



GLOBAL ADVERTISING LAWYERS ALLIANCE

Search Engines Legal Issues Update: The European Perspective

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1. - General Remarks

Foreign companies intending to target Europe with their business activities should give proper consideration to the so-called “Community Law” (i.e. the Directives and Regulations issued by the EU) as a reference context for advance discovery of critical areas, of problems likely to arise and of obstacles apt to result in barriers to successfully penetrating the European market. In addition, Community Law’s framework frequently may offer viable solutions for overcoming difficulties and barriers.

Therefore companies, not having branch offices or subsidiaries within the territory of the EU, should always have a rough idea about the general principles and legal provisions, that will become applicable (to) or relevant (for) their business activities, when doomed to target European customers.

Marketing, in general, and search engine marketing, specifically, do not benefit from any exemption from that safety criterion. A snapshot of some legal key problems, which affected traditional marketing/advertising in the past, might offer an eloquent demonstration of what foreign electronic marketers should bear in mind when approaching the European market.

2. - Council Regulation (EC) No 40/94 of December 20th, 1993 (on the Community trademark) and First Council Directive 89/104/EEC of December 21st, 1988 (on harmonizing member states’ laws relating to trademarks)

2.1. - The Regulation contains provisions meant to grant a harmonized legal framework for trademarks throughout the territory of the EU (Section 1) and offers the proprietor the right of “exclusive use” (Section 9), entitling him to prevent third parties from using – without specific consent – in the course of trade any sign:

- (a) which is identical to the Community trademark,
- (b) where, because of its identity with or similarity to the CTM, there exists a likelihood of confusion/association on the part of the public,
- (c) any sign which is identical with or similar to the CTM in relation to goods or services not similar, where the CTM has a reputation in the Community and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the CTM,

According to Section 12, a CTM registration may not be invoked for prohibiting a third party from using in the course of trade:

- (a) his own name or address,
- (b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of the goods or of rendering of the service, or other characteristics of the goods or service,
- (c) the trademark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts, provided he uses them in accordance with honest practices in industrial or commercial matters.

2.2. – The previous Directive no. 89/104/EEC – constituting the first EU effort for harmonizing trademark legislation in the member states – already contained similar provisions.

Section 5 established that *“The registered trademark 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:*

- (a) any sign which is identical with the trademark in relation to goods or services, which are identical with those for which the trademark is registered,*
- (b) any sign where, because of its identity with, or similarity to, the trademark and the identity or similarity of the goods or services covered by the trademark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trademark.”*

Limitations to the effects of a trademark registration stated in Section 6 of the Directive are identical to those provided by the above-mentioned Section 12 of the Regulation.

2.3. - In most European countries comparative advertising had never been popular in the past and frequently was regarded by courts with open suspicion, as a sort of unfair trade practice. Even when domestic legal framework did not contain a specific ban on comparative advertising, companies tended to refrain from using such marketing tool as the risk of a court ruling, finding that a deceptive presentation of a competitor’s product occurred, resulted all but low.

After the publication of the above-mentioned Regulation no. 40 of 1993, performing comparative advertising resulted obviously even more problematic and risky.

3. – EU Directive no. 97/55 of October 6th, 1997 (on comparative advertising)

In 1984, the European Union issued Council Directive no. 84/450 with the intent to introduce a general, harmonized regulation for preventing misleading advertising. After the initial implementation of the Directive in the domestic legal systems of the Union’s member states, additional provisions appeared necessary for a uniform ruling specifically on comparative advertising.

On October 6th, 1997, a supplemental Directive no. 97/55 was adopted for such purposes integrating the previous Directive and including provisions directed at comparative advertising, which was defined as *"any advertising which explicitly or by implication identifies a competitor or goods or services offered by a competitor"*.

Those new provisions permitted comparative advertising as long as the following conditions were met:

- it is not misleading,
- it compares goods or services meeting the same needs or intended for the same purpose,
- it objectively compares one or more material, relevant, verifiable and representative features of those goods or services, which may include price,
- it does not create confusion in the marketplace between the advertiser and the competitor,
- it does not discredit or denigrate the trademarks, trade names or other distinguishing signs of a competitor,
- for products with designation of origin, it relates to products with the same designation,
- it does not take unfair advantage of the trademark or other distinguishing signs of a competitor,
- it does not present goods or services as imitations or replicas of goods or services bearing a protected trademark or trade name.

While after the Directive's publication it was no more questionable that comparative advertising was now explicitly allowed, it immediately resulted clear that the requirements to compare only *"goods or services meeting the same needs or intended for the same purpose"* and to objectively compare *"one or more material, relevant, verifiable and representative features of those goods or services, which may include price"*, were rather vague and open to divergent interpretations.

4. - A close up on European case-law

Law and jurisprudence are obviously not immune from the negative impact derived from "different readings" of the Community Law's provisions, due both to domestic reasons and habits as well as to differing interpretations rendered by national courts.

Some practical examples of the differing approaches of national Courts to the provisions and principles, meant to supply a common legal framework throughout the EU, will offer a useful demonstration of some of the problems foreign companies could eventually face when targeting the European market.

The following cases do not pretend to offer an exhaustive overview, but are intended to be just some of the perspectives European courts may consider, when called to deal with search engine marketing.

4.1. - The European Court of Justice (ECJ) on comparative advertising and fair trademark use

Commentators were expecting especially the views of the European Court of Justice (ECJ, competent on deciding if the Member States' national implementing rules are complying with the Community Law) for a clarifying interpretation on the major obscure points emerging with respect to comparative advertising and trademark use.

(i) The issue was first brought before the ECJ through a case (no. C-112/99) submitted by a German Regional Court (LG Düsseldorf), which, in the context of a law suit filed by Toshiba Europe GmbH against competing company Katun Germany GmbH, and concerning a Katun advert for spare parts and consumable items to be used for Toshiba's photocopiers, felt that the decision of the case required a preliminary ruling of the ECJ on several aspects.

In its findings the ECJ - Fifth Chamber issued several interesting statements (see judgment dated October 25th, 2001), which may now be considered as reference guidelines on various issues, involved by comparative advertising.

In detail, the ECJ held that:

- comparative advertising necessarily implies identification, explicit as well as by implication, of a competitor or its goods or services,
- the indication, in a spare parts supplier's catalogue, of product numbers (i.e. Original Equipment Manufacturer - OEM numbers) by which the equipment manufacturer designates the spare parts and consumable items which he himself sells, may constitute comparative advertising, which objectively compares one or more material, relevant, verifiable and representative features of goods,
- such product numbers (used for spare parts' identifying purposes), resulting in combinations of numbers or of letters and numbers, when used alone, i.e. without an indication of the manufacturer's trademark or the equipment they pertain to, are not necessarily or automatically perceived by the public as referring to the products manufactured by a particular undertaking,
- it's therefore up to the national Court establishing whether OEM numbers are to be considered as "distinguishing marks" or not (taking into "account the perception of an average individual who is reasonably well informed and reasonably observant and circumspect"),
- an advertiser cannot be considered as taking unfair advantage of the reputation attached to a competitor's distinguishing marks, if effective competition on the relevant market is conditional upon a reference to those marks,
- finally, appearing clear "*that Katun would have difficulty in comparing its products with those of Toshiba Europe if it did not refer to the latter's order numbers*", the ad in discussion was conceived and presented in a way not likely "*to give a false impression concerning the origin of Katun's products*",
- the national Court is competent on assessing whether, in the specific case, the persons targeted by the ad would make an association "*of the reputation of the manufacturer's products with the products of the competing supplier*".

(ii) In the following the ECJ had to deal with another case (C-44/01, Pippig Augenoptik GmbH & Co. KG vs. Hartlauer Handelsgesellschaft mbH), referred by the Oberster Gerichtshof (High Court) of Austria.

Pippig, a company running three specialty opticians' shops in an Austrian town, supplied those shops with products - among them spectacles - delivered from approximately 60 different manufacturers.

Hartlauer, a commercial company with branches all over Austria, also sold spectacles in its shops, their inventory was mainly spectacles of lesser known brands and therefore were sold at low prices. In addition, Hartlauer also sold spectacles of better-known brands, coming from different suppliers than the opticians, and obtained through different distribution channels, (e.g. parallel imports).

Pippig became aware of the fact that Hartlauer was running an advertising campaign with a price comparison; in particular Hartlauer offered Titanflex Eschenbach spectacles for a significantly lower price, but without stating that its spectacles were not furnished with Zeiss lenses, but with lenses of the Optimed brand. Furthermore, Hartlauer's promotion stressed the fact that price comparisons performed over six years had shown a total difference of ATS 204.777 and an average difference – per pair of spectacles – of ATS 3.900 between its prices and those applied by traditional opticians.

This created a lawsuit, which came before the High Court, where a preliminary opinion of the ECJ on the interpretation of Directive no. 84/450/EEC (as amended by Directive 97/55/EC) was deemed necessary.

In its judgment – dated April 8th, 2003 - the ECJ found that:

- comparative advertising may not be subject to national provisions more stringent than those granting protection against misleading advertising, as far as the form and content of the comparison is concerned; that principle applies in general as well as to "*the various elements of the comparison*", i.e. statements concerning both the advertiser's or the competitor's offer and the relationship between those offers,

- the advertiser is basically free to explicitly mention or not the brand name of a competitor's products; the competence on establishing whether, in particular cases (e.g. particularly well known brand), the omission of the better-known brand names could result in misleading practice, is on the national Court,
- conditions set for legitimate comparative advertising do not require that the compared products have to be obtained through the same distribution channels,
- test purchases of a competitor's product before starting a comparative advertising campaign are not prohibited, provided all the conditions for the lawfulness of comparative advertising are complied with (a fact to be verified by the national court),
- price comparison is a basic aspect of comparative advertising and therefore cannot in itself entail the discrediting or denigration of a competitor who charges higher prices; the number of comparisons performed to this purpose falls within the exercise of the advertiser's economic freedom; the Directive, requiring that comparison between competing offers have to be performed "objectively", implies that the targeted public must be capable of understanding "*the actual price differences between the products compared and not merely the average difference between the advertiser's prices and those of its competitors*"; finally, the Directive allowing the use of another's trademark, trade name or other distinguishing marks in comparative advertising, such use may legitimately involve also the reproduction of competitor's logo or of a picture showing its shop's front, as long as all the requirements set by Community law for comparative advertising are met.

(iii) In 2002, the ECJ rendered a decision (judgment May 14th, 2002 – Case no. C-2/00) on the correct reading of the provisions of trademark owner's exclusivity rights (as contained in Directive 89/104/EEC, Section 5).

The case was referred by a German second instance Court (OLG Düsseldorf) and originated from a lawsuit between the owner of two TMs - registered in Germany and covering particular cuts with respect to 'diamonds for further processing as jewelry' as well as to 'precious stones for further processing as jewelry' – and a dealer of precious stones of all kinds, marketing both stones cut by himself and products acquired from third parties. The latter offered for sale some semi-precious and ornamental stones, described by the names of the two registered TMs and – when ordered – delivered without any reference to the those two TMs.

In the following lawsuit the OLG Düsseldorf felt that a preliminary opinion from the ECJ was necessary on the question whether a trademark infringement occurs where – on goods produced by a third party - signs in respect of which TM protection is granted are used exclusively to denote particular characteristics of the goods offered for sale (i.e. for merely descriptive purposes and without any use involving the perception in trade of the TM as a sign indicative of the firm of origin).

The ECJ held that – when such 'descriptive use' is performed in relation to products identical with or similar to those for which the trademark was registered – such practice has to be considered as "fair use" and may not be opposed by a trademark owner with respect to the exclusivity rights granted by a registered TM.

(iv) On initiative of a French Court (Tribunal de grande instance de Paris) the ECJ also had to deal with another case concerning 'fair use' (judgment March 20th, 2003 – case no. C-291/00). This time the question focused on the interpretation of the concept of similarity in relation to the likelihood of confusion.

L TJ Diffusion's, performing business activities such as the designing, manufacturing, marketing and distributing clothing and footwear, specifically adults' and children's nightwear, underwear, shoes and slippers, and owning a registered TM (for goods in Class 25 of the Nice Agreement, i.e. for textile articles, both ready-to-wear and made-to-measure, including boots, shoes and slippers), sued Sadas, a company operating a mail-order business, distributing a catalogue and marketing, inter alia, children's clothing and accessories, which also holds a registered trademark, relating also to goods in Class 25 of the Nice Agreement. L TJ's action was aimed at invalidating Sadas' trademark registration.

The ECJ, in its judgment, stated that:

- the particular protection is aimed at applying only to cases where – “*because of the identity or similarity between the signs and marks and between the goods or services which they designate*” - a likelihood of confusion on the part of the public exists,
- the criterion of identity (of the sign and the TM) requires ‘strict interpretation’ and implies that the two elements compared should be the same in all respects,
- there is identity between the sign and the trademark where the former reproduces, without any modification or addition, all the elements constituting the latter,
- the perception of identity must be assessed globally with respect to an average consumer, who is deemed to be reasonably well informed, reasonably observant and circumspect, who only rarely has the chance to make a direct comparison between signs and trademarks and who’s level of attention is likely to vary according to the category of goods or services in question,
- in this context, being the perception of identity not a result of a direct comparison of all the characteristics of the elements compared, insignificant differences between the sign and the trademark may go unnoticed by an average consumer,
- subsequently correct reading of the Directive’s provisions implies that a sign is identical with the trademark where it reproduces, without any modification or addition, all the elements constituting the trademark or where, viewed as a whole, it contains differences so insignificant that they may go unnoticed by an average consumer.

4.2. - France

Some months ago (in October 2003) adword/keyword technique, used by the local branch office of search engine G....., ran into trouble twice in France.

(a) An Internet tour operator, owner of the trademarks “Bourse de Vols” and “Bourse de voyage”, sued the search engine for violation of its exclusivity right on the use of the above-mentioned trademarks. This was because the tour operator found its two trademarks being used as ad-words, proposed for the marketing of a low-cost airline. A French Court award a fine of 75.000 Euro for such practice and issued also an injunction imposing on the search engine the obligation of adopting adequate changes to its search system within 30 days.

(b) A couple of weeks later the same search engine was sued by French company Louis Vuitton, claiming for damage compensation. Again the problem was the use of registered trademarks as keywords/adwords linked to search results.

4.3. - Germany

(a) A month later (in November 2003) the same search engine was faced with a temporary injunction rendered by a German Regional Court (LG Hamburg, Order dated November 14th, 2003, case no.: 312 O 887/03). The German judges ordered G..... to restrain from using keyword “price pirates”, when a search was performed for “Preisserver.de” (= price server.de) and grounded its decision on alleged violations of copyright and trademark protection provisions. For future non-compliance the Court established a fine of 250.000 Euro or, as alternative sanction, 6 months of arrest.

The search engine’s defense arguing that US jurisdiction and law should apply to the case did not succeed in convincing the German court. Neither did so the argument that the search engine shouldn’t be held liable for the alleged violations.

Still open appears to be the problem how illicit use of a registered trademark can be performed just by using a specific software procedure, not perceivable by the web surfer and without actually showing the trademark supposed to have been violated.

(b) Earlier in 2003, another German Regional Court (LG Duisburg, judgment July 15th, 2003 in case no. 20 U 21/03) had to deal with the problem of whether the use of meta-tags could imply a trademark violation.

Specifically the violation was referred to the fact that a company had used a third party's registered trademark on a website both in the domain name and in meta tags.

While the Court found unfair use as to the insertion of the term "impulse" in the domain name, it came to a different conclusion with respect to the use of the same term in meta tags. In the Court's view meta tags do not involve illicit use of a registered trademark, as to this purpose only the "visible" parts of the site become relevant.

The decision appears to be particularly significant as it contains a new approach to the problem and dissents from previous findings issued by other German Courts (e.g. OLG Munich, decision April 6th, 2000, in case 6 U 4123/99 and LG Mannheim, decision August 1st, 1997, in case 7 O 291/97).

(c) Of interest are also the conclusions reached by a court in Hamburg (LG Hamburg decision June 6th, 2001 in case 406 O 16/01), which had to deal with the use of meta tags under a different perspective. In the case submitted to that court a complaint was raised about the use as a meta tag of the domain name of a lawyers' website.

In that case, the Regional Court did not refer to provisions on trademark rights or on unfair competition, but granted its findings on Section 12 of the German Civil Code, which prevents the abuse of names and grants protection to names of natural people as well as to denomination used in the course of business.

The Court held that under that specific rule meta tag use of a third party's domain name - leading to an illicit appropriation of a denomination used in business - was not allowed and therefore issued a desist order, also finding grounds for damage compensation.

4.4. - Italy

(i) In Italy US company Playboy Enterprises Inc., owner of the respective trademark, with registration of the domain name playboy.com, approached the Civil Court of Naples (Tribunale di Napoli, 1st Chamber, judgment February 26th, 2002 - case no. 2697/1999) with a complaint, based on alleged trademark violations, against a person, who had registered the domain playboy.it (for an adult-only website), and its provider. In the following the lawsuit was extended also to the Italian Naming Authority, which had given consent to the assignment of that domain name.

The Italian Court held that:

- cases involving (and court decision on) the use of the Internet had increased in recent years, but the enforcement of a sort of "cyber law", specifically applying to "Internet issues", was still an event to take place and therefore, such questions had currently to be dealt with and solved on the basis of traditional legal provisions and principles,
- a 'domain name', even presenting very similar aspects, cannot be considered as identical to a registered trademark (e.g. being assigned for use, but not owned),
- it had rather to be qualified as a sort of "atypical distinctive sign", benefiting from the exclusive use reserved by trademark legislation to entrepreneurs in all forms of their commercial communication (included advertising of their products or services),
- subsequently a violation of that exclusivity use may easily result in counterfeiting, acts likely to induce confusion or unfair competition, which implies that, inter alia, trademark legislation will become applicable (while the "*first come, first served*" principle doesn't assume significant relevance in the particular context),
- in the specific case, surfers were likely not to perceive immediately the difference between the two domains/sites (playboy.com - playboy.it), where even "initial confusion" was sufficient for

taking illicit advantage from another party's registered trademark, especially considering that on the Internet the moment "of first contact" results of crucial relevance,

- furthermore, in a modern reading of trademark's function perception/association on the side of the public has also to be properly considered,
- therefore the defendant was found liable for trademark violation as well as for acts of unfair competition (as to the latter aspect also the provider was found jointly responsible),
- subsequently the defendant was awarded with an order to restrain from further use of the term "Playboy" in the course of its business and to provide for canceling of the domain registration of "playboy.it" (the order was not extended to the use of such term as a meta tag, as in the courts view the plaintiff had failed to provide proper evidence that such use actually took place),
- the plaintiff's claim for damage compensation (approx. 250.000 Euro) had also to be dismissed as again no conclusive evidence had been submitted on the consistency of the alleged damages.

(ii) In 2003, Italian fashion designer Giorgio Armani succeeded before the Civil Court of Bergamo (Tribunale di Bergamo, judgment March 19th, 2003) in questioning the registration of the domain name "Armani.it" in favor of Mr. Luca Armani, an Italian entrepreneur running a print company.

While the Court cleared the defendant from the claim of having performed acts likely to generate confusion on the public, it found that a trademark violation occurred and therefore awarded an order for canceling the defendant's domain name registration. No damages were awarded, as again the plaintiff had failed to substantiate its claim for compensation through properly documented evidence.

Less successful Mr. Giorgio Armani resulted in a previous proceeding filed in year 2001 with the WIPO Arbitration and Mediation Center: the panel's decision cleared an earlier registration of the domain name "armani.com", obtained by Canadian citizen Mr. Anand Ramnath Mani (A.R. Mani), a graphic designer and illustrator, in 1995 (see decision - case no. D2001-0537).

5. - Conclusions

The above-mentioned examples lead to the – rather unsatisfying - conclusion that, even if some useful general principles and criteria on comparative advertising and trademark use have been achieved, many aspects are still assigned to the competence of national courts for case-by-case evaluation, e.g. the use of distinguishing marks, the targeted consumers' perception on the association of products and on competitors' reputation, the need to quote or not well known brands in the context of comparative advertising campaigns, the verification on the correct fulfillment of the Directive's requirements for legitimate comparison.

Therefore, significant differences and contrasting solutions are likely to be found in the handling of similar or identical cases by domestic courts.

The harmonizing process, which inspires Community Law, will therefore require a substantial amount of case law – and, of course, additional interpretation by the ECJ – before a satisfying level of uniformed criteria will result available.

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