



EUROPEAN COMMISSION

ORIGINAL

Brussels, 30 November 2009
JURM(2009) 133/HK/hb

**TO THE PRESIDENT AND MEMBERS
OF THE COURT OF JUSTICE**

WRITTEN OBSERVATIONS

submitted pursuant to Article 23 of the Statute of the Court

by the **Commission of the European Communities**, represented by Hannes KRÄMER, member of its Legal Service acting as agent, with an address for service at the office of Antonio ARESU, member of its Legal Service, Bâtiment BECH, 2721 Luxembourg,

In Case C-323/09

concerning a reference to the Court under Article 234 EC by the High Court of Justice of England and Wales, Chancery Division (United Kingdom), for a preliminary ruling in the proceedings pending before that court between

**INTERFLORA, INC.,
INTERFLORA BRITISH UNIT**

- Claimants -

and

**MARKS AND SPENCER PLC
FLOWERS DIRECT ONLINE LIMITED**

- Defendants -

on the interpretation of Articles 5 and 7 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), as amended by the Agreement on the European Economic Area of 2 May 1992 (OJ 1994 L 1, p. 3) and of other instruments of Community law

The Commission has the honour to submit the following written observations:

I. LEGAL CONTEXT

1. Community law

1. Article 4 ("*Further grounds for refusal or invalidity concerning conflicts with earlier rights*") 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; hereinafter "Directive 89/104") provides:

"[...]

3. A trade mark shall furthermore not be registered or, if registered, shall be liable to be declared invalid if it is identical with, or similar to, an earlier Community trade mark within the meaning of paragraph 2 and is to be, or has been, registered for goods or services which are not similar to those for which the earlier Community trade mark is registered, where the earlier Community trade mark has a reputation in the Community and where the use of the later trade mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier Community trade mark.

4. Any Member State may, in addition, provide that a trade mark shall not be registered or, if registered, shall be liable to be declared invalid where, and to the extent that:

(a) the trade mark is identical with, or similar to, an earlier national trade mark within the meaning of paragraph 2 and is to be, or has been, registered for goods or services which are not similar to those for which the earlier trade mark is registered, where the earlier trade mark has a reputation in the Member State concerned and where the use of the later trade mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark;

[...]".

2. Article 5 ("*Rights conferred by a trade mark*") of Directive 89/104 reads as follows:

"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.*

[...]."

3. Article 6 ("*Limitation of the effects of a trade mark*") of Directive 89/104 provides:

"1. The trade mark shall not entitle the proprietor to prohibit 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 goods or of rendering of the service, or other characteristics of goods or services;

(c) the trade mark 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.

[...]".

4. The first, ninth and tenth recital in the preamble to Directive 89/104 read as follows:

"[...] the trade mark laws at present applicable in the Member States contain disparities which may impede the free movement of goods and freedom to provide services and may distort competition within the common market; whereas it is therefore necessary, in view of the establishment and functioning of the internal market, to approximate the laws of Member States;

[...] it is fundamental, in order to facilitate the free circulation of goods and services, to ensure that henceforth registered trade marks enjoy the same protection under the legal systems of all the Member States; whereas this should however not prevent the Member

States from granting at their option extensive protection to those trade marks which have a reputation;

[...] 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, should be absolute in the case of identity between the mark and the sign and the goods or services; [...] the protection should apply also in the case of similarity between the mark and the sign and the goods or services; [...] it is indispensable to give an interpretation of the concept of similarity in relation to the likelihood of confusion; [...] the likelihood of confusion, the appreciation of which depends on numerous elements and, in particular, on the recognition of the trade mark on the market, the association which can be made with the used or registered sign, the degree of similarity between the trade mark and the sign and between the goods or services identified, should constitute the specific condition for such protection; [...] the ways in which likelihood of confusion may be established, and in particular the onus of proof, should be a matter for national procedural rules which should not be prejudiced by this Directive."

5. Article 8 ("*Relative grounds for refusal*") of Regulation 40/94 of 20 December 1993 on the Community trade mark (OJ 1994 L 11, p. 1; hereinafter: "Regulation 40/94") is worded as follows:

"[...]

5. Furthermore, upon opposition by the proprietor of an earlier trade mark within the meaning of paragraph 2, the trade mark applied for shall not be registered where it is identical with, or similar to, the earlier trade mark and is to be registered for goods or services which are not similar to those for which the earlier trade mark is registered, where, in the case of an earlier Community trade mark, the trade mark has a reputation in the Community and, in the case of an earlier national trade mark, the trade mark has a reputation in the Member State concerned and where the use without due cause of the trade mark applied for would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark."

6. Article 9 ("*Rights conferred by a Community trade mark*") of Regulation 40/94 provides:

"1. 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:

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

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

(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.

2. The following, inter alia, may be prohibited under paragraph 1:

- (a) affixing the sign to the goods or to the packaging thereof;*
- (b) offering the goods, 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 that sign;*
- (d) using the sign on business papers and in advertising.*

[...]".

7. Article 12 ("*Limitation of the effects of a Community trade mark*") of Regulation 40/94 reads as follows:

"A Community trade mark shall not entitle the proprietor to prohibit 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 trade mark 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."

8. The seventh recital in the preamble to Regulation 40/94 reads as follows:

"[...] the protection afforded by a Community trade mark, the function of which is in particular to guarantee the trade mark as an indication of origin, should be absolute in the case of identity between the mark and the sign and the goods or services; [...] the protection should apply also in cases of similarity between the mark and the sign and the goods or services; [...] an interpretation should be given of the concept of similarity in relation to the likelihood of confusion; [...] the likelihood of confusion, the appreciation of which depends on numerous elements and, in particular, on the recognition of the trade mark on the market, the association which can be made with the used or registered sign, the degree of similarity between the trade mark and the sign and between the goods or services identified, should constitute the specific condition for such protection."

9. In the context of codification of Community law, Directive 89/104 and Regulation 40/94 were repealed, respectively, by 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 came into force on 28 November 2008 and by

Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark (OJ 2009 L 78, p. 1), which came into force on 13 April 2009. However, given the material time in the main proceedings, the applicable acts of legislation remain Directive 89/104 and Regulation 40/94.

2. National law

10. In the United Kingdom and, more specifically, in English law, the doctrine of joint tortfeasorship is a doctrine of accessory liability which provides that one party may be jointly liable for torts, including trade mark infringement, committed by another party where the first party has either procured the commission of the acts in question or participated with the second party in a common design to commit the acts in question.

II. The main proceedings and the questions referred for preliminary ruling

11. The claimant in the main proceedings, Interflora Inc. ('Interflora') is a company involved in the trade and delivery of flowers. Interflora is the proprietor of a national trade mark having effect in the United Kingdom 'INTERFLORA' and a corresponding Community trade mark for, *inter alia*, 'flowers' and 'information services relating to the sale of flowers'. These marks have acquired reputation in the United Kingdom and throughout the Community.
12. The defendants in the main proceedings, Marks and Spencer plc ('M & S') operates a flower service delivery service via its website. M & S is a direct competitor to Interflora.
13. M & S is making use of the service called AdWords supplied by the Internet search engine Google. A keyword is purchased in order to trigger an advertisement or 'sponsored link' displayed together with the search results. The sponsored links are displayed on the same page as the "natural" links which were found to be relevant by the search engine, but in a separate section of that page, at the top and/or at the side. A click on a hyperlink directs the user to the advertiser's website.

14. M & S purchased many keywords including 'INTERFLORA' and related signs. For example, a search on Google.co.uk for 'INTERFLORA' resulted in a sponsored link as follows:

"M & S Flowers Online

www.marksandspencer.com/flowers Gorgeous fresh flowers

& plants. Order by 5 pm for next day delivery"

15. The price of the reservation of the keyword is calculated on a "cost per click" basis. Where a specific keyword is purchased by more than one operator, these operators may make bids. The operator which makes the highest bid is ensured to have its sponsored link ranked first on the search results page among other operators' advertisements.
16. Before the High Court of Justice of England and Wales, Chancery Division (United Kingdom; hereinafter: 'the referring Court'), Interflora sued M & S for having infringed its UK and Community trade mark rights.
17. Taking the view that the resolution of the disputes in the main proceedings was dependent on the interpretation of Community law, the referring Court decided to stay proceedings and to refer the following ten questions to the Court for a preliminary ruling:

"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 (i) selects a sign which is identical (in accordance with the Court's ruling in Case C-291/00¹) with the trade mark as a keyword for a search engine operator's sponsored link service, (ii) nominates the sign as a keyword, (iii) associates the sign with the URL of its website, (iv) sets the cost per click that it will pay in relation to that keyword, (v) schedules the timing of the display of the sponsored link and (vi) 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 facts constitute "use" of the sign by the competitor with the meaning of Article 5(1)(a) of [...] Directive 89/104 and Article 9(1)(a) of [...] Regulation 40/94 [...]?"

¹ Judgment of 20 March 2003, Case C-291/00, *Ltj Diffusion*, (ARTHUR ET FELICIE), ECR. I-2799.

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 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 40/94]; and

(b) (assuming that such use is detrimental to the distinctive character of the trade mark or takes unfair advantage of the repute of the trade mark) Article 5(2) of [Directive 89/104] and Article 9(1)(c) of [Regulation 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 operators does not permit trade mark proprietors in the relevant Member State of the Community to block the selection of signs identical to their trade marks as keywords by other parties ?

5. Where the search engine operator (i) presents a sign which is identical (in accordance with the Court’s ruling in Case C-291/00) with a registered trade mark to a user within search bars located at the top and bottom of search pages that contain a sponsored link to the website of the competitor referred to in question 1 above, (ii) presents the sign to the user within the summary of the search results, (iii) presents the sign to the user by way of an alternative suggestion when the user has entered a similar sign in the search engine, (iv) presents a search results page to the user containing the competitor’s sponsored link in response to the entering by the user of the sign and (v) adopts the user’s use of the sign by presenting the user with search results pages containing the competitor’s sponsored link, but the sponsored link does not in itself include the sign or any similar sign, do any or all of these acts constitute “use” of the sign by the search engine operator within the meaning of Article 5(1)(a) of [Directive 89/104] and Article 9(1)(a) of [Regulation 40/94] ?

6. *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 40/94] ?*

7. *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 40/94]; and

(b) (assuming that such use is detrimental to the distinctive character of the trade mark or takes unfair advantage of the repute of the trade mark) Article 5(2) of [Directive 89/104] and Article 9(1)(c) of [Regulation 40/94] ?

8. *Does it make any difference to the answer to question 7 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 operators does not permit trade mark proprietors in the relevant Member State of the Community to block the selection of signs identical to their trade marks as keywords by other parties ?

9. *If any such use does fall within the scope of either or both Article 5(1)(a) of [Directive 89/104] / Article 9(1)(a) of [Regulation 40/94] and Article 5(2) of [Directive 89/104] and Article 9(1)(c) of [Regulation 40/94]:*

(a) does such use consist or include ‘the transmission in a communication network of information provided by a receipt of the service’, and if so does the search engine operator “select or modifies the information”, within the meaning of Article 12(1) of directive 2000/31 [...] ?

(b) does such use consist of or include “the automatic, intermediate and temporary storage of information, performed for the sole purpose of making more efficient the information’s onward transmission to other recipients of the service upon their request” within the meaning of Article 13(1) of [directive 2000/31] ?

(c) does such use consist of or include "the storage of information provided by a recipient of the service" within the meaning of Article 14(1) of [directive 2000/31] ?

(d) if the use does not consist exclusively of activities falling within the scope of one or more of Article 12(1), 13(1) and 14(1) of [directive 2000/31], but includes such activities, is the search engine operator exempted from liability to the extent that the use consists of such activities and if so may damages or other financial remedies be granted in respect of such use to the extent that it is not exempted from liability ?

10. If the answer to question 9 above is that the use does not consist exclusively of activities falling within the scope of one or more of Articles 12-14 of [directive 2000/31], may the competitor be held jointly liable for the acts of infringement of the search engine operator by virtue of national law on accessory liability?"

III. IN LAW

1. Questions one to four

18. By these questions, which the Commission deems appropriate to answer jointly, the referring Court essentially asks, firstly, whether an advertiser uses a sign identical to a trade mark, within the meaning of Article 5(1)(a) and (2) of Directive 89/104 and Article 9(1)(a) and (c) of Regulation 40/94, by concluding a contract with the operator of a search engine pursuant to which, whenever a user of the Internet enters a "keyword" consisting of the sign, an advertisement (hereinafter "sponsored link") of that advertiser appears allowing the user of the Internet, via a hyperlink, to reach a website of the advertiser on which goods are advertised or offered for sale. Secondly, the referring Court essentially asks whether, as the case may be, such use is made, within the meaning of the said provisions, in relation to goods. It is clear from the order for reference that the sign at issue is displayed neither in the sponsored link of the advertiser nor on his website.
19. As a preliminary point, the Commission would point out that this question is similar to questions asked in the pending joined Cases C-236/08 to C-238/08, Google, in the pending Case C-278/08, Bergspechte and in the pending Case C-558/08, Portakabin.

a) Use

20. Regarding the question whether an advertiser uses a sign identical to a trade mark, within the meaning of Article 5(1)(a) and (2) of Directive 89/104 and Article 9(1)(a) and (c) of Regulation 40/94, by concluding a contract with the operator of a search engine pursuant to which, whenever a user of the Internet enters a "keyword" consisting of the sign, an advertisement (hereinafter "sponsored link") of that advertiser appears allowing the user of the Internet, via a hyperlink, to reach a website of the advertiser on which goods are advertised or offered for sale, the Commission is of the opinion that a sign is used, within the meaning of Article 5(1)(a) and (2) of Directive 89/104 and Article 9(1)(a) and (c) of Regulation 40/94, where it is part of an act of communication which is directed towards the target public of the trade mark at stake. Not only is this idea the common denominator which underlies the different acts mentioned in the – admittedly not exhaustive – enumeration in Article 5(3) of Directive 89/104 and Article 9(2) of Regulation 40/94. Also was the situation in each of the cases in which the Court had to interpret Article 5(1)(a) and (2) of Directive 89/104 and Article 9(1)(a) and (c) of Regulation 40/94 (C-63/97, BMW; C-2/00, Hölterhoff; C-206/01, Arsenal; C-17/06, Céline; C-48/05, Opel; C-533/06, O2 Holdings; C-487/07, L'Oréal) characterized by an act of communication of the third party directed towards the target public of the trade mark at stake.
21. In a situation where, as in the present case, the sign at issue is displayed neither in the sponsored link of the advertiser nor on his website, there is no act of communication emanating from the advertiser of which the sign at issue would be a part.
22. This analysis is confirmed by the Opinion by Advocate General Poaires Maduro of 22 September 2009, in Joined Cases C-236/08, C-237/08 and C-238/08, Google et al. At paragraph 151 of that opinion, he reaches the same conclusion although with a slightly different reasoning, namely that there is no use in the course of trade [*"advertisers purchase the AdWords service with a view to using it in the context of their commercial activities, and that those activities cover the ads subsequently displayed. However, that display (and the use of the trade mark that it may or may not involve) is different from the selection of keywords, not only because it happens afterwards, but also because it alone is directed at a consumer audience, the internet users. There is no such audience*

when the advertisers select the keywords. Accordingly, the selection of the keywords is not a commercial activity, but a private use on their part"].

23. It follows from the foregoing that, by concluding a contract with the operator of a search engine pursuant to which, whenever a user of the Internet enters a "keyword" identical to a trade mark, an advertisement (hereinafter "sponsored link") of an advertiser appears allowing the user of the Internet, via a hyperlink, to reach a website of the advertiser on which goods are advertised or offered for sale, the advertiser does not use the sign, within the meaning of Article 5(1)(a) and (2) of Directive 89/104 and Article 9(1)(a) and (c) of Regulation 40/94.

b) Use in relation to goods

24. Given the answer to the first point, the question of whether, under circumstances as described at point 18 above, the sign is used, within the meaning of Article 5(1)(a) and (2) of Directive 89/104 and Article 9(1)(a) and (c) of Regulation 40/94, in relation to goods, does not need to be answered. However, in the alternative and for the sake of completeness, the Commission would give the following answer.
25. It must be stressed from the outset that there is a close functional link between the condition that the sign is used in relation to certain goods and the condition that it is used in the course of trade.
26. First, the Court has held that the use of a sign is use in the course of trade where it takes place in the context of commercial activity with a view to economic advantage and not as a private matter (Case C-206/01, Arseal, [2002] ECR I-10273, at paragraph 40).
27. Secondly, the Court has established a link between the notion of use in the course of trade and that genuine use, by declaring that the preservation by a trade mark proprietor of his rights is predicated on the mark being put to genuine use in the course of trade, on the market for the goods or services for which it was registered in the Member State concerned (Case C-259/02, La Mer Technology Inc., [2004] ECR I-159, at paragraph 20) and that genuine use of the mark entails use of the mark on the market for the goods or services protected by that mark and not just internal use by the undertaking concerned (Case C-40/01, Ansul, [2003] ECR I-2439, at paragraph 37).

28. Thirdly, the Court has held that "genuine use" of the mark is a use in view of creating or preserving an outlet for the goods or services that bear the sign of which it is composed, as distinct from the goods or services of other undertakings. Use of the mark must therefore relate to goods or services already marketed or about to be marketed and for which preparations by the undertaking to secure customers are under way, particularly in the form of advertising campaigns (Case C-40/01, Ansul, at paragraph 37).
29. Furthermore, the Commission considers that the two interconnected conditions concerning use of the sign in the course of trade and in relation to a good should mirror the condition for the exhaustion of the exclusive rights of the trade mark proprietor, namely that the economic value of that good has been realised by transferring the right to dispose thereof to a third party. Such symmetric approach follows in particular from Case C-456/06, Peek & Cloppenburg, [2008] ECR I-2731, at paragraphs 34 - 36). In other words, an act coming under Article 5(1)(a) of Directive 89/104 or Article 9(1)(a) of Regulation 40/94 is one by which the third party completes on the "offering side" all necessary steps in order to put the good on the market, i. e. to transfer the right to dispose thereof to a third party, while its actual putting on the market depends only on the reaction to such act from the "demanding side".
30. In the light of the foregoing, the Commission is of the opinion that a sign is used in relation to a good where it is used with the intention to realise the economic value of that good by transferring the right to dispose thereof to a third party.
31. In the present case, if, under the circumstances as described at point 18 above, a sign were nevertheless to be regarded as being used by the advertiser, within the meaning of Article 5(1)(a) and (2) of Directive 89/104 and Article 9(1)(a) and (c) of Regulation 40/94, such use would be made with the intention to realise the economic value of the goods advertised or offered for sale on his website and, therefore, within the meaning of these provisions, in relation to these goods.

c) Further conditions required to prevent the use of a sign by a third party

aa) Preliminary observations

32. On the assumption that, under the circumstances as described at point 18 above, there were use by the advertiser, i. e. an act of communication emanating from the latter, such

communication could be understood as hinting implicitly at a connection of a not further specified nature between the goods of the advertiser and those for which the trade mark is protected. On the basis of such understanding, it would then fall to examine the question whether the further conditions required, respectively, under Article 5(1)(a) of Directive 89/104 and Article 9(1) (a) of Regulation 40/94 and under Article 5(2) of Directive 89/104 and Article 9(1) (c) of Regulation 40/94 to prevent the use of a sign by a third party are met.

33. As a preliminary point, the Commission wishes, with all due respect, to express its concern as to the possibility that the existing jurisprudence of the Court (Opel, O2, L'Oréal) might not have defined the precise scope of the exclusive right of the trade mark proprietor to the required degree of clarity. This might be due to the fact that the Court has been called upon to decide on different legal issues that have arisen out of the very specific factual circumstances of each of the cases mentioned. However, in the Commission's view, legal certainty in this field is of utmost importance both for the trade mark proprietors and for third party operators and so regarding businesses across all branches and sizes.
34. The Court might therefore wish to seize the opportunity given to it by the present preliminary reference to clarify the issues regarding the precise scope of the exclusive right of the trade mark proprietor in a more comprehensive manner. It is with the intent to provide assistance to the Court in such endeavour, which it would most warmly welcome, that the Commission is submitting the following observations.
35. As a further preliminary point, the Commission considers that according to its reading of Article 5(1)(a) and (b) and Article 5(2) of Directive 89/104 and of Article 9(1) (a), (b) and (c) of Regulation 40/94 two structurally different types of conditions must be distinguished upon which the right of the trade mark proprietor to prohibit the unauthorised use of a sign by a third party is dependant.
36. The first group of conditions, irrespective of the concrete circumstances under which a sign is used by the third party, concerns the intrinsic relationship between the trade mark and the sign and between the goods (or services) for which the trade mark is protected and those for which the sign is used. Regarding Article 5(1)(a) and (b) of Directive 89/104 and Article 9(1) (a) and (b) of Regulation 40/94, this relationship consists either

in the identity between the sign and the trade mark or, alternatively, in a risk of confusion resulting from a sufficient degree of similarity. Under Article 5(2) of Directive 89/104 and Article 9(1) (c) of Regulation 40/94, the relevant relationship is characterised, cumulatively, by an identity or similarity between the sign and the trade mark and by a liability of any potential use of the sign to take unfair advantage of the distinctive character or the repute of the mark or to be detrimental to the distinctive character or to the repute of the earlier mark (Case C-252/07, Intel, at paragraphs 26 and 27).

37. The second group of conditions refers to the concrete circumstances under which a sign is used by the third party. Regarding Article 5(1)(a) and (b) of Directive 89/104 and Article 9(1) (a) and (b) of Regulation 40/94 as well as Article 5(2) of Directive 89/104 and Article 9(1) (c) of Regulation 40/94, there has to be, first, use (cf. points 20 - 23 above) which use must be, secondly, in the course of trade and, thirdly, in relation to goods or services (cf. points 24 - 31 above). It is only in the context of Article 5(1)(a) and (b) of Directive 89/104 and Article 9(1) (a) and (b) of Regulation 40/94 but not in that of Article 5(2) of Directive 89/104 and Article 9(1) (c) of Regulation 40/94 that there is a fourth requirement, namely that such use affects or is liable to affect the function or functions of the trade mark.

bb) Conditions required under Article 5(1)(a) of Directive 89/104 and Article 9(1) (a) of Regulation 40/94

38. Under Article 5(1)(a) of Directive 89/104 and Article 9(1) (a) of Regulation 40/94, a further condition is required to prevent the use of a sign by a third party, namely that such use affects or is liable to affect the function or functions of the trade mark.
39. There is however considerable uncertainty regarding the scope of that condition – and in particular the precise function or functions of the trade mark which are protected – as well as its content, including its relationship with the defence of a third party under Article 6(b) and (c) of Directive 89/104 and Article 12(b) and (c) of Regulation 40/94.
40. In this context, the Commission wishes to recall the Opinion of Advocate General Mengozzi in Case C-533/06, O2 Holdings who deplored that *"the case-law relating to Article 5(1)(a) and (b) of Directive 89/104 [...] does not appear, at least at first sight, to*

be at all consistent as to the conditions on which those provisions apply" (at paragraph 20) since "the use of another's trade mark by a third party to distinguish the goods or services supplied by the proprietor of the trade mark, which does not cause confusion regarding the origin of those goods or services and the third party's goods or services, may apparently fall within the ambit of Article 5(1) of Directive 89/104 on the basis of [Case C-63/97, BMW, [1999] ECR I-905, at paragraph 38], and may escape it on the basis of [Case C-2/00, Hölderhoff, [2002] ECR I-4187, paragraph 17] and Adam Opel, while, on the basis of [Case C-206/01, Arsenal Football Club], in order to determine whether or not the said use is caught by that provision, it must be ascertained whether it is liable to affect a function of the trade mark other than the essential function of providing a guarantee of origin" (cf. paragraph 26).

41. Regarding the scope of the condition that the use of the sign by a third party affects or is liable to affect the function or functions of the trade mark and with regard to Article 5(1)(a) of Directive 89/104, the Court has referred, in a certain number of cases to *"the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods"* (Case C-206/01, Arsenal Football Club, [2002] ECR I-10273, at paragraph 51; Case C-245/02, Anheuser-Busch [2004] ECR I-10989, at paragraph 59; Case C-48/05, Adam Opel [2007] ECR I-1017, at paragraph 21). With regard to Article 5(1)(b) of Directive 89/104 it has referred solely to the essential function of the trade mark of guaranteeing to consumers the origin of the goods or services (Case C-533/06, O2 Holdings Limited and others, at paragraphs 57). Conversely, with regard to Article 5(1)(a) of Directive 89/104, it has held that the relevant functions of the trade mark include also those of guaranteeing the quality of the goods or services in question and those of communication, investment or advertising (Case C-487/07, L'Oréal and others, not yet reported, judgment of 18 June 2009, at paragraph 58).
42. The Commission would thus suggest to the Court to reconsider the interpretation of the condition relating to the impact of the use of the sign by a third party on the function of the trade mark which has been given in Case C-487/07, L'Oréal and others.
43. For the following reasons, the Commission would strongly advocate an interpretation of Article 5(1)(a) and (b) of Directive 89/104 and of Article 9(1) (a) and (b) of Regulation

40/94 as meaning that these provisions only aim at protecting the essential function of the trade mark of guaranteeing to consumers the origin of the goods or services.

44. First, according to both Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation 40/94 and to Article 5(1)(b) of Directive 89/104 and Article 9(1)(b) of Regulation 40/94, the trade mark proprietor is entitled to prevent the use by a third party of a sign in relation to goods or services which are identical or confusingly similar to those for which the trade mark is protected. This right is sufficient to protect the essential function of the trade mark of guaranteeing to consumers the origin of the goods or services. However, it is not sufficient to protect other functions of the trade mark such as those of communication, investment or advertising. Indeed, these other functions may also be affected by the use by a third party of a sign in relation to goods or services which are not identical or confusingly similar to those for which the trade mark is protected.
45. Secondly, as regards the function of the trade mark of guaranteeing the quality of the goods or services in question, this function cannot be regarded as being autonomous in respect of that of guaranteeing the origin of the goods or services. Suffice it, in this respect, to quote Joined cases C-427/93, C-429/93 and C-436/93, Bristol-Myers Squibb and others, [1996] ECR I-3457 (at paragraph 43), stating that the trade mark "*must constitute a guarantee that all products which bear it have been manufactured under the control of a single undertaking to which responsibility for their quality may be attributed*".
46. Thirdly, the functions of communication, advertising and investment are not functionally on the same level as that of guaranteeing to consumers the origin of the goods or services. Hence they are either not autonomous in respect of that of guaranteeing the origin of the goods or services or, insofar as they are autonomous, they are sufficiently protected by Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation 40/94.
47. In the view of the Commission, where a third party uses a sign as part of a commercial, including advertising communication and, more specifically, as a name for the purpose of referring to a good or service marketed by the third party, such use, which affects the function of guaranteeing to consumers the origin of the goods or services, can be prohibited under Article 5(1)(a) and Article 5(1)(b) of Directive 89/104 and Article

9(1)(a) and Article 9(1)(b) of Regulation 40/94 (cf. points 50 – 54 below). In such situation, the functions of communication and advertising are not autonomous in respect of that of guaranteeing the origin of the goods or services and thus protected by the very protection of the latter function. Where the use of a trade mark by its proprietor, as part of a commercial, including advertising communication, has generated or enhanced in the mind of the relevant consumers, positive ideas about characteristics of the goods or services for which it is used i. e. where the trade mark has an image or “reputation”, certain signs may be of such nature that any use thereof by a third party would be liable to generate or enhance, in the mind of the relevant consumers, positive ideas of the same nature about characteristics of the goods or services marketed by the third party and hence take unfair advantage of the distinctive character or the repute of the mark. Likewise, the capacity of the trade mark to generate or enhance positive ideas may be affected by the use of a sign by a third party and, hence, detriment be caused to the distinctive character or to the repute of the trade mark. In case of trade marks with an image or “reputation”, the functions of communication and advertising are thus sufficiently protected by Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation 40/94.

48. Regarding the function of investment, to the extent that the investment made by the trade mark proprietor relates to the goods or services marketed under the trade mark, this investment is protected by the very protection of the function of guaranteeing to consumers the origin of the goods or services. To the extent that such investment relates to the trade mark itself and to its use by the trade mark proprietor, as part of a commercial, including advertising communication, the function of investment sufficiently protected by Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation 40/94 (cf. point 47 above).
49. Fourthly, in the Commission's the opinion, a distinction between Article 5(1)(a) and Article 5(1)(b) of Directive 89/104 (or between Article 9(1)(a) and Article 9(1)(b) of Regulation 40/94) as regards the protected functions of the trade mark cannot be derived from the tenth recital in the preamble to that Directive or from the seventh recital in the preamble to Regulation 40/94. It is well true that these recitals refer to an "absolute" protection afforded, under Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation 40/94, in the case of identity between the trade mark and the sign and the goods or services, as opposed to a protection under Article 5(1)(b) of Directive 89/104

and Article 9(1)(b) of Regulation 40/94, in the absence of such identity, which protection is – implicitly – said to be not absolute but dependant on a likelihood of confusion. However, this distinction concerns merely the relationship between the trade mark and the sign and between the goods (or services) for which the trade mark is protected and those for which the sign is used. Conversely, it does not concern the concrete circumstances under which a sign is used by the third party. Yet, it is precisely these circumstances to which relates the condition that the use of a sign by a third party affects or is liable to affect the function or functions of the trade mark. In this connection, the Commission would also recall that the only function of the trade mark to which the tenth recital in the preamble to Directive 89/104 and the seventh recital in the preamble to Regulation 40/94 refer, without distinguishing between Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation 40/94 on the one hand and Article 5(1)(b) of Directive 89/104 and Article 9(1)(b) of Regulation 40/94 on the other, is that to "*guarantee the trade mark as an indication of origin*".

50. The Commission therefore takes the view that this condition should be construed as meaning – solely – that the use of the sign by a third party affects or is liable to affect the function of the trade mark of guaranteeing to consumers the origin of the goods or services. Furthermore, the Commission is of the opinion that this is the case where the sign is used as a name for the purpose of referring to a good or service marketed by the third party. Essentially, there are three types of situations in which a sign is not used as a name for the purpose of identifying a good or service marketed by the third party.
51. The first type of use of a sign otherwise than as a name for a good or service is its descriptive use (*largo sensu*), i.e. use as part of an act of communication spelling out certain characteristics of a good or service which has been referred to by other means (e. g. by the trade mark owned by the third party). This case would cover situations such as those in Cases C-63/97, BMW and C-2/00, Hölderhoff as well as situations of comparative advertising (Cases C-533/06, O2 Holdings Limited and others and C-487/07, L'Oréal and others).
52. Secondly, a sign is used otherwise than as a name for a good or service in cases of decorative or symbolic use, i.e. where the sign is used as a component of a good which is itself of a merely decorative or symbolic nature, such as a toy which is faithfully executed reduced-scale reproduction of a good. This may have been, subject to the

corresponding verification by the national court, in the situation in Case C-48/05, Adam Opel, at paragraphs 23 and 24. Conversely, in Case C-206/01, Arsenal Football Club, there could be no question of decorative use since the goods at issue, namely scarves, were not themselves of a merely decorative or symbolic nature.

53. A third type of use of a sign otherwise than as a name for a good or service is its use as a commercial name (Case C-17/06, CELINE, [2007] ECR I-7041, at paragraph 23).
54. As regards the relationship between the condition that the sign is used as a name for the purpose of referring to a good or service marketed by the third party and the defence of a third party under Article 6(b) and (c) of Directive 89/104 and Article 12(b) and (c) of Regulation 40/94 the latter provisions can be viewed as governing explicitly – *pars pro toto* – two specific cases in which a sign is used otherwise than as a name for a good or service – and more specifically in a descriptive manner – and where therefore the function of the trade mark of guaranteeing to consumers the origin of the goods or services is not affected or liable to be affected. In other words, the defence of a third party under Article 6(b) and (c) of Directive 89/104 and Article 12(b) and (c) of Regulation 40/94 is of no autonomous relevance against a claim based on Article 5(1)(a) or (b) of Directive 89/104 or of Article 9(1) (a) or (b) of Regulation 40/94 is equivalent to the mere absence of one of the condition required under the latter provisions to prevent the use of a sign by a third party.
55. In the present case, to the extent that an act of communication emanating from the advertiser could be understood as hinting implicitly at a connection of a not further specified nature between the goods of the advertiser and those for which the trade mark is protected is at best an – all the more vague – form of descriptive use of a sign identical to the trade mark. Conversely, the advertiser does not use the sign as a name for the purpose of referring to a good or service which he is marketing. Therefore it would not seem that such use affects or is liable to affect the function of that trade mark of guaranteeing to consumers the origin of the latter goods.

cc) Conditions required under Article 5(2) of Directive 89/104 and Article 9(1) (c) of Regulation 40/94

56. Under Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation 40/94 the trade mark proprietor may prevent any unauthorised use of a sign by a third party which is identical or similar to the trade mark and of which any potential use is liable to generate or enhance, in the mind of the relevant consumers, positive ideas of the same nature about characteristics of the goods or services marketed by the third party and hence to take unfair advantage of the distinctive character or the repute of the mark or to affect the capacity of the trade mark to generate or enhance positive ideas and hence to be detrimental to the distinctive character or to the repute of the trade mark (Case C-252/07, Intel, at paragraphs 26 and 27).
57. However, these conditions concern merely the intrinsic relationship between the trade mark and the sign and between the goods (or services) for which the trade mark is protected and those for which the sign is used. Conversely, they do not concern the concrete circumstances under which a sign is used by the third party.
58. This can be derived from the fact that the condition under which the trade mark proprietor may prevent any unauthorised use of a sign by a third party, laid down in Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation 40/94, is worded exactly in the same way as the condition under which a trade mark shall not be registered, laid down in Article 4(4)(a) of Directive 89/104 and Article 8(5) of Regulation 40/94. In that connection, the Court has explicitly held that the interpretation of Article 5(2) of Directive 89/104 applies equally to Article 4(4)(a) of that Directive (Case C-252/07, Intel, at paragraph 25). However, at the stage when the question of whether a given sign is to be registered as a trade mark is to be assessed, by definition, no concrete circumstances under which that sign is used can be known yet.
59. Hence, when assessing whether use of a sign by a third party is liable to take unfair

60. In the present case, therefore, the fact that an advertiser has concluded a contract with the operator of a search engine pursuant to which, whenever a user of the Internet enters a "keyword" consisting of the sign, a sponsored link of that advertiser appears allowing the user of the Internet, via a hyperlink, to reach a website of the advertiser on which goods are advertised or offered for sale is immaterial for the purpose of assessing whether use of the sign made by the advertiser is liable to take unfair advantage of the distinctive character or the repute of the mark or to be detrimental to the distinctive character or to the repute of the trade mark, within the meaning of Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation 40/94.

d) Conclusion

61. In view of the above, the proposed answer to questions 1 to 4 is the following:

"An advertiser does not use a sign identical to a trade mark, within the meaning of Article 5(1)(a) and (2) of Directive 89/104 and Article 9(1)(a) and (c) of Regulation 40/94, by concluding a contract with the operator of a search engine pursuant to which, whenever a user of the Internet enters a "keyword" consisting of the sign, an advertisement of that advertiser appears allowing the user of the Internet, via a hyperlink, to reach a website of the advertiser on which goods are advertised or offered for sale. In the alternative, were a sign, under such circumstances, nevertheless to be regarded as being used by the advertiser, within the meaning of Article 5(1)(a) and (2) of Directive 89/104 and Article 9(1)(a) and (c) of Regulation 40/94, such use would be made with the intention to realise the economic value of the goods advertised or offered for sale on his website and, therefore, within the meaning of these provisions, in relation to these goods. Such use would however not affect or be liable to affect the function of that trade mark of guaranteeing to consumers the origin of the goods for which the trademark is protected, within the meaning of Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation 40/94. When assessing whether use of a sign by a third party is liable to take unfair advantage of the distinctive character or the repute of the mark or to be detrimental to the distinctive character or to the repute of the trade mark, within the meaning of Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation 40/94, only those among the concrete circumstances under which the sign is used by the third party which concern use in the course of trade and in relation to goods or services are of relevance."

2. Questions five to eight

62. By these questions, which the Commission equally deems appropriate to answer jointly, the referring Court essentially asks, firstly, whether, under the circumstances as described at point 18 above, an operator of a search engine uses a sign identical to a trade mark, within the meaning of Article 5(1)(a) and (2) of Directive 89/104 and Article 9(1)(a) and (c) of Regulation 40/94, and, secondly, whether, as the case may be, such use is made, within the meaning of the said provisions, in relation to goods.
63. As to the first point, in the Commission's view, under the circumstances as described at point 18 above, there is no act of communication emanating from the operator of a search engine - no more than from the advertiser - of which the sign at issue would be a part.
64. As to the second point, the Commission wishes to recall that in its opinion a sign is used in relation to a good where it is used with the intention to realise the economic value of that good by transferring the right to dispose thereof to a third party (cf. points 29 and 30 above).
65. It can well be derived from the case law of the Court that this economic value must not necessarily be realised by the operator who uses the sign in question. Indeed, the Court has held that the fact that an operator – such as trade intermediary on the Internet – uses a sign in relation to goods which are not his own goods, in that it is not him but another operator (i. e. the vendor), on behalf of whom the first operator acts, who has title to them, is not relevant for the purpose of the concept of ‘use’ within the meaning of Article 9(1) of Regulation 40/94 (Case C-62/08, UDV North America Inc, Order of 19 February 2009, not yet reported, at paragraphs 42 -54).
66. However, in the Commission's view, the act by which the economic value of the good at issue is realised must be performed by the operator who uses the sign in question, i. e. from whom emanates an act of communication. This follows necessarily from Article 5(3)(b) and (d) of Directive 89/104 and Article 9(3))(b) and (d) of Regulation 40/94 which refer, inter alia, to "offering of goods" and to "using the sign on business papers and in advertising" as to acts qualifying as use of a sign in the course of trade in relation to a good. This implies that the acts of use and of realising the economic value of the

good must be amenable to coinciding *uno actu*, which requires that they emanate from the same operator. This reading is borne out by the Court's finding in Case C-206/01, *Ansul* (at paragraph 41) that "*the use at issue [...] is 'for goods' within the meaning of Article 5(1)(a) of the Directive, since it concerns the affixing to goods of a sign identical to the trade mark and the offering of goods, putting them on the market or stocking them for those purposes within the meaning of Article 5(3)(a) and (b)*".

67. In the present case, however, the act by which the economic value of the goods advertised or offered for sale by the advertiser on his website is realised is not performed by the operator of the search engine but rather by the advertiser. For it is him who concludes the (sale) transactions by which that economic value is realised through a transfer of the right to dispose of the good to a third party. It is not sufficient in this respect neither that the operator of the search engine facilitates the transactions operated by the advertiser nor that he takes an economic advantage thereof by receiving a commission for each transaction concluded.
68. Hence, even if there were an act of communication emanating from the operator of a search engine, such use would not be made, within the meaning of Article 5(1)(a) and (2) of Directive 89/104 and Article 9(1)(a) and (c) of Regulation 40/94, in relation to goods.
69. In view of the above, the proposed answer to questions five to eight is the following:

"By concluding a contract with an advertiser, pursuant to which, whenever a user of the Internet enters a "keyword" consisting of the sign, an advertisement of that advertiser appears allowing the user of the Internet, via a hyperlink, to reach a website of the advertiser on which goods are advertised or offered for sale, an operator of a search engine does not use a sign identical to a trade mark, within the meaning of Article 5(1)(a) and (2) of Directive 89/104 and Article 9(1)(a) and (c) of Regulation 40/94. Even if, under such circumstances, the operator of a search engine were to be regarded as using a sign identical to a trade mark, such use would not be made, within the meaning of the said provisions, in relation to goods."

3. Questions nine and ten

70. Given the proposed answer to questions five to eight, there is no need to answer questions nine and ten, since these questions have been asked in the event that use of a keyword consisting of a protected trade mark by an provider of the paid referencing service would fall within the scope of application of Article 5(1)(a) and 5(2) of Directive 89/104 and Article 9(1)(a) and 9(1)(c) of Regulation 40/94.

IV. CONCLUSION

71. For all those reasons, the Commission considers that the questions asked by the referring courts should be answered in the following sense:

"By concluding a contract with the operator of a search engine pursuant to which, whenever a user of the Internet enters a "keyword" identical to a trade mark, an advertisement of an advertiser appears allowing the user of the Internet, via a hyperlink, to reach a website of the advertiser on which goods are advertised or offered for sale, the advertiser does not use the sign, within the meaning of Article 5(1)(a) and (2) of Directive 89/104 and Article 9(1)(a) and (c) of Regulation 40/94. In the alternative, if, under such circumstances, a sign were nevertheless to be regarded as being used by the advertiser, within the meaning of Article 5(1)(a) and (2) of Directive 89/104 and Article 9(1)(a) and (c) of Regulation 40/94, such use would be made with the intention to realise the economic value of the goods advertised or offered for sale on his website and, therefore, within the meaning of these provisions, in relation to these goods. Such use would however not affect or be liable to affect the function of that trade mark of guaranteeing to consumers the origin of the goods for which the trademark is protected within the meaning of Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation 40/94. When assessing whether use of a sign by a third party is liable to take unfair advantage of the distinctive character or the repute of the mark or to be detrimental to the distinctive character or to the repute of the trade mark, within the meaning of Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation 40/94, only those among the concrete circumstances under which the sign is used by the third

party which concern use in the course of trade and in relation to goods or services are of relevance.

By concluding a contract with an advertiser, pursuant to which, whenever a user of the Internet enters a "keyword" consisting of the sign, an advertisement of that advertiser appears allowing the user of the Internet, via a hyperlink, to reach a website of the advertiser on which goods are advertised or offered for sale, an operator of a search engine does not use a sign identical to a trade mark, within the meaning of Article 5(1)(a) and (2) of Directive 89/104 and Article 9(1)(a) and (c) of Regulation 40/94. Even if, under such circumstances, the operator of a search engine were to be regarded as using a sign identical to a trade mark, such use would not be made, within the meaning of the said provisions, in relation to goods."



Hannes KRÄMER

Agent of the Commission