M&S Flowers Direct website upon being typed into the search engine. The CJEU had already decided in *Google France v. Louis Vuitton*¹⁴ that it was the party who purchased the keyword identical to a registered trade mark who was the party deemed to be using the sign in the course of trade and therefore the party who would be answerable for any potential

¹³ *Interflora v Marks & Spencer Plc.* (C-323/09) [2012] Bus. L.R. 1440.

¹⁴ *Google France Sarl v Louis Vuitton Malletier SA* (C-236/08)

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liability and not the search engine operator. The issue of infringement was to be determined upon the content of the end webpage the user was directed to once they had clicked upon the sponsored link. If this page either led the consumer to believe that it was the trade mark proprietor, or was so vague as to make it difficult for the average internet shopper to determine this, then infringement would have taken place. The Court held that there was infringement due to the content of the M&S Flowers Direct website once the user had clicked upon the sponsored link. The end website did not make it sufficiently clear that M&S were not part of the Interflora network. One specific point to this case is that in the Interflora network florists who join in this franchise all are permitted to use the Interflora trade mark but they remain independent florists trading under their own names and this aspect meant that by M&S continuing to sell flowers under their own name would not by itself be sufficient to alert consumers to the fact that they were not part of the Interflora network. This case was decided on the basis of there being a likelihood of confusion due to consumers mistaking a belief that there was an economic link between the two undertakings in much the same way as Laddie J. outlined in *Wagammama v. City Centre Restaurants*¹⁵. What is interesting is that initial interest confusion was not argued here and it is a pity as it was the use of the Interflora trade mark as a bait by M&S to lure internet trade to their own flowers direct website that was the crux of the matter. Interflora had for many years built up a brand name through marketing campaigns as the leading flower delivery network. In evidence they may not have had the largest market share of this business but they were consistently the most well-known flower delivery trade mark amongst members of the public when surveyed. Whilst Interflora succeeded in winning against M&S for the likelihood of confusion in a wider sense as consumers may have been misled into believing that M&S were part of the Interflora network

¹⁵ *Wagammama v City Centre Restaurants Plc.* [1995] F.S.R. 713.

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or had gone into partnership with them, it was the baiting of custom that was really upsetting

Interflora and initial interest confusion would certainly have played a part in this.

If the decision taken by Arnold J. in *OCH-Ziff v. OCH Capital*¹⁶, that initial interest confusion is part of the confusion rationale under Article 5 (1)(b) of the Directive remains then this will spark an interesting chapter in the development of this doctrine and may help it to more closely describe the activities to which proprietors object when signs are used online. However, this is not the only way in which the confusion rationale is expanding due to online pressure. The likelihood of association is also vitally important to the evolution of this doctrine and therefore it is to this aspect that the article will now turn.

The Likelihood of Association Online

Ever since the CJEU ruled that the phrase “including a likelihood of association” meant the likelihood of confusion included the formation of a mistaken belief as to an economic link between the two undertakings signalled by the sign and the mark there has been debate as to what effect this has had on the boundaries of trade mark protection. Until now such debates have largely focussed on trade mark protection in general and not specifically in relation to their use online. Due to the way trade marks are used online there is plenty of scope for confusion to occur. For example if a consumer enters a trade mark into a search engine, which triggers sponsored links for all websites who have purchased this term as an adword and then clicks upon a sponsored link for a rival trader there is scope for a consumer to either

¹⁶ OCH-Ziff Europe Ltd. v OCH Capital [2010] EWHC 2599 (Ch.)

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think he is on the site of the trade mark proprietor or that this site is somehow linked to or owned by the proprietor. Here bait-and-switch has become bait-and-confuse.

A good example of this is *32Red v. William Hill Group Ltd.*¹⁷ which is notable as it concerns online gambling and mentions in detail the methods employed to lure players onto gaming websites. A key feature of this industry is the lengths to which online casinos will go in order to lure potential players onto a particular gaming website. They have taken the practices with which internet users are already familiar and elevated them to an entirely new and sophisticated level thereby offering trade mark lawyers an insight into how the confusion rationale operates at the cutting edge of online marketing. 32Red operated a gambling website and held a Community registration for that trade mark. 32Red had been carefully chosen as the brand name as it was short, distinctive and memorable at a time when no other gaming website in the U.K. of any significance featured the number 32 in their brand or URL. A further advantage was that the characters in 32Red are all close together on a computer keyboard making it easy for players to type this term into a search engine. The name was intended to have a British flavour and to suggest a strong link with that game of roulette, 32 being a red number on a roulette wheel. Furthermore, the colour red like black and gold are commonly used for online casino brands and red is significant if aiming for a share of the far eastern market as it is the colour most strongly perceived as being lucky in Chinese culture. 32Red brought proceedings against William Hill Group for their use of various signs in relation to their gaming website 32Vegas. The signs for this site were “32vegas.com”, “32vegas” and “32v”. There were three devices at issue the largest of which displayed the 32 Vegas mark running across a black and white rhomboid where the number

¹⁷ 32Red Plc. v WHG Ltd., WHG Trading Ltd. and William Hill Plc. [2011] EWHC 62 (Ch.)

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32 was in bold, whilst the name Vegas was in smaller characters beneath and the shading behind the number 32 was bright red turning progressively darker across the device. The image was such as to evoke the type of sign one would expect to see on the strip in Las Vegas. The other two devices were smaller but still contained the number 32 with the use of the colour red along with the use of the colours white, black and gold. Henderson J. held that there existed a likelihood of confusion on the part of the average consumer who in this instance was the average online gambler. Elements to be considered were that for the average online gambler the activity was a recreational one, that he would rarely have had the opportunity to make a direct comparison between the mark and the signs and would have had to rely on the imperfect recollection of them that he carries around in his memory. This is set against the backdrop of the online gambling market which is crowded and volatile with a large number of brands competing for customers' attention and generally has low levels of customer loyalty and retention. Bearing this in mind it was held that the average online gambler would be likely to be confused between the mark and the signs not least because 32Red and 32vegas contained the number 32 plus a word with a general gaming flavour. Therefore for the online gamblers who did not pick up on the allusion to roulette in the 32Red mark they may naturally have assumed that the two casinos were linked, that 32Red was owned by 32vegas. Furthermore this may have been reinforced, either consciously or subconsciously, by the use of the colour red in the vegas signs.

“In a world where stables of thematically-linked online casinos were familiar, there would have been nothing surprising in a burgeoning family of “32” casinos. What would have been surprising, given the highly specific nature of the number 32 and its lack of any intrinsic

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gambling association, is for two unconnected casino operators to have hit on two such names independently.”¹⁸

For the online gambler who did hit upon the allusion to the game of roulette the likelihood of confusion was not diminished as it simply gave the 32Red mark an added layer of reference and increased its distinctiveness and memorability for those gamblers.

“The position is, rather, that online gamblers who were alive to the allusion might also have supposed there to be an association between 32Red and another casino which called itself (say) 8Black or 28Even.”¹⁹

How initial interest confusion and the likelihood of association help to reinforce each other online

The acceptance of initial interest confusion and the inclusion of a likelihood of association within the confusion rationale outlined in Article 5(1)(b) has helped to widen the boundaries of this provision and the two concepts to reinforce each other. For example if one takes the facts of *32Red v. William Hill Group* and imagines a situation where an online gambler types the mark “32Red” into an internet search engine. Amongst the search results there would be both organic results and sponsored links which would be triggered as a result of the keyword having been purchased as an adword. In the organic results for “32Red” there would probably appear a link for 32vegas for although it is not the best match and therefore would not appear in the most prominent position within these results there is a strong shared element that of the number 32 and for gambling and it is likely that this would trigger an organic link

¹⁸ At paragraph 100

¹⁹ At paragraph 101

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for 32vegas. This would occur as search engines will offer links for part of a mark or a website name in the same way as it does for misspellings and incorrectly entered terms. It is also likely that rivals to 32Red would have chosen that keyword as an adword. Whilst this is not mentioned in the case given the advancing trend towards this practice as illustrated in other cases it is a likely scenario to adopt for the purposes of this example. Amongst the sponsored links would appear the web listings for all those websites that had purchased 32Red as an adword and if for instance 32vegas had been amongst them or links for other gaming websites with a strong numerical element to their mark such as 8Black or 28Even then this would in turn help to reinforce the likelihood of initial interest confusion. This would then be reinforced if an online gambler mistakenly clicked upon the wrong link thus entering the wrong casino website. If this website was not sufficiently clear that it had no link to the 32Red enterprise it would be highly likely that an online gambler would associate the sign and mark to the extent that they formed a mistaken belief that the two enterprises were economically linked and came from the same stable of thematically linked casinos. Furthermore there is the possibility that the presence of an organic link for the rival website coupled with a sponsored link for it could also increase the likelihood of initial interest confusion leading to a likelihood of association in an economic sense. In this sense both initial interest confusion and the likelihood of association would be targeting preventing the behaviour of luring internet users onto the wrong website in the hope that they either would not notice that they were on the wrong website or that even if or when they did notice they then would not be bothered to search for the website they initially wanted and would simply transfer their intended custom to the website they were now already on.

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Conclusion

It is likely that the final result to emerge from these developments will be that the legal test for infringement due to a likelihood of confusion between a mark and a sign online will more closely reflect the reality of the type of activity to which trade mark proprietors object and seek to prevent and better reflect how consumers react to signs and marks when surfing the web.