



CONCEPT

AdWords: Uncertainty remains for Google and advertisers despite ECJ decision

The European Court of Justice (ECJ) has recently ruled that Google's sale of third-party registered trade marks as keywords through its Adwords service, and subsequent display of advertisements triggered by those keywords, is not use by Google of those trade marks in the course of trade (and so Google cannot be liable for trade mark infringement for such use).

However, question marks remain over whether advertisers who purchase keywords can be liable for trade mark infringement, and whether Google could be jointly liable if it plays an active role in that purchase.

In a departure from the recent Advocate-General's opinion on the same issue (reported in the previous edition of *Concept*), the ECJ held (in a referral from three French cases brought by brand owners, including Louis Vuitton, against Google) that the selection of keywords by advertisers was both use in the course of trade and use in relation to goods and services to which the keywords relate.

Further, the ECJ made it clear that advertisers might be held liable for trade mark infringement, if an advertisement makes it difficult for reasonably attentive internet users to discern whether the advertised goods and services originate from the owner of the trade mark being used as a keyword or the advertiser.

As for Google, the ECJ held it could be held jointly liable for trade mark infringement with advertisers, depending on the extent to which it had actively suggested keywords and/or text for the advertisement.

Ultimately these somewhat obscure tests will be for national courts to apply to the facts, so regrettably there is still no hard and fast guidance for advertisers. However, at the very least advertisers using third-party trade marks as keywords should take care not to display that trade mark or anything confusingly similar to it in the body of the advertisement.

Welcome

Welcome to the Spring 2010 edition of **Concept**, the news bulletin from Burges Salmon's Intellectual Property and Technology Team.

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FIFA to up its game against ambush marketers

Ambush marketing occurs when a brand associates itself with a major event without paying for official sponsorship, in an attempt to exploit the goodwill, attention and benefits that the event will generate.

With the World Cup due to kick off in South Africa on 11 June 2010, FIFA's official partners (including Adidas, Coca Cola, Sony, Visa, and Emirates) will be anxious to see how far FIFA will go to preserve their investment as corporate partners against the tactics of ambush marketers.

The South African authorities have designated the 2010 World Cup a "protected event" under the Merchandise Marks Act (MMA) to avoid any entities deriving "special promotional benefit" from the event without permission. Consequently FIFA's permission is required for any trade mark use (even where the user owns the trade mark) or activity in South Africa which could suggest a commercial association with the World Cup. This extra layer of legislative protection within South Africa contrasts with more limited protection for the event in Europe as highlighted by two recent cases.

In *FIFA v Ferrero*, the German Federal Supreme Court rejected FIFA's attempt to invalidate Ferrero's trade marks, including "World Cup" and "2010", on the basis of trade mark or unfair competition law. In particular, it held that FIFA's right to exploit the tournament commercially did not enable it to prevent all types of third party exploitation relating to the event.

In contrast, the Pretoria High Court recently granted FIFA an injunction under the MMA, stopping Metcash using the mark "2010" in its lollipops, in combination with images of soccer balls and the South African flag.

In any jurisdiction, the World Cup is big business, and given the differing reach of legislation around the globe, brand owners should take legal advice before considering whether and how to take advantage of this potential marketing opportunity.



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Smirnoff v Vodkat



“Mr Justice Arnold held that ‘vodka’ was a clearly defined class of goods (similar to champagne and whisky) which had reputation giving rise to goodwill ... ”

The High Court has recently confirmed that the law of passing-off can protect not just specific brands, which have an established reputation giving rise to a protectable goodwill, but also clearly defined classes of goods.

The case was brought by Diageo (which owns the brand SMIRNOFF) against Intercontinental Brands (ICB) Ltd (ICB) and its sale of the vodka-based drink, VODKAT. European legislation requires vodka to be produced with a minimum 37.5% alcohol by volume (ABV). However, VODKAT was a mixture of fermented alcohol and vodka with 22% ABV, categorised as a “fermented beverage”.

Diageo claimed that ICB passed off the term “vodka” through its sale of VODKAT. ICB argued in its defence that the name VODKAT merely indicated that the product contained vodka. There was, however, evidence that VODKAT promotional activity had targeted the core vodka market of 18-to-25-year-old females and the packaging

was similar to the get-up of vodka products. There was also evidence that the product was displayed and sold alongside vodka, and that consumers had been confused into believing VODKAT was a vodka product.

Mr Justice Arnold held that “vodka” was a clearly defined class of goods (similar to champagne and whisky) which had reputation giving rise to goodwill that could be protected by so-called “extended” passing-off. Further, VODKAT had been marketed in such a way as to deceive a substantial proportion of the public into believing the product was vodka, or a weaker version of vodka, and that Diageo had lost sales as a result. Moreover, the marketing of VODKAT was likely to erode the distinctiveness of the term “vodka”.

Accordingly the Court held that ICB had passed-off VODKAT as vodka.

Debate over genuine CTM use

As with a UK trade mark, a Community Trade Mark (CTM) may be revoked if it is not put to “genuine use” within a five-year period from registration. The meaning of this requirement has recently resulted in a row between two trade mark registries.

The Intellectual Property Office for Benelux decided in an trade mark opposition that the relevant CTM, which had been used extensively within the Netherlands, had not been put to genuine use within the Community as the use had taken place entirely within a single Member State, rather than on a Community-wide basis. This view has since been endorsed by the registries in a number of other Member States.

Meanwhile, OHIM, the office which deals with CTMs, has rejected this interpretation: in its view the boundaries of Member States should not play a part in assessing “genuine use” within the Community. OHIM will therefore

continue to take into account all of the facts and circumstances of any case before deciding whether a CTM has been genuinely used.

The original Benelux decision is now being appealed, raising hopes of a reference being made to the ECJ for a definitive answer which will bind all Member States.

In the meantime, there is no need for CTM holders who have only used their marks in one or two Member States to be unduly alarmed. This issue has no bearing on CTMs until they have been registered for more than five years, and any revocation action after that is likely to be decided by OHIM (which maintains that use in one or two countries can be genuine use). If a CTM is revoked for lack of genuine use, a rights holder may be able to convert it into a bundle of national trade marks, so that the rights holder may still continue to have protection where it is most needed.

BSkyB win case against EDS

One of the longest-running and most complicated disputes in the technology sector has finally come to an end, with the Technology and Construction Court finding Electronic Data Systems (EDS) liable for fraudulent misrepresentation.

BSkyB expects that EDS will be ordered to pay damages of around £200 million. The precise figure will not be known until after various issues on quantum have been determined, and legal costs running into millions of pounds will also need to be dealt with.

The dispute arose out of a contract agreed in 2000 under which EDS, now owned by HP, were appointed to build a new Customer Relationship Management (CRM) system. The deal was worth approximately £48 million but, as the judge said, "the relationship was not a success". Delays and cost overruns plagued the project which was finally completed in March 2006, rather than the intended date of March 2002, at a cost of around £265 million. Unsurprisingly, BSKyB blamed EDS and issued proceedings against it.

BSkyB claimed that EDS had made a number of misrepresentations: it had misdescribed the CRM system as "proven leading-edge technology", overstated its capabilities in terms of resources and implementation methodologies, and understated the cost and time required to implement the system. The case lasted for 109 days over a ten-month period and involved thousands of documents, many witnesses and expert evidence.

Legal argument covered the alleged misrepresentations, construction of the entire agreement and exclusion clauses, causation, mitigation and damages. The judge agreed that EDS had made certain fraudulent misrepresentations and one negligent misrepresentation but did not hold it liable to BSKyB for any of the other representations.

HP is seeking permission to appeal. In the meantime it will be interesting to see if sales people pitching for business are more careful about what they say and how they represent their company and its products.

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Hotel Cipriani

The recent Court of Appeal case of *Hotel Cipriani* establishes that the so-called "own name" defence to trade mark infringement is not restricted to use of a registered company name, and that it can include the trading name of a business provided it is being used for honest purposes.

The claimants were members of a hotel group that owned the famous hotel in Venice, Hotel Cipriani, and a CTM for the word CIPRIANI for hotel and restaurant services. The claimant brought an action against the operators of a restaurant in London called Cipriani London (also known as Cipriani) for infringement of the CTM and for passing-off. The restaurant operators relied on the "own-name" defence on the basis that Cipriani was the trading name of the business. They lost in the High Court and appealed.

Although Lord Justice Lloyd dismissed the appeal, he disagreed with the High Court judge's reasoning and held that the own-name defence should not be rigidly applied only to registered company names. A trading name could also potentially qualify depending on (a) the trading name; (b) in what circumstances it had been adopted; and (c) whether the use was in accordance with honest practices. However, the defendants failed this test for various reasons, including the fact that they knew of the existence of the CTM at the time they opened the restaurant, and that use of Cipriani as the name of the restaurant was "upfront in-your-face" trade mark use that was likely to cause confusion and infringe the CTM.

The Court of Appeal also reaffirmed that for a foreign business to establish goodwill in England it has to show it has both a reputation and customers in this country. Hotel



Cipriani had a significant reputation and received direct bookings from customers in England and therefore passed this test.

Internationalising the internet



ICANN, the body responsible for the coordination of the internet, has started the first stage implementation of its decision to accept non-Latin characters such as Arabic, Chinese and Cyrillic for top-level domains (TLDs). The decision has been heralded as the biggest change to the internet since it was created and is an opportunity to make the internet accessible to billions more people. However, some fear that it will lead to increased security risks for internet users and an increased burden on brand owners trying to protect their brand names.

Up until now, while domain names with non-Latin characters (known as internationalised domain names or IDNs) have been registrable in part, the TLD (coming after the final "dot") has only been registrable in Latin characters: for example, ".com" or ".uk" or ".cn". However, the first IDN "country code" TLDs will be available for registration later this year

and the wider expansion of IDN TLDs will follow soon after. Whilst these changes should of course be welcomed by brand owners as an opportunity to increase the number of customers using the internet as well as a chance to connect with existing internet users in their own language, as with any big change it is likely to cause a few headaches.

The key challenge will be brand protection. Brand owners will no longer be able to rely on defensive registrations as the number of available domain names is too great. Brand owners therefore need to ensure that they have an effective watching service in place to monitor new registrations. In the majority of cases, there is a good chance that registrants will settle any dispute and surrender the domain name. However, where this does not happen, companies will need to weigh up the cost and benefit of taking a zero tolerance approach to enforcing their rights.

Terry fails to side-step libel laws

The High Court refused to renew John Terry's interim "super-injunction" which, if allowed to remain in place, would have prevented not just the publication of details about his relationship with Vanessa Perroncel, but also the fact that such an injunction existed.

Terry claimed that publication would constitute a breach of confidence and misuse of private information. However, Mr Justice Tugendhat held that the "nub" of Terry's complaint was the protection of his reputation, rather than any other aspect of his private life, believing Terry's real concern to be "the impact of any adverse publicity upon the business of earning sponsorship and similar income".

Consequently Article 8 of the European Convention on Human Rights (respect for private and family life) was not

relevant and when considering whether or not to renew the injunction, the Court did not have to balance that right against the right to freedom of expression (Article 10 ECHR). As human rights considerations did not apply, Terry's application for an injunction had to be decided under defamation laws, meaning an interim injunction preventing publication would not be granted if there were grounds for concluding the information published might be true (as in this case), as this provides publishers with a complete defence to libel.

The Court was not therefore prepared to let Terry side-step defamation laws by framing his claim as one based on breach of confidence/misuse of personal information, and the application for an injunction was refused.

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