

JUDGMENT OF THE COURT (First Chamber)

22 September 2011 *

In Case C-323/09,

REFERENCE for a preliminary ruling under Article 234 EC, from the High Court of Justice (England & Wales), Chancery Division, (United Kingdom), made by decision of 16 July 2009, received at the Court on 12 August 2009, in the proceedings

Interflora Inc.,

Interflora British Unit

v

Marks & Spencer plc,

Flowers Direct Online Ltd,

* Language of the case: English.

THE COURT (First Chamber),

composed of A. Tizzano, President of the Chamber, J.-J. Kasel, M. Ilešič (Rapporteur),
E. Levits and M. Safjan, Judges,

Advocate General: N. Jääskinen,
Registrar: L. Hewlett, Principal Administrator,

having regard to the written procedure and further to the hearing on 13 October
2010,

after considering the observations submitted on behalf of:

- Interflora Inc. and Interflora British Unit, by R. Wyand QC and S. Malynicz, Bar-
rister,
- Marks & Spencer plc, by G. Hobbs QC, E. Himsworth, Barrister, and T. Savvides
and E. Devlin, Solicitors,
- the Portuguese Government, by L. Inez Fernandes, acting as Agent,
- the European Commission, by H. Krämer, acting as Agent,

after hearing the Opinion of the Advocate General at the sitting on 24 March 2011

gives the following

Judgment

- 1 This reference for a preliminary ruling concerns the interpretation of Article 5 of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1) and Article 9 of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (OJ 1994 L 11, p. 1).

- 2 The reference was made in proceedings brought by Interflora Inc. and Interflora British Unit against Marks & Spencer plc ('M & S') and Flowers Direct Online Ltd. Following a settlement with Flowers Direct Online Ltd, the dispute in the main proceedings is between (i) Interflora Inc. and Interflora British Unit and (ii) M & S, concerning the display on the internet of M & S advertisements based on keywords corresponding to the trade mark INTERFLORA.

Legal context

- 3 Directive 89/104 and Regulation No 40/94 were repealed by, respectively, Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (OJ 2008 L 299,

p. 25), which entered into force on 28 November 2008, and Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark (OJ 2009 L 78, p. 1), which entered into force on 13 April 2009. The dispute in the main proceedings may none the less be regarded, in view of the date of certain of the facts, as being governed by Directive 89/104 and Regulation No 40/94.

4 Although the Court will, as a consequence, provide the interpretation of Directive 89/104 and Regulation No 40/94 which the referring court requests, it should nevertheless be stated that, should that court take as its basis, when deciding on the dispute in the main proceedings, the rules of Directive 2008/95 and Regulation No 207/2009, that interpretation is applicable to those new pieces of legislation. The provisions that are relevant for the case before the referring court were not materially amended, as regards their wording, context or purpose, when Directive 2008/95 and Regulation No 207/2009 were adopted.

5 The tenth recital in the preamble to Directive 89/104 stated:

‘Whereas the protection afforded by the registered trade mark, the function of which is in particular to guarantee the trade mark as an indication of origin, is absolute in the case of identity between the mark and the sign and goods or services; whereas the protection applies also in case of similarity between the mark and the sign and the goods or services; whereas it is indispensable to give an interpretation of the concept of similarity in relation to the likelihood of confusion; ... the likelihood of confusion ... constitutes the specific condition for such protection.’

6 The seventh recital in the preamble to Regulation No 40/94 was worded in almost identical terms.

7 Article 5 of Directive 89/104, entitled 'Rights conferred by a trade mark', provided:

'1. 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:

- (a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;

- (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, which includes the likelihood of association between the sign and the trade mark.

2. Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State 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 trade mark.

3. The following, inter alia, may be prohibited under paragraphs 1 and 2:

- (a) affixing the sign to the goods or to the packaging thereof;

- (b) offering the goods, or putting them on the market or stocking them for these purposes under that sign, or offering or supplying services thereunder;

- (c) importing or exporting the goods under the sign;

- (d) using the sign on business papers and in advertising.

...'

- 8 The wording of Article 9(1)(a) and (b) of Regulation No 40/94 corresponded in substance to that of Article 5(1) of Directive 89/104. Paragraph 2 of Article 9 corresponded to paragraph 3 of Article 5. As to Article 9(1)(c) of Regulation No 40/94, it provided:

'A Community 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:

...

- (c) any sign which is identical with or similar to the Community trade mark in relation to goods or services which are not similar to those for which the Community trade mark is registered, where the latter 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 Community trade mark.'

The dispute in the main proceedings and the questions referred for a preliminary ruling

The referencing service 'AdWords'

- 9 When an internet user performs a search on the basis of one or more words on the Google search engine, that search engine will display the sites which appear best to correspond to those words, in decreasing order of relevance. These are referred to as the 'natural' results of the search.

- 10 In addition, Google's paid referencing service – 'AdWords' – enables any economic operator, by means of the selection of one or more keywords, to obtain the placing, in the event of a correspondence between one or more of those words and that/those entered as a request in the search engine by an internet user, of an advertising link to its website. That advertising link appears under the heading 'sponsored links', which is displayed either on the right-hand side of the screen, to the right of the natural results, or on the upper part of the screen, above the natural results.

- 11 That advertising link is accompanied by a short commercial message. Together, that link and that message constitute the advertisement displayed under the abovementioned heading.

- 12 A fee for the referencing service is payable by the advertiser for each click on the advertising link. That fee is calculated on the basis, in particular, of the 'maximum price per click' which the advertiser agreed to pay when concluding with Google the contract for the referencing service, and on the basis of the number of times that link is clicked on by internet users.

- 13 A number of advertisers can select the same keyword. The order in which their advertising links are displayed is then determined according to, in particular, the 'maximum price per click', the number of previous clicks on those links and the quality of the advertisement as assessed by Google. The advertiser can at any time improve its ranking in the display by fixing a higher 'maximum price per click' or by trying to improve the quality of its advertisement.

The use of keywords in the case before the referring court

- 14 Interflora Inc., a company incorporated in the State of Michigan (United States), operates a worldwide flower-delivery network. Interflora British Unit is a licensee of Interflora Inc.
- 15 The network of Interflora Inc. and Interflora British Unit (together 'Interflora') is made up of florists with whom customers may place orders in person or by telephone. Interflora also has websites that enable orders to be placed via the internet, those orders then being fulfilled by the network member closest to the place where the flowers are to be delivered. The address of the main website is www.interflora.com. That site redirects to country-specific websites such as www.interflora.co.uk.
- 16 INTERFLORA is a national trade mark in the United Kingdom and also a Community trade mark. It is common ground that, so far as the flower-delivery service is concerned, those marks have a substantial reputation both in the United Kingdom and in other Member States of the European Union.

- 17 M & S, a company governed by English law, is one of the main retailers in the United Kingdom. It retails a wide range of goods and supplies services through its network of shops and via its website www.marksandspencer.com. One of those services is the sale and delivery of flowers. That commercial activity is in competition with that of Interflora. It is common ground between the parties that M & S is not part of the Interflora network.
- 18 Using the 'AdWords' referencing service, M & S selected as keywords the word 'Interflora', as well as variants made up of that word with minor errors and expressions containing the word 'Interflora' ('Interflora Flowers', 'Interflora Delivery', 'Interflora.com', 'interflora co uk' and so forth). Consequently, when internet users entered the word 'Interflora' or one of those variants or expressions as a search term in the Google search engine, an M & S advertisement appeared under the heading 'sponsored links'.
- 19 That advertisement was formulated, inter alia, as follows:

'M & S Flowers Online

www.marksandspencer.com/flowers

Gorgeous fresh flowers & plants

Order by 5 pm for next day delivery.

²⁰ Following its discovery of those facts, Interflora brought proceedings for trade mark infringement before the High Court of Justice (England & Wales), Chancery Division, which decided to stay the proceedings and refer 10 questions to the Court of Justice for a preliminary ruling. Following a request for clarification from the Court, the referring court, by decision of 29 April 2010, received at the Court on 9 June 2010, withdrew its fifth to tenth questions, maintaining solely the following four questions:

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

- selects a sign which is identical ... with the trade mark as a keyword for a search engine operator’s sponsored link service,

- nominates the sign as a keyword,

- associates the sign with the URL of its website,

- sets the cost per click that it will pay in relation to that keyword,

- schedules the timing of the display of the sponsored link and

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

do any or all of these acts constitute “use” of the sign by the competitor within the meaning of Article 5(1)(a) of [Directive 89/104] and Article 9(1)(a) of [Regulation No 40/94]?

2. Is any such use “in relation to” goods and services identical to those for which the trade mark is registered within the meaning of Article 5(1)(a) of [Directive 89/104] and Article 9(1)(a) of [Regulation No 40/94]?

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

(a) Article 5(1)(a) of [Directive 89/104] and Article 9(1)(a) of [Regulation No 40/94]; and

(b) Article 5(2) of [Directive 89/104] and Article 9(1)(c) of [Regulation No 40/94]?

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

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

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

The application for the reopening of the oral procedure

²¹ M & S, by letter of 1 April 2011, requested that the oral procedure be reopened, maintaining that the Opinion of the Advocate General, delivered on 24 March 2011, was based on incorrect premisses and failed to observe the separation of powers between the Court of Justice and the referring court. In that last respect, M & S observes that the Advocate General, instead of merely analysing the relevant rules of European Union law, explained what result should, in his view, follow from the interpretation of those rules in the case before the referring court.

²² It is settled case-law that the Court may order the reopening of the oral procedure in accordance with Article 61 of the Rules of Procedure if it considers that it lacks sufficient information or that the case should be examined on the basis of an argument which has not been the subject of debate between the parties (see, inter alia, Case

C-284/06 *Burda* [2008] ECR I-4571, paragraph 37, and Case C-221/09 *AJD Tuna* [2011] ECR I-1655, paragraph 36).

- 23 In the present case, the Court is of the view that it has all the material necessary to answer the questions raised by the referring court and that there is no need to consider the case by reference to an argument which has not been the subject of debate before it.
- 24 So far as the criticisms of the Advocate General's Opinion are concerned, it should be recalled that, under the second paragraph of Article 252 TFEU, it is the duty of the Advocate General, acting with complete impartiality and independence, to make, in open court, reasoned submissions on cases which, in accordance with the Statute of the Court of Justice of the European Union, require the Advocate General's involvement. In carrying out that task, the Advocate General may, where appropriate, analyse a reference for a preliminary ruling by placing it within a context which is broader than that strictly defined by the referring court or by the parties to the main proceedings. The Chamber hearing the case is not bound either by the Advocate General's Opinion or by the reasoning on which it is based (see Case C-229/09 *Hogan Lovells International* [2010] ECR I-11335, paragraph 26, and *AJD Tuna*, paragraph 45).
- 25 The same is true in the case of the referring court, which, when it applies the Court's preliminary ruling, is not obliged to follow the reasoning set out by the Advocate General.
- 26 Accordingly, there is no need to grant M & S's request for the reopening of the oral procedure.

Consideration of the questions referred

The questions concerning Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94

- 27 By questions 1, 2 and 3(a), the referring court asks, in essence, whether, on a proper construction of Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94, the proprietor of a trade mark is entitled to prevent a competitor from displaying – on the basis of a keyword which is identical to that trade mark and which has been selected in an internet referencing service by the competitor without the proprietor’s consent – an advertisement for goods or services identical to those for which that mark is registered.
- 28 By question 4, the referring court seeks to ascertain whether, in those circumstances, it is relevant (i) that the advertisement concerned is liable to lead some members of the relevant public to believe, incorrectly, that the advertiser is a member of the trade mark proprietor’s commercial network and (ii) that the provider of the internet referencing service does not permit trade mark proprietors to prevent signs identical to their trade marks being selected as keywords.
- 29 It is appropriate to consider those questions together.
- 30 As the Court has already stated, the sign selected by an advertiser as a keyword in the context of an internet referencing service is the means used by the advertiser to trigger the display of its advertisement and is thus used in the course of trade within the meaning of Article 5 of Directive 89/104 and Article 9 of Regulation No 40/94 (Joined

Cases C-236/08 to C-238/08 *Google France and Google* [2010] ECR I-2417, paragraphs 49 to 52, and Case C-278/08 *BergSpechte* [2010] ECR I-2517, paragraph 18).

- 31 That is, furthermore, use in relation to the advertiser's goods or services, even where the sign selected as a keyword does not appear in the advertisement itself (*BergSpechte*, paragraph 19, and order of 26 March 2010 in Case C-91/09 *Eis.de*, paragraph 18).
- 32 Nevertheless, the proprietor of the trade mark cannot prevent the use of a sign identical to its trade mark as a keyword unless all the conditions provided for to that end in Article 5 of Directive 89/104 and Article 9 of Regulation No 40/94 and by the case-law relating thereto are met.
- 33 The case in the main proceedings falls within the situation referred to in Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94, namely the so-called 'double identity' situation, in which use by a third party of a sign identical with the trade mark is made in relation to goods or services which are identical with those for which the trade mark is registered. Indeed, it is not in dispute that M & S made use in relation to its flower-delivery service, of, inter alia, the sign 'Interflora', which is in substance identical with the word mark INTERFLORA, registered for flower-delivery services.
- 34 In that situation, the proprietor of the trade mark is entitled to prevent that use only if it is liable to have an adverse effect on one of the functions of the mark (*Google France and Google*, paragraph 79, *BergSpechte*, paragraph 21; see also Case C-487/07 *L'Oréal*

and Others [2009] ECR I-5185, paragraph 60, and Case C-558/08 *Portakabin* [2010] ECR I-6963, paragraph 29).

- 35 Interflora submits that that condition must, in accordance with an already established body of case-law, be understood as meaning that paragraph 1(a) of Article 5 of Directive 89/104 and of Article 9 of Regulation No 40/94 protects the trade mark proprietor against any adverse effect on any of the functions of the mark. According to M & S, however, such an interpretation does not follow unambiguously from the case-law and risks creating an imbalance as between the interest in protecting intellectual property and the interest in free competition. The European Commission, for its part, submits that paragraph 1(a) protects the trade mark proprietor solely against acts affecting the mark's function of providing an indication of origin. In its submission, the trade mark's other functions can, at most, play a role in the interpretation of Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94, which concern the rights conferred by trade marks with a reputation.
- 36 It follows from the wording of Article 5(1) of Directive 89/104 and from the tenth recital in the preamble thereto that the laws of the Member States have been harmonised inasmuch as the exclusive right conferred by a trade mark affords the proprietor of the mark 'absolute' protection against the use by third parties of signs which are identical with that mark in relation to identical goods or services, whilst, where there is not identity on two counts, only the existence of a likelihood of confusion enables the proprietor to rely successfully on its exclusive right. That distinction between the protection conferred by Article 5(1)(a) and that provided for in Article 5(1)(b) was espoused, so far as the Community trade mark is concerned, by the seventh recital to, and Article 9(1) of, Regulation No 40/94.
- 37 Although the European Union legislature described as 'absolute' the protection against the unauthorised use of signs identical with a trade mark in relation to goods or services identical with those for which the mark is registered, the Court has put that description into perspective by stating that, as extensive as it may be, the protection

conferred by Article 5(1)(a) of Directive 89/104 is intended solely to enable the trade mark proprietor to protect its specific interests as proprietor of the mark, that is to say, to ensure that the trade mark can fulfil its functions. The Court has concluded that the exercise of the exclusive right conferred by the trade mark must be reserved to cases in which a third party's use of the sign adversely affects, or is liable adversely to affect, the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods (see Case C-206/01 *Arsenal Football Club* [2002] ECR I-10273, paragraph 51).

³⁸ That interpretation of Article 5(1)(a) of Directive 89/104 has been restated on many occasions and applied in relation to Article 9(1)(a) of Regulation No 40/94 (see, *inter alia*, as regards Directive 89/104, Case C-17/06 *Céline* [2007] ECR I-7041, paragraph 16, and Case C-533/06 *O2 Holdings and O2 (UK)* [2008] ECR I-4231, paragraph 57, and, as regards Regulation No 40/94, the order in Case C-62/08 *UDV North America* [2009] ECR I-1279, paragraph 42, and *Google France and Google*, paragraph 75). There has been further clarification of that interpretation to the effect that those provisions enable the proprietor of the trade mark to rely on its exclusive right where there is, or is liable to be, an adverse effect on one of the functions of the trade mark, irrespective of whether the function concerned is the essential function of indicating the origin of the product or service covered by the trade mark or one of the other functions of the mark, such as that of guaranteeing the quality of that product or service or that of communication, investment or advertising (*L'Oréal and Others*, paragraphs 63 and 65, and *Google France and Google*, paragraphs 77 and 79).

³⁹ With regard to the functions of the trade mark other than that of indicating origin, it should be noted that both the European Union legislature – by using the words ‘in particular’ in the tenth recital to Directive 89/104 and in the seventh recital to Regulation No 40/94 – and the Court – by using since its judgment in *Arsenal Football Club* the words ‘functions of the trade mark’ – have indicated that a trade mark's function of indicating origin is not the only function of the mark that is worthy of protection against injury by third parties. They have thus taken into account the fact that a trade

mark is often, in addition to an indication of the origin of the goods or services, an instrument of commercial strategy used, inter alia, for advertising purposes or to acquire a reputation in order to develop consumer loyalty.

⁴⁰ Admittedly, a trade mark is always supposed to fulfil its function of indicating origin, whereas it performs its other functions only in so far as its proprietor uses it to that end, in particular for the purposes of advertising or investment. However, that difference between the essential function of the trade mark and its other functions can in no way justify – when a trade mark fulfils one or more of those other functions – excluding from the scope of Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94 acts adversely affecting those functions. Likewise, there are no grounds for holding that only trade marks with a reputation are capable of having functions other than that of indicating origin.

⁴¹ It is in the light of both the foregoing considerations and the more detailed interpretative guidance provided below that it will be for the referring court to consider whether the condition of an adverse effect on one of the functions of the trade mark is met.

⁴² With regard to the use, in the context of an internet referencing service, of signs identical to trade marks as keywords in relation to goods or services identical to those for which the trade mark is registered, the Court has already held that, in addition to the function of indicating origin, that of advertising may prove relevant (see *Google France and Google*, paragraph 81). That consideration is equally valid in this instance, Interflora having, however, also claimed that its trade mark's 'investment' function has been adversely affected.

- 43 It is therefore appropriate to provide the referring court with guidance on interpretation in relation to the trade mark's function of indicating origin, its advertising function and its 'investment' function.

Adverse effect on the function of indicating origin

- 44 The question whether a trade mark's function of indicating origin is adversely affected when internet users are shown, on the basis of a keyword identical with the mark, a third party's advertisement, such as that of a competitor of the trade mark proprietor, depends in particular on the manner in which that advertisement is presented. That function is adversely affected if the advertisement does not enable 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 (*Google France and Google*, paragraphs 83 and 84, and *Portakabin*, paragraph 34). In such a situation, which is, moreover, characterised by the fact that the advertisement appears immediately after the trade mark has been entered as a search term and is displayed at a point when the trade mark is, in its capacity as a search term, also displayed on the screen, the internet user may be mistaken as to the origin of the goods or services in question (*Google France and Google*, paragraph 85).
- 45 Where a third party's advertisement suggests that there is an economic link between that third party and the proprietor of the trade mark, the conclusion must be that there is an adverse effect on that mark's function of indicating origin. Similarly, 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 (*Google France and Google*, paragraphs 89 and 90, and *Portakabin*, paragraph 35).

⁴⁶ It is for the referring court to assess whether, on the facts of the dispute before it, the trade mark's function of indicating origin as described in the preceding paragraphs is, or is liable to be, adversely affected (see, by analogy, *Google France and Google*, paragraph 88).

⁴⁷ For the purposes of that assessment, the fact, alluded to in point (b) of question 4, that the referencing service provider has not permitted trade mark proprietors to prevent the selection of a sign identical with that trade mark as a keyword is irrelevant. As the Advocate General observes at point 40 of his Opinion, only the opposite case – in which the referencing service provider gives trade mark proprietors such an option – could have legal consequences inasmuch as, in that case and under certain conditions, a failure on the part of those proprietors, when signs identical with their trade marks are selected as keywords, to object to such selection could be regarded as tacit consent on their part. However, the fact that the trade mark proprietor has neither been asked for its consent nor given it (as is the case in the main proceedings) merely confirms that a sign identical with its trade mark has been used without its consent.

⁴⁸ By contrast, a situation such as that described in question 4(a) may be relevant for the purpose of applying the rule set out in Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94.

- 49 Indeed, if the referring court's assessments of the facts were to show that M & S's advertising, displayed in response to searches performed by internet users using the word 'Interflora', may lead those users to believe, incorrectly, that the flower-delivery service offered by M & S is part of Interflora's commercial network, it would have to be concluded that that advertising does not allow it to be determined whether M & S is a third party in relation to the proprietor of the trade mark or whether, on the contrary, it is economically linked to that proprietor. In those circumstances, the function of the INTERFLORA trade mark of indicating origin would be adversely affected.
- 50 In that context, as has been observed at paragraph 44 of this judgment, the relevant public comprises reasonably well-informed and reasonably observant internet users. Therefore, the fact that some internet users may have had difficulty grasping that the service provided by M & S is independent from that of Interflora is not a sufficient basis for a finding that the function of indicating origin has been adversely affected.
- 51 In carrying out its examination of the facts, the referring court may choose to assess, first, whether the reasonably well-informed and reasonably observant internet user is deemed to be aware, on the basis of general knowledge of the market, that M & S's flower-delivery service is not part of the Interflora network but is, on the contrary, in competition with it and, second, should it become apparent that that is not generally known, whether M & S's advertisement enabled that internet user to tell that the service concerned does not belong to the Interflora network.
- 52 In particular, the referring court may take into account that, in the present case, the commercial network of the trade mark proprietor is composed of a large number of retailers which vary greatly in terms of size and commercial profile. The Court considers that, in such circumstances, it may be particularly difficult for the reasonably well-informed and reasonably observant internet user to determine, in the absence of any indication from the advertiser, whether or not the advertiser – whose advertisement is displayed in response to a search using that trade mark as a search term – is part of that network.

- 53 Having regard to that situation and to the other matters that it may consider relevant, the referring court will, in the absence of any general knowledge such as that referred to at paragraph 51 of this judgment, have to determine whether or not the use of words such as ‘M & S Flowers’ in an advertisement such as the one set out at paragraph 19 of this judgment is sufficient to enable a reasonably well-informed and reasonably observant internet user who has entered search terms including the word ‘Interflora’ to tell that the flower-delivery service offered does not originate from Interflora.

Adverse effect on the advertising function

- 54 With regard to the advertising function, the Court has already had occasion to state that use of a sign identical with another person’s trade mark in a referencing service such as ‘AdWords’ does not have an adverse effect on that function of the trade mark (*Google France and Google*, paragraph 98, and *BergSpechte*, paragraph 33).
- 55 It is true that such use may have repercussions on the advertising use of a word mark by its proprietor.
- 56 In particular, when that proprietor registers its own trade mark as a keyword with a referencing service provider in order to have an advertisement appear under the heading ‘sponsored links’, it will sometimes – if its trade mark has also been selected as a keyword by a competitor – have to pay a higher price per click than the competitor if it wishes to ensure that its advertisement appears before that of the competitor (*Google France and Google*, paragraph 94).

- 57 However, the mere fact that the use, by a third party, of a sign identical with a trade mark in relation to goods or services identical with those for which that mark is registered obliges the proprietor of that mark to intensify its advertising in order to maintain or enhance its profile with consumers 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 (see, in particular, Case C-59/08 *Copad* [2009] ECR I-3421, paragraph 22), its purpose is not, however, to protect its proprietor against practices inherent in competition.
- 58 Internet advertising on the basis of keywords corresponding to trade marks constitutes such a practice in that its aim, as a general rule, is merely to offer internet users alternatives to the goods or services of the proprietors of those trade marks (see, to that effect, *Google France and Google*, paragraph 69).
- 59 The selection of a sign identical with another person's trade mark, in a referencing service with the characteristics of 'AdWords', does not, moreover, have the effect of denying the proprietor of that trade mark the opportunity of using its mark effectively to inform and win over consumers (see, in that regard, *Google France and Google*, paragraphs 96 and 97).

Adverse effect on the 'investment' function

- 60 In addition to its function of indicating origin and, as the case may be, its advertising function, a trade mark may also be used by its proprietor to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty.

- 61 Although that function of a trade mark – called the ‘investment function’ – may overlap with the advertising function, it is none the less distinct from the latter. Indeed, when the trade mark is used to acquire or preserve a reputation, not only advertising is employed, but also various commercial techniques.
- 62 When the use by a third party, such as a competitor of the trade mark proprietor, of a sign identical with the trade mark in relation to goods or services identical with those for which the mark is registered substantially interferes with the proprietor’s use of its trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty, the third party’s use must be regarded as adversely affecting the trade mark’s investment function. The proprietor is, as a consequence, entitled to prevent such use under Article 5(1)(a) of Directive 89/104 or, in the case of a Community trade mark, under Article 9(1)(a) of Regulation No 40/94.
- 63 In a situation in which the trade mark already enjoys such a reputation, the investment function is adversely affected where use by a third party of a sign identical with that mark in relation to identical goods or services affects that reputation and thereby jeopardises its maintenance. As the Court has already held, the proprietor of a trade mark must be able, by virtue of the exclusive right conferred upon it by the mark, to prevent such use (Case C-324/09 *L’Oréal and Others* [2011] ECR I-6011, paragraph 83).
- 64 However, 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.

65 It is in the light of those considerations that it will be for the referring court to determine whether the use, by M & S, of the sign identical with the INTERFLORA trade mark jeopardises the maintenance by Interflora of a reputation capable of attracting consumers and retaining their loyalty.

66 The answer to questions 1, 2, 3(a) and 4 is therefore that Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94 must be interpreted as meaning that the proprietor of a trade mark is entitled to prevent a competitor from advertising – on the basis of a keyword which is identical with the trade mark and which has been selected in an internet referencing service by the competitor without the proprietor’s consent – goods or services identical with those for which that mark is registered, where that use is liable to have an adverse effect on one of the functions of the trade mark. Such use:

- adversely affects the trade mark’s function of indicating origin where the advertising displayed on the basis of that keyword does not enable reasonably well-informed and reasonably observant internet users, or enables them only with difficulty, to ascertain whether the goods or services concerned by the advertisement originate from the proprietor of the trade mark or an undertaking economically linked to that proprietor or, on the contrary, originate from a third party;
- does not adversely affect, in the context of an internet referencing service having the characteristics of the service at issue in the main proceedings, the trade mark’s advertising function; and

- adversely affects the trade mark’s investment function if it substantially interferes with the proprietor’s use of its trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty.

The question relating to Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94

- ⁶⁷ By point (b) of question 3, read in conjunction with questions 1 and 2, the referring court asks, in essence, whether Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94 must be interpreted as meaning that the proprietor of a trade mark with a reputation is entitled to prevent a competitor from basing its advertising on a keyword corresponding to that trade mark which the competitor has, without the proprietor’s consent, selected in an internet referencing service.
- ⁶⁸ With regard, first, to the applicability of the rules set out in Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94, it is settled case-law that, even though those provisions make express reference only to the situation in which use is made of a sign which is identical with, or similar to, a trade mark with a reputation in relation to goods or services which are not similar to those for which the trade mark is registered, the protection provided for there applies, *a fortiori*, also in relation to use of a sign which is identical with, or similar to, a trade mark with a reputation in relation to goods or services which are identical with or similar to those for which the mark is registered (see, inter alia, Case C-292/00 *Davidoff* [2003] ECR I-389, paragraph 30; Case C-408/01 *Adidas-Salomon and Adidas Benelux* [2003] ECR I-12537, paragraphs 18 to 22, and *Google France and Google*, paragraph 48).
- ⁶⁹ Since the INTERFLORA trade mark has a reputation and since M & S’s use of a sign identical with that mark as a keyword was made, as has been stated at paragraph 33 of this judgment, in relation to a service identical with that for which that mark has been

registered, Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94 apply in the case before the referring court. It is clear, moreover, from the order for reference that the applicable United Kingdom legislation includes the rule set out in Article 5(2) of Directive 89/104.

⁷⁰ With regard, second, to the extent of the protection conferred on proprietors of trade marks with a reputation, it is clear from the wording of the abovementioned provisions that the proprietors of such marks are entitled to prevent the use by third parties, in the course of trade, without their consent and without due cause, of signs identical with or similar to those trade marks where that use takes unfair advantage of the distinctive character or the repute of the trade mark or is detrimental to that distinctive character or repute.

⁷¹ The exercise of that right by the proprietor of the trade mark with a reputation is not conditional upon there being a likelihood of confusion on the part of the relevant section of the public (*Adidas-Salomon and Adidas Benelux*, paragraph 31, and Case C-487/07 *L'Oréal and Others*, paragraph 36). Moreover, in so far as Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94 require there to be some degree of similarity between the trade mark at issue and the sign used by the third party, it is sufficient to note that that condition is met in the present case, given the close correspondence between (i) the sign 'Interflora' and the variants used by M & S and (ii) the trade mark INTERFLORA.

⁷² The types of injury against which Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94 provide protection are, first, detriment to the distinctive character of the trade mark, second, detriment to the repute of that mark and, third, unfair advantage taken of the distinctive character or the repute of the mark,

just one of those types of injury sufficing for the rule set out in those provisions to apply (see Case C-487/07 *L'Oréal and Others*, paragraphs 38 and 42).

- ⁷³ Detriment to the distinctive character of a mark with a reputation, also referred to as, inter alia, 'dilution', is caused when that mark's ability to identify the goods or services for which it is registered is weakened, whilst detriment to the repute of the mark, also referred to as, inter alia, 'tarnishment', is caused when the goods or services for which the identical or similar sign is used by the third party may be perceived by the public in such a way that the trade mark's power of attraction is reduced (see Case C-487/07 *L'Oréal and Others*, paragraphs 39 and 40).
- ⁷⁴ For its part, the concept of 'taking unfair advantage of the distinctive character or the repute of the trade mark', also referred to as, inter alia, 'free-riding', 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. It covers, in particular, cases where, by reason of a transfer of the image of the mark or of the characteristics which it projects to the goods identified by the identical or similar sign, there is clear exploitation on the coat-tails of the mark with a reputation (Case C-487/07 *L'Oréal and Others*, paragraph 41).
- ⁷⁵ It is clear from the explanation provided in response to the request for clarification mentioned at paragraph 20 of this judgment, that the referring court is not seeking an interpretation of the concept of detriment to the repute of the mark (tarnishment). Rather, it wishes to ascertain under what conditions an advertiser who causes to be displayed – on the basis of a sign identical to a trade mark with a reputation which it has selected without the consent of the proprietor of that mark in an internet referencing service – an advertising link towards its website must be regarded as causing detriment to the distinctive character of the mark with a reputation (dilution) or as taking unfair advantage of the distinctive character or repute of that trade mark (free-riding).

Detriment to the distinctive character of a trade mark with a reputation (dilution)

- ⁷⁶ As the Advocate General states at paragraph 80 of his Opinion, detriment is caused to the distinctive character of a trade mark with a reputation when the use of a sign identical with or similar to that mark reduces the ability of the mark to distinguish the goods or services of its proprietor from those which have a different origin. At the end of the process of dilution, the trade mark is no longer capable of creating an immediate association, in the minds of consumers, with a specific commercial origin.
- ⁷⁷ For the proprietor of a trade mark with a reputation to be effectively protected against that type of injury, Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94 must be interpreted as entitling the proprietor to prevent all use of a sign identical with or similar to that trade mark which reduces the distinctiveness of the mark, without it being required to wait for the end of the process of dilution, that is to say, the total loss of the trade mark's distinctive character.
- ⁷⁸ In support of its contention that detriment is caused to its trade mark's distinctive character, Interflora maintains that the use by M & S and other undertakings of the word 'Interflora' within a referencing service such as that at issue in the main proceedings gradually persuades internet users that the word is not a trade mark designating the flower-delivery service provided by florists in the Interflora network but is a generic word for any flower-delivery service.
- ⁷⁹ It is true that the use, by a third party in the course of trade, of a sign identical with or similar to a trade mark with a reputation reduces the latter's distinctiveness and is thus detrimental to the distinctive character of that trade mark for the purposes of Article 5(2) of Directive 89/104 or, in the case of a Community trade mark, of

Article 9(1)(c) of Regulation No 40/94, when it contributes to turning the trade mark into a generic term.

80 However, contrary to Interflora's contention, the selection of a sign which is identical with or similar to a trade mark with a reputation as a keyword within an internet referencing service does not necessarily contribute to such a development.

81 Thus, when the use, as a keyword, of a sign corresponding to a trade mark with a reputation triggers the display of an advertisement which enables the reasonably well-informed and reasonably observant internet user to tell that the goods or services offered originate not from the proprietor of the trade mark but, on the contrary, from a competitor of that proprietor, the conclusion will have to be that the trade mark's distinctiveness has not been reduced by that use, the latter having merely served to draw the internet user's attention to the existence of an alternative product or service to that of the proprietor of the trade mark.

82 Accordingly, if the referring court were to conclude that the advertising triggered by virtue of M & S's use of the sign identical with the INTERFLORA trade mark did 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, Interflora could not successfully argue, relying on the rules in Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94, that that use has contributed to turning the trade mark into a generic term.

83 If, on the other hand, 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.

Unfair advantage taken of the distinctive character or the repute of the trade mark (free-riding)

⁸⁴ As the Court has already held, an advertiser which has selected in an internet referencing service a keyword corresponding to another person's trade mark intends that internet users who enter that word as a search term should click not only on the links displayed which come from the proprietor of the trade mark, but also on the advertising link of the advertiser (*Google France and Google*, paragraph 67).

⁸⁵ It is also apparent that the fact that a trade mark enjoys a reputation makes it likely that a large number of internet users will use the name of that mark as a keyword when carrying out an internet search to find information or offers relating to the goods or services covered by that trade mark.

⁸⁶ In those circumstances, as the Advocate General observes at paragraph 96 of his Opinion, it cannot be denied that, where a competitor of the proprietor of a trade mark with a reputation selects that trade mark as a keyword in an internet referencing service, the purpose of that use is to take advantage of the distinctive character and repute of the trade mark. In fact, that selection is liable to create a situation in which

the probably large number of consumers using that keyword to carry out an internet search for goods or services covered by the trade mark with a reputation will see that competitor's advertisement displayed on their screens.

- ⁸⁷ Nor can it be denied that, when internet users, having studied the competitor's advertisement, purchase the product or service offered by the competitor instead of that of the proprietor of the trade mark to which their search originally related, that competitor derives a real advantage from the distinctive character and repute of the trade mark.
- ⁸⁸ Furthermore, it is not disputed that, in the context of a referencing service, an advertiser which selects signs identical with or similar to the trade marks of other persons does not, as a general rule, pay the proprietors of the trade marks any compensation in respect of that use.
- ⁸⁹ It is clear from those particular aspects of the selection as internet keywords of signs corresponding to trade marks with a reputation which belong to other persons that such a selection can, in the absence of any 'due cause' as referred to in Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94, be construed as a use whereby the advertiser rides on the coat-tails of a trade mark with a reputation in order to benefit from its power of attraction, its reputation and its prestige, and to exploit, without paying any financial compensation and without being required to make efforts of its own in that regard, the marketing effort expended by the proprietor of that mark in order to create and maintain the image of that mark. If that is the case, the advantage thus obtained by the third party must be considered to be unfair (Case C-487/07 *L'Oréal and Others*, paragraph 49).

- 90 As the Court has already stated, that is 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 (*Google France and Google*, paragraphs 102 and 103).
- 91 By contrast, where the advertisement displayed on the internet on the basis of a keyword corresponding to a trade mark with a reputation 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 Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94.
- 92 It is for the referring court to determine, in the light of the foregoing interpretative guidance, whether, on the particular facts of the dispute in the main proceedings, there is use of the sign without due cause which takes unfair advantage of the distinctive character of the repute of the trade mark INTERFLORA.
- 93 It follows from the foregoing that the answer to question 3(b) is that Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94 must be interpreted as meaning that the proprietor of a trade mark with a reputation is entitled to prevent a competitor from advertising on the basis of a keyword corresponding to that trade mark, which the competitor has, without the proprietor’s consent, selected in an internet referencing service, where the competitor thereby takes unfair advantage of the distinctive character or repute of the trade mark (free-riding) or where the advertising is detrimental to that distinctive character (dilution) or to that repute (tarnishment).

- ⁹⁴ Advertising on the basis of such a keyword is detrimental to the distinctive character of a trade mark with a reputation (dilution) if, for example, it contributes to turning that trade mark into a generic term.
- ⁹⁵ By contrast, the proprietor of a trade mark with a reputation is not entitled to prevent, inter alia, advertisements displayed by competitors on the basis of keywords corresponding to that trade mark, which put 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 with a reputation – an alternative to the goods or services of the proprietor of that mark.

Costs

- ⁹⁶ Since these proceedings are, for the parties to the main proceedings, a step in the action pending before the national court, the decision on costs is a matter for that court. Costs incurred in submitting observations to the Court, other than the costs of those parties, are not recoverable.

On those grounds, the Court (First Chamber) hereby rules:

- 1. Article 5(1)(a) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks and Article 9(1)(a) of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark must be interpreted as meaning that the proprietor of a trade mark is entitled to prevent a competitor from advertising – on the basis of a keyword which is identical with the trade mark and which has**

been selected in an internet referencing service by the competitor without the proprietor's consent – goods or services identical with those for which that mark is registered, where that use is liable to have an adverse effect on one of the functions of the trade mark. Such use:

- **adversely affects the trade mark's function of indicating origin where the advertising displayed on the basis of that keyword does not enable reasonably well-informed and reasonably observant internet users, or enables them only with difficulty, to ascertain whether the goods or services concerned by the advertisement originate from the proprietor of the trade mark or an undertaking economically linked to that proprietor or, on the contrary, originate from a third party;**

- **does not adversely affect, in the context of an internet referencing service having the characteristics of the service at issue in the main proceedings, the trade mark's advertising function; and**

- **adversely affects the trade mark's investment function if it substantially interferes with the proprietor's use of its trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty.**

2. Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94 must be interpreted as meaning that the proprietor of a trade mark with a reputation is entitled to prevent a competitor from advertising on the basis of a keyword corresponding to that trade mark, which the competitor has, without the proprietor's consent, selected in an internet referencing service, where the competitor thereby takes unfair advantage of the distinctive character or repute of the trade mark (free-riding) or where the

advertising is detrimental to that distinctive character (dilution) or to that repute (tarnishment).

Advertising on the basis of such a keyword is detrimental to the distinctive character of a trade mark with a reputation (dilution) if, for example, it contributes to turning that trade mark into a generic term.

By contrast, the proprietor of a trade mark with a reputation is not entitled to prevent, inter alia, advertisements displayed by competitors on the basis of keywords corresponding to that trade mark, which put 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 with a reputation – an alternative to the goods or services of the proprietor of that mark.

[Signatures]