

Interflora: The Saga

Professor Spyros Maniatis

Director, Centre for Commercial Law
Studies,
Queen Mary University of London

The US Perspective

Metatags: Brookfield Communications, Inc. v. West Coast Entertainment Corp.

Initial interest confusion, "West Coast's use of MovieBuff in its metatags was likely to cause initial interest confusion. That is, by using Brookfield's mark MovieBuff to direct persons searching for Brookfield's product to the West Coast site, West Coast derived an improper benefit from the goodwill Brookfield developed in its mark."

There are three decisive factors (the internet troika): "(1) the virtual identity of marks, (2) the relatedness of plaintiff's and defendant's goods, and (3) the simultaneous use of the Web as a marketing channel."

The US Perspective

Initial interest confusion:

"Using another's trademark in one's metatags is much like posting a sign with another's trademark in front of one's store.

Suppose West Coast's competitor (let's call it "Blockbuster") puts up a billboard on a highway reading--"West Coast Video: 2 miles ahead at Exit 7"--where West Coast is really located at Exit 8 but Blockbuster is located at Exit 7.

Customers looking for West Coast's store will pull off at Exit 7 and drive around looking for it. Unable to locate West Coast, but seeing the Blockbuster store right by the highway entrance, they may simply rent there.

The US Perspective

Even consumers who prefer West Coast may find it not worth the trouble to continue searching for West Coast since there is a Blockbuster right there.

Customers are not confused in the narrow sense: they are fully aware that they are purchasing from Blockbuster and they have no reason to believe that Blockbuster is related to, or in any way sponsored by, West Coast.

Nevertheless, the fact that there is only initial consumer confusion does not alter the fact that Blockbuster would be misappropriating West Coast's acquired goodwill.”

The US Perspective

Playboy Enterprises, Inc. v. Netscape Communications Corp introduced the Brookfield principle to keyword advertising cases.

Rescuecom Corp. v. Google, Inc: use as a keyword to trigger advertising constitutes use in commerce.

The US Perspective

Network Automation, Inc. v. Advanced Systems Concepts, Inc:

keyword advertising does not in itself create a likelihood of confusion,

to determine likelihood of confusion

"the most relevant factors for the analysis of the likelihood of confusion are: (1) the strength of the mark; (2) the evidence of actual confusion; (3) the type of goods and degree of care likely to be exercised by the purchaser; and (4) the labeling and appearance of the advertisements."

The US Perspective

“[W]e did not intend Brookfield to be read so expansively as to forever enshrine these three factors--now often referred to as the "Internet trinity" or "Internet troika"--as the test for trademark infringement on the Internet.

Brookfield was the first to present a claim of initial interest confusion on the Internet; we recognized at the time it would not be the last, and so emphasized flexibility over rigidity.”

The US Perspective

"Here, even if Network has not clearly identified itself in the text of its ads, Google and Bing have partitioned their search results pages so that the advertisements appear in separately labeled sections for "sponsored" links.

The labeling and appearance of the advertisements as they appear on the results page includes more than the text of the advertisement, and must be considered as a whole."

Note: "the default degree of consumer care is becoming more heightened as the novelty of the Internet evaporates and online commerce becomes commonplace."

The US Perspective

TIFFANY (NJ) INC. v eBAY INC.

(1) proprietor's use of jewelry seller's mark on its website and in sponsored links did not constitute direct trademark infringement, and

(2) proprietor's generalized knowledge of infringement of seller's trademark on its website was not sufficient to impose upon proprietor an affirmative duty to remedy the problem, and therefore proprietor was not liable for contributory trademark infringement for facilitating the infringing conduct of counterfeiting vendors.

The US Perspective

There are two ways in which a service provider may become contributorily liable for trademark infringement of another: (1) if the service provider intentionally induces another to infringe a trademark, and (2) if the service provider continues to supply its service to one whom it knows or has reason to know is engaging in trademark infringement.

When service provider has reason to suspect that users of its service are infringing a protected mark, it may not shield itself from liability for trademark infringement by willful blindness.

Implications of AdWords

“Adwords”, Joined Cases C-236/08 to C-238/08

Note the point made by Advocate General Poiares Maduro

“ The answer will determine the extent to which keywords corresponding to trade marks can be used outside the control of the proprietors of the trade marks. To put it differently: when you enter a keyword which corresponds to a trade mark, what can be given and what can you find in cyberspace?”

And the point raised by the Court:

“And, if the use of keywords can contribute to trade mark infringements, how far would Google be from having to block those words from its search engine? It is no exaggeration to say that, if Google were to be placed under such an unrestricted obligation, the nature of the internet and search engines as we know it would change.”

Implications of Adwords

Search Engine; Trade Mark Use?

“The fact of creating the technical conditions necessary for the use of a sign and being paid for that service does not mean that the party offering the service itself uses the sign. To the extent to which it has permitted its client to make such a use of the sign, its role must, as necessary, be examined from the angle of rules of law other than Article 5 of Directive 89/104 and Article 9 of Regulation No 40/94 ...”

“Consequently, the conditions relating to use ‘in relation to goods or services’ and to the effect on the functions of the trade mark need to be examined only in relation to the use, by the advertiser, of the sign identical with the mark.”

Implications of AdWords

Advertiser's Use:

“... use by an advertiser ... falls within the concept of use ‘in relation to goods or services’ within the meaning of Article 5(1)(a) of Directive 89/104.”

“... the proprietor of the mark cannot oppose the use of a sign identical with the mark if that use is not liable to cause detriment to any of the functions of that mark [that] ... include not only the essential function of the trade mark, which is to guarantee to consumers the origin of the goods or services (‘the function of indicating origin’), but also its other functions, in particular that of guaranteeing the quality of the goods or services in question and those of communication, investment or advertising.”

Implications of AdWords

Directive 2000/31, 'Liability of intermediary service providers':

“... the rule laid down therein applies to an internet referencing service provider in the case where that service provider has not played an active role of such a kind as to give it knowledge of, or control over, the data stored. If it has not played such a role, that service provider cannot be held liable for the data which it has stored at the request of an advertiser, unless, having obtained knowledge of the unlawful nature of those data or of that advertiser's activities, it failed to act expeditiously to remove or to disable access to the data concerned.”

Interflora

Interflora, Inc., Interflora British Unit v Marks and Spencer Plc, Flowers Direct Online Limited [2009] EWHC 1095 (Ch) was the starting point; *Interflora, Inc., Interflora British Unit v Marks and Spencer Plc, Flowers Direct Online Limited*, [2010] EWHC 925 (Ch) is the response of the High Court to the CJEU's clarification request; the CJEU gave its ruling in *Interflora Inc, Interflora British Unit v Marks & Spencer Plc, Flowers Direct Online Ltd* Case C-323/09 [2012] E.T.M.R. 1; the evidence was challenged in *Interflora Inc, Interflora British Unit v Marks and Spencer plc, Flowers Direct Online Limited* [2012] EWHC 1722 (Ch) and *Marks and Spencer Plc v Interflora Inc, Interflora British Unit* [2012] EWCA civ 1501 as well as in *Interflora, Inc, Interflora British Unit v Marks and Spencer plc, Flowers Direct Online Limited* [2013] EWHC 270 (Ch), *Interflora, Inc., Interflora British Unit v Marks and Spencer plc, Flowers Direct Online Limited* [2013] EWHC 273 (Ch), *Interflora Inc v Marks & Spencer Plc* [2013] EWCA Civ 510, and *Interflora Inc, Interflora British Unit v Marks and Spencer plc, Flowers Direct Online Limited* [2013] EWHC 936 (Ch); the judgment of the High Court on the merits of the case is delivered in *Interflora, Inc., Interflora British Unit v Marks and Spencer plc, Flowers Direct Online Limited* [2013] EWHC 1291 (Ch), on the scope of the injunction in *Interflora, Inc., Interflora British Unit v Marks and Spencer plc, Flowers Direct Online Limited* [2013] EWHC 1484 (Ch) and *Interflora Inc, Interflora British Unit v Marks and Spencer plc, Flowers Direct Online Limited* [2013] EWHC 1683 (Ch); the Court of Appeal remands the case back to the High Court in [2014] EWCA Civ 1403.

Interflora

M & S admitted that it had purchased a number of INTERFLORA keywords including variants and combinations that triggered sponsored links like “*M&S Flowers Online* www.marksandspencer.com/flowers. Gorgeous fresh flowers & plants. Order by 5pm for next day delivery”.

Interflora identified three types of ‘harm’: direct costs, lost sales, ‘free ride’.

Arnold J. considered that, despite the earlier jurisprudence of the Court, there were two issues that had to be resolved: whether there was “use” of the INTERFLORA sign and whether it was “in relation to” identical goods and services

Interflora

Dialogue between the CJEU and the national Court: Arnold J. characterised the exchange as a helpful step in the dialogue between the Court of Justice and national courts but went on to plead for a more transparent procedure before the Court. For example providing copies of any written observations filed by the parties, the Commission, or the Member States would shed light on how a case had been argued and would make it easier for national courts to delineate the scope of the Court's rulings.

Interflora

The Court repeated its *Google France* and *Portacabin* findings: (i) the effect on the origin function depends primarily on the manner the advertisement is presented; (ii) the effect would be adverse if the advertisement **does not** enable the reasonably well-informed and reasonably observant **internet users**, or enables them only with difficulty, to ascertain whether the goods or services referred to by the advertisement originate from the proprietor of the trade mark or an undertaking economically connected to it or, on the contrary, originate from a third party.

Interflora

When the advertisement suggests “that there is an economic link between that third party and the proprietor of the trade mark” and “where the advertisement, while not suggesting the existence of an economic link, is vague to such an extent on the origin of the goods or services at issue that reasonably well-informed and reasonably observant internet users are unable to determine, on the basis of the advertising link and the commercial message attached thereto, whether the advertiser is a third party vis-à-vis the proprietor of the trade mark or whether, on the contrary, it is economically linked to that proprietor, the conclusion must be that there is an adverse effect on that function of the trade mark.

Interflora

At the end, the referring court will “ ... in the absence of any general knowledge ... have to determine whether or not the use of words such as “M&S Flowers” in an advertisement ... is sufficient to enable a reasonably well-informed and reasonably observant internet user ... to tell that the flower-delivery service offered does not originate from Interflora.”

Interflora

The advertising function: Citing *Google France* and [BergSpechte](#), the Court repeated that use of a sign identical with a third party's trade mark in a *referencing* service does not have an adverse effect on the advertising function of a trade mark.

The Court positions trade mark law and its application against the broader context of a competitive market; it accepts that keyword advertising might oblige a trade mark proprietor to intensify its own advertising, but this “ ... is not a sufficient basis, in every case, for concluding that the trade mark's advertising function is adversely affected. In that regard, although the trade mark is an essential element in the system of undistorted competition which European law seeks to establish ... its purpose is not, however, to protect its proprietor against practices inherent in competition.”

Interflora

The investment function: Expanding the idea of the advertising function the Court added that a trade mark may also be used to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty”; this constituted the investment function that reached further than the advertising function because it employed advertising but also other “commercial techniques.”

Albeit, here the Court failed to offer a concrete example of a use that would harm the investment function, maintaining only that competing use must substantially interfere “... with the proprietor’s use of its trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty”, to be captured as adversely affecting the investment function. Par. 60.

Interflora

“... it cannot be accepted that the proprietor of a trade mark may – **in conditions of fair competition that respect the trade mark’s function as an indication of origin** – prevent a competitor from using a sign identical with that trade mark in relation to goods or services identical with those for which the mark is registered, if the only consequence of that use is to oblige the proprietor of that trade mark to adapt its efforts to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty. Likewise, the fact that that use may prompt some consumers to switch from goods or services bearing that trade mark cannot be successfully relied on by the proprietor of the mark.”

Interflora

Dilution: Again it appears that if the origin function is not affected then it becomes very difficult, if not impossible, to establish harm to distinctiveness. “If ... the referring court were to conclude that the advertising triggered by the use of the sign identical to the INTERFLORA trade mark did not enable the reasonably well-informed and reasonably observant internet user to tell that the service promoted by M&S is independent from that of Interflora and if Interflora were to seek moreover from the referring court, in addition to a finding that the mark’s function of indicating origin has been adversely affected, a finding that M&S has also caused detriment to the distinctive character of the INTERFLORA trade mark by contributing to turning it into a generic term, it would fall to the referring court to determine, on the basis of all the evidence submitted to it, whether the selection of signs corresponding to the trade mark INTERFLORA as keywords on the internet has had such an impact on the market for flower-delivery services that the word **“interflora” has come to designate, in the consumer’s mind, any flower-delivery service.**”

Interflora

Free Ride? Possible, but again, the free ride must be viewed against the concept of a competitive market. First, the extent of actionable free ride is relatively narrow: a free ride will “particularly likely to be the conclusion in cases in which internet advertisers offer for sale, by means of the selection of keywords corresponding to trade marks with a reputation, goods which are imitations of the goods of the proprietor of those marks”. And second, not harming the origin function appears to push the free ride outside the scope of protection: “... where the advertisement ... puts forward – without offering a mere imitation of the goods or services of the proprietor of that trade mark, without causing dilution or tarnishment and without, moreover, adversely affecting the functions of the trade mark concerned – an alternative to the goods or services of the proprietor of the trade mark with a reputation, it must be concluded that such use falls, as a rule, within the ambit of fair competition in the sector for the goods or services concerned and is thus not without “due cause” ...” for the purposes of [art.5\(2\) of Directive 89/104](#) and [art.9\(1\)\(c\) of Regulation 40/94.](#)” Par. 90, citing *Google France*.

Interflora

The application of the Court's guidance was not a straightforward exercise. Mr Justice Arnold understood it as an indication of a reversal of the burden of proof; the advertiser would have to show that the advertisement satisfied the standard set by the Court rather than the trade mark proprietor having to prove that the requirements for establishing infringement were met. In addition the concept of initial interest confusion, at least for trade marks with a reputation, made it more likely that the free ride would be more effective and, to an extent, actionable. All this, combined with challenges to the acceptability of evidence, the conceptualisation of an average consumer, and the scope of the injunction, led to prolonged litigation.

Interflora – The Court of Appeal

Kitchin LJ:

The Average Consumer: “ First, in the context of internet advertising, the average consumer and the reasonably well-informed and reasonably circumspect internet user are one and the same.

Second, the average consumer in any context is a hypothetical person or “legal construct” ... he is a person who has been created to strike the right balance between various competing interests including, on the one hand, the need to protect consumers and, on the other hand, the promotion of free trade in an openly competitive market, and also to provide a standard, defined in EU law, which national courts may then apply.

Third, the average consumer test is not a statistical test. The national court must exercise its own judgment, in accordance with the principle of proportionality and the principles explained by the Court of Justice, to determine the perceptions of the average consumer in any given case in light of all the relevant circumstances.

Fourth in a case concerning ordinary goods or services, the court may be able to put itself in the position of the average consumer without requiring evidence from consumers, still less expert evidence or a consumer survey. In such a case, the judge can make up his or her own mind about the particular issue he or she has to decide in the absence of evidence and using his or her own common sense and experience of the world.

Interflora

We would say straight away that we accept that the Court of Justice has, in its decision in *Google France* (at [82] to [90]), enunciated a new test to be applied by the national court in assessing whether the accused use has adversely affected, or is liable adversely to affect, the origin function of a trade mark at least in the context of keyword advertising cases ... it appears to be founded upon certain generic characteristics of advertisements of the kind in issue and a recognition by the Court of the need for transparency about the origin of the goods and services so advertised. However, and contrary to the view expressed by the judge, we do not recognise in this passage from the decision of the Court in *Google France* any conventional formulation of a likelihood of confusion test; nor do we detect any suggestion, still less a finding, that it imposes a burden of proof upon the third party

Interflora

Accordingly, the general position under EU law is that the burden of proving an allegation of infringement lies on the person making the allegation. The position under English law is, of course, exactly the same.

... it is not the purpose of trade mark law to protect the proprietor of a trade mark against fair competition.

Further, as we have seen, the aim of internet advertising using keywords corresponding to trade marks is, in general, to offer to internet users alternatives to the goods or services of those trade mark proprietors, and so is not inherently objectionable

Interflora

We believe the error in the judge's reasoning is that he wrongly elided the burden of proof in legal proceedings with the need in practice for third party advertisers to craft their advertisements with appropriate clarity. The one does not follow from the other. There is no inconsistency between, on the one hand, requiring advertisers to ensure their advertisements enable the average consumer to ascertain that the advertised goods or services originate not from the trade mark proprietor but from an unconnected third party and, on the other hand, saying that the burden of proving that they have failed to do so lies on the trade mark proprietor."

Interflora

Initial interest confusion: “In our judgment it is not helpful to seek to import the doctrine of initial interest confusion into EU trade mark law

The Court of Justice has already enunciated in clear and unambiguous terms the test that must be applied ... “The tests enunciated by the Court therefore incorporate appropriate checks and balances. In particular, the national court is required to consider the matter from the perspective of *the average consumer*, a concept we have discussed, and to decide whether the advertiser has *enabled* that average consumer to ascertain the origin of the advertised goods or services and so make an informed decision. We would emphasise it is not the duty of such advertisers to *avoid* confusion.”

“... initial interest confusion [is] ... highly controversial and ... does not incorporate the checks and balances to which we have referred.”

Interflora

Negative matching: “We have come to the conclusion that bidding by M & S on generic flower related terms without negatively matching the word “interflora” may be characterised as use by M & S of the sign “interflora” within the meaning of Article 5(1) and (2) of the Directive (and Article 9(1) of the Regulation). Whether it does or not must depend upon an assessment by the judge to whom this case is remitted of all the circumstances, including the length of time for which the impugned activities have been carried on.”

Interflora

“... First, it must always be borne in mind that the injunction may only prohibit uses which are liable to affect the functions of the trade mark. Second, and as a consequence, if the court finds that the acts of infringement or threatened infringement are limited to a part of the EU, perhaps because the claimant only complains about the activities of the defendant in that part of the EU, or if the defendant proves that the use of the sign complained of is not liable to affect the functions of the trade mark in all territories, perhaps for reasons of language, then the injunction must be limited. It seems to us that the judge had these points well in mind in deciding the territorial scope of the injunction in this case.”

Interflora

“ ... Article 3(2) of the Enforcement Directive requires the court to ensure that any injunction is proportionate. We also accept ... that the right to advertise (including by keywords) may engage the right to freedom of commercial expression. No doubt the court considering the scope of any relief in light of such infringements as may be found and carrying out the proportionality assessment will take into account, on the one hand, the need to ensure the protection of Interflora’s rights and provide an appropriate deterrent, having regard to the principles of equivalence and effectiveness, and, on the other hand, the right of M & S to engage in legitimate competitive keyword advertising and the potential chilling effect of an injunction upon that right.”