

**ON ADWORDS AND METATAGS:  
TRADEMARK LAW IMPLICATIONS IN THE  
BENELUX AND THE REST OF EUROPE**

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## **ON ADWORDS AND METATAGS: TRADEMARK LAW IMPLICATIONS IN THE BENELUX AND THE REST OF EUROPE**

1. Alberto de Elzaburu is undoubtedly one of the icons of European trademark law, but what has been far more rewarding for me, and others who have had the privilege of working with him, is his charm and friendship. To honour Alberto and his oeuvre, I would like to examine a few methods of internet advertising that are used in order to more effectively draw the internet user's attention to the advertiser's products or services. It appears that there is a major difference of opinion on the permissibility of these types of methods, specifically from a trademark law point of view.

2. If you type "internet advertising" on the Google website you will get 43,800,000 sites explaining how advertising on the internet works and/or offering tools to increase the effectiveness of online advertising: one of the sites has the following opening sentence "Search engine marketing is a specialisation in its own right." As we all experience on an almost daily basis, internet advertising is used abundantly. I will not be discussing the phenomena of spam e-mails and unsolicited pop-ups and advertising banners, the mere thought of which, by the way, is enough to put me in a bad mood. Rather, I will be focusing on the phenomena of metatags and adwords, the latter being the system that is used to place sponsored links on pages containing search results, and, specifically, on the question as to what role trademark law plays in this regard.

3. First, however, let us examine the phenomena themselves. According to the Dutch version of Wikipedia, a metatag is a field in a document containing specific metadata (in this case one or more words) that are included in the source of a website and are invisible in the normal view of that site<sup>1</sup>. The result is that if someone enters the relevant word in a search engine, a link to the website in question appears. The same result is accomplished if a particular word is included in the website itself in a way that renders the word invisible to the viewer, e.g. by placing the word in white font against a white background. This is an example of how a metatag works: the airline KLM includes the word "flights" as a metatag in the source of its

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<sup>1</sup> Metadata are data that describe the characteristics of particular data. Therefore, they are basically data about data, according to Wikipedia. Metatags that are built into a website can be viewed by clicking on view and then source; a screen then appears which, in addition to containing information about the website, may contain a number of assorted words.

website; consequently, when someone enters the word "flights" in a search engine, the KLM website appears<sup>2</sup>. From a trademark law perspective, no problem. Suppose, however, that KLM uses "Lufthansa" as a metatag, as a result of which the KLM website appears when the word "Lufthansa" is entered. This will (to put it mildly) not be appreciated by the German airline, and a trademark law problem may arise. It can be asked whether Lufthansa would be justified in objecting to KLM's behaviour. After all, if I look up "Lufthansa" in the Yellow Pages, I will find advertisements for KLM. This is perfectly normal and not a source of concern to anyone. The difference between these two situations, however, is that in the first case (internet search for "Lufthansa"), I do not choose to also be presented with information about KLM, in contrast to the situation where I look in the Yellow Pages or at a travel agent's brochure. Furthermore, the sole reason for the appearance of the information about KLM is that KLM itself has "used" the trademark "Lufthansa" for this purpose. Can Lufthansa take action against such use?

4. The other phenomenon is what is known as adwords or keywords. Search engines offer the possibility of causing internet advertisements to appear when the search engine is used to go to a related site, e.g. a general site or the site of a competitor. With Google, for example, it is possible to buy one or more adwords for a fee (the amount in question varies depending on the location of the advertisement and the maximum budget, but is often calculated based on the number of clicks on the advertisement). To stay with the KLM example: KLM can choose "flights" as an adword on Google and post an advertisement accordingly. Consequently, each time a user enters "flights" as a search term, the KLM advertisement (or in any event a link thereto, a "sponsored link") will appear, either above the search results against a light green background or in a column to the right of the search results. However, KLM can choose "Lufthansa" as an adword, in which case the KLM advertisement or link will appear when "Lufthansa" is entered as a search term.

5. The sale of adwords and sponsored links is a lucrative business for Google. For this reason, Google sites offer assistance with the identification of good adwords. For example, with regard to the Dutch Google site, if you go to <https://adwords.google.nl/select/KeywordToolExternal?defaultView=0> and enter "adidas" as a search term, Google will suggest a number of alternative adwords such as *sportschube*, *zapatillas*, *sneakers* and, for the less literate among us, *addidas*. If you do the same with the main Google site (<https://adwords.google.com/select/KeywordToolExternal?defaultView=0>), a much longer list of alternatives will appear, including e.g. *Vans shoes*, *Diesel shoes*, *New Balance shoes* and *Rockport shoes*, all of which are brands of competitors. In relation to our example, the question is whether Lufthansa can take any action against the use by KLM of "Lufthansa" as a metatag or adword and/or against the search engine operator running the adword system in question.

6. I will immediately reveal the answer: in Europe, it is generally the view that the use of another party's trademark as a metatag can be opposed. With regard to adwords, we find a variety of approaches, but here too it appears that in most jurisdictions the use of another party's trademark can be opposed. In this regard, a dis-

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<sup>2</sup> Of course, the website also appears if the word "flights" is not included as a metatag in the source, but merely appears in the text of the website.

inction must be made between the conduct of the user (the party that buys the relevant adword) and that of the search engine operator (who subsequently ensures that the adword has the desired effect).

7. Let me start by highlighting two important questions that arise under trademark law. In doing so I will refer to the relevant provisions of the First Trademarks Directive (hereinafter: the Directive)<sup>3</sup>. The first question is: does the use of a competitor's trademark as a metatag or the use by an advertiser or a search engine operator of that trademark as an adword legally constitute use of the trademark under the Directive (whether within the meaning of Article 5(1)(a) and 5(2) or under Article 5(5))? If yes, the second question is: does it constitute use *in relation to* goods or services within the meaning of Article 5(1)(a) or 5(2) (Article 5(1)(b) is not addressed as the use envisaged here pertains mainly to the use of an identical sign) or does it fall under Article 5(5), i.e. use for purposes other than those of distinguishing goods or services? The first question does not pose much difficulty. The definition of "use" given by Article 5(3) of the Directive is a broad one. Pursuant thereto, "use" includes the mere affixing of a sign to goods or packaging and the use of the sign on business papers and in advertisements. From these examples, it can be seen that "use" can be interpreted according to the word's plain-language meaning. These examples also in any event show that the use of the sign need not be visible for the public. It is generally accepted that the affixing of a trademark to goods that are destined exclusively for export and are not seen by the general public constitutes "use" of that trademark. For this reason, the inclusion of another party's trademark in the source of one's website or in some other hidden part of the site certainly falls within the definition of "use". In addition it could, if necessary, be classified as use on business papers or in advertisements; a website can, in my opinion, certainly be considered as the latter. In this regard it is worth mentioning the *Impuls* judgment of the German Federal Supreme Court<sup>4</sup>. In this judgment, the court ruled that the fact that the metatag was not visible was not decisive; what was decisive was that with the help of the relevant word, the hit selection process was influenced and the user was in that way led to the website in question. The metatag thus served to refer the user to the business that procured the metatag, and to the goods/services offered by that business.

I see no reason to view the posting on a search engine of an adword which consists of a competitor's trademark any differently. This can also be interpreted as the use of a trademark in business papers, specifically, in the form that is submitted in order to have a link to an advertisement created on a search engine. In my opinion, the entering by a search engine operator of the adword in the relevant search engine's system, as well as the act of causing the desired sponsored link to appear on the search results page by means of that adword, both constitute use of the trademark by the operator. The same would apply to an advertising agency that designs posters containing the client's trademark; that too constitutes use of the trademark.

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<sup>3</sup> Directive 89/104/EEC of the Council of 21 December 1988 to approximate the laws of the Member States relating to trade marks, OJ 1989, L 40, p. 1.

<sup>4</sup> German Federal Supreme Court 18 May 2006, *European Trade Mark Reports* 2007, 717 (*Impuls*).

8. For the question as to whether the use discussed under point 7 above falls under Article 5(1)(a) or 5(2) of the Directive, it is also of importance whether such use occurs in the course of trade (this, by the way, is not a requirement for Article 5(5)). There may be an inclination to conclude that use that is not visible to others does not constitute use in the course of trade. From the decision of the European Court of Justice (ECJ) in *Arsenal/Reed*, however, it follows that “use in the course of trade” should be interpreted as meaning use that takes place in the context of commercial activity with a view to financial gain, and not in a private context<sup>5</sup>. There is no doubt that both the use of metatags and the use of adwords constitute use that is aimed at making a profit<sup>6</sup>.

9. The second of the two questions I raised at the beginning of point 7 is a more complicated one. Under which provision does the abovementioned type of use fall? To answer this, it must first be established what is meant by use “in relation to goods or services”. In the *Céline* judgment, the ECJ confirmed what it had already ruled in the *BMW/Deenik* judgment, namely, that “use for goods or services” as referred to in Article 5(1) and 5(2) of the Directive is use for the purposes of distinguishing the relevant goods or services, i.e. as a trademark, whereas Article 5(5) pertains to the use of a sign for purposes other than those of distinguishing goods or services. The question, however, is: whose goods? Following the *BMW/Deenik* judgment, I assumed that the ECJ viewed the use by another party (in the case at hand, the unauthorised dealer) of a trademark for goods that the trademark holder had put on the market (an example of such use being the slogan “repairs and maintenance of BMW cars”) as use of that trademark for the purposes of distinguishing those goods, and thus as falling under Article 5(1). This is because the other party is using the trademark to distinguish the trademark holder’s goods (or, although this is not important for the time being, to distinguish those goods as the object of the services provided by the other party). Following the *Adam Opel/Autec* judgment, however, we now know that the ECJ does not intend this to apply in all cases<sup>7</sup>. It is true that the ECJ has upheld the reasoning in the *BMW/Deenik* judgment in relation to the situation that arose in that case, but for other situations in which the trademark whose use is being contested is used to distinguish the trademark holder’s goods, Article 5(1)(a) does not apply. Paragraph 28 of the *Adam Opel/Autec* judgment indicates that this provision only applies when the relevant trademark is used to distinguish the goods of the other party, not those of the trademark holder himself. This is essentially what the Benelux Court of Justice ruled in the *Omnisport* judgment<sup>8</sup>, rendered under the old Benelux Trademarks Act. According to that court, the use of a competitor’s trademark in comparative advertising did not fall under the then applicable Benelux provision, which was identical to Article 5(1)(a) of the Directive, be-

<sup>5</sup> European Court of Justice, 12 November 2002, C-206/01.

<sup>6</sup> Here I am excluding use in websites of a political, idealistic or charitable nature.

<sup>7</sup> European Court of Justice 25 January 2007, [2007] *European Trade Mark Reports* 33, *Intellectuele Eigendom en Reclamrecht* 2007/28, p. 116 with commentary Gielen; *Ars Aequi* 2007, 460 with commentary Gielen (*Adam Opel/Autec*).

<sup>8</sup> Benelux Court of Justice 7 November 1988, *Nederlandse Jurisprudentie* 1988, 300 with commentary Wichers Hoeth; *Bijblad bij de Industriële Eigendom* 1989, 191 with commentary van Nieuwenhoven Helbach (*Omnisport*).

cause the party who does the comparative advertising uses the competitor's trademark to distinguish the competitor's goods, and not those of his own. Whether the solution given by the ECJ is a clear and logical one is a question that I will leave for another time<sup>9</sup>.

10. What does all this mean for metatags and adwords? It is my opinion that, following the *Adam Opel/Autec* judgment, the use of the relevant sign, whether as a metatag or adword, is considered not as use for the purpose of distinguishing the user's own goods/services (the user will, after all, use his own trademark on his website or in the sponsored link for that purpose), but as use for the purpose of distinguishing the competitor's goods/services. Therefore, under the ECJ's taxonomy, such use does not fall (or no longer falls) under the provisions of Article 5(1) and 5(2) of the Directive, but under Article 5(5). This is what has thus far been generally held under Benelux law<sup>10</sup>.

11. Let us now examine how other national courts in Europe are dealing with this issue. Thus far, most of the relevant decisions have pertained to the use of metatags. However, in Germany for example, there have been cases involving adwords. It is noteworthy that the consequences of the abovementioned *Adam Opel/Autec* judgment have not yet really penetrated there. To this, however, I should add that in a number of cases Article 15(1) of the Markengesetz (the German Trademarks Act) —protection against the confusing use of trade names— was invoked along with, or instead of, the provisions of Article 14(2) of that Act (the equivalent of Article 5(1) and 5(2) of the Directive). It is easily assumed by the German courts, in the case of both metatags and adwords, that the use in question constitutes "markenmässig" or "kennzeichenrechtlich" use (use as a trademark or as a distinctive sign), irrespective of whether it is use for the purpose of distinguishing the user's own goods/services or those of the other party<sup>11</sup>. The discussion in Germany focus-

<sup>9</sup> For a critical discussion of the case law of the ECJ in this respect see P. Reeskamp, "Is Comparative Advertising a Trade Mark Issue?", [2008] *European Intellectual Property Review*, p. 130. In the recent *O2/Hutchison* case (ECJ 12 June 2008, C-533/06) the solution of the ECJ regarding the use of the trademark of someone else in comparative advertising is quite surprising. In comparative advertising the trademark used by the advertiser is not made to distinguish his goods and services but those of his competitor. The ECJ upheld the rationale of *Adam Opel/Autec*-case by ruling that the use by an advertiser, in a comparative advertisement, of a sign identical with, or similar to, the mark of a competitor for the purposes of identifying the goods and services offered by the latter can be regarded as use for the advertiser's own goods and services for the purposes of Article 5 (1) and (2). The reason given is that the advertiser seeks to distinguish his goods and services by comparing their characteristics with those of competing goods and services. This is not very convincing in particular because the UK High Court established that the trademarks used by the advertiser were clearly perceived as referring to the trademark owner.

<sup>10</sup> See President of Amsterdam District Court 16 December 1999, *Bijblad bij de Industriële Eigendom* 2001, 410 (*Air Miles/Music Miles*); Court of Appeal of The Hague 8 March 2001, *Bijblad bij de Industriële Eigendom* 2002, 427 (*The Monster Board/VNU*); Amsterdam Court of Appeal 14 December 2006, *Intellectuele Eigendom en Reclamerecht* 2007/27, p. 114 (*Portakabin/Primakabin*); Antwerp Court of Appeal 25 September 2006, *I.R.D.I.* 2006, 400 (*Upper*). No trademark infringement: interim relief judge Amsterdam District Court 24 August 2006, *Intellectuele Eigendom en Reclamerecht* 2006/89, p. 314 (*Endless/Google*).

<sup>11</sup> See the German Federal Supreme Court judgment referred to in footnote 4, as well as E. Ullmann "Wer sucht, der findet - Kennzeichenverletzung im Internet", *GRUR* 2007, p. 633 and M. Horak "Die Platzierung von nicht sichtbaren Keywords zwecks Bewerbung von Leistungen als Markenverletzung am Beispiel der Keywords in Google Adwords", *Markenrecht* 2007, p. 240.

es far more on whether or not use occurs visibly. The discussion in the Benelux is different, the reason being that Article 5(5) of the Directive is implemented in Benelux law<sup>12</sup>. Therefore the focus is more on whether or not the use in question is use in relation to goods/services (Article 5(1)(a)), or for other purposes (Article 5(5)). In Germany, a metatag is viewed as constituting confusing use as a trade name; see inter alia the Federal Supreme Court decision in *Impuls*. Following on from that decision, the Brunswick Oberlandesgericht (regional court of appeal), as well as a few other courts, decided that this also applied to adwords because the trademark functions as a “guide” or “pilot” (“*lotsenfunktion*”)<sup>13</sup>. The Dusseldorf Oberlandesgericht explicitly left open the issue of use as a trademark; it held that the claims in question already failed on the ground that there was no risk of confusion, as the average reasonably well-informed consumer understood —also, in view of the positioning of the advertisement— that the advertisements which appeared as a result of the use of the adword had nothing to do with the advertisement for which the internet user was searching<sup>14</sup>. Vis-à-vis the search engine operator Google, it was held that the latter was not required, in the absence of any advance warning, to check the adwords chosen. Google was only under an obligation to prevent the (infringing) acts in question if it was obvious, also to a layperson, that an infringement was involved<sup>15</sup>.

12. A judgment to the abovestated effect was also rendered by the Austrian Supreme Court<sup>16</sup>. However, in a lawsuit against a user of adwords, the same court held that the case in question was one of “*markenmässig*” use (use as a trademark) and concluded that the advertisement appearing above the list of hits could give rise to confusion as to its origin. Such risk of confusion would not arise, however, in the case of advertisements that appeared in a separate column on the right-hand side of the screen<sup>17</sup>.

13. In England, there is little known case law on the subject. I refer to the Court of Appeal’s judgment in the *Reed* case, which related to the question of whether the use of a metatag consisting of the name Reed should be considered as infringing. The problem was that there were two businesses whose names contained the name Reed: Reed Business Information (a publishing company) and Reed Executive (a recruitment company). At a certain time, Reed Business Information operated a website containing, inter alia, job announcements and including as a metatag the word Reed (among others). In the lawsuit initiated by Reed Executive in this regard, the Court of Appeal explicitly left open the question as to whether this constituted use of a trademark, and dismissed the case on the ground that there was no risk of confusion<sup>18</sup>. More recently, the issue of keyword advertising and the liability of a search engine operator (Yahoo) was the subject of a High Court summary judgment. In the relevant case, the plaintiff, a Mr. Wilson, was the owner of the trade-

<sup>12</sup> Namely in Article 2.20(1)(d) of the Benelux Convention on Intellectual Property.

<sup>13</sup> OLG Brunswick 5 December 2006, *Markenrecht* 2007, 110 (*Impuls II*).

<sup>14</sup> OLG Dusseldorf 23 January 2007, *Markenrecht* 2007, 140 (*Beta Layout*).

<sup>15</sup> OLG Hamburg 4 May 2006, *GRUR* 2007, 241 (*Preispiraten*).

<sup>16</sup> Austrian Supreme Court 19 December 2005, *GRUR* 2007, 241 (*Google*).

<sup>17</sup> Austrian Supreme Court 20 March 2007, *MMR* 2007, 497 (*Wein & Co.*).

<sup>18</sup> Court of Appeal 3 March 2004, [2004] *EWCA Civ 159* (*Reed Executive plc/Reed Business Information Ltd. and others*); also see in this regard S. Blakeney, “Adverse to adwords? An overview of the recent cases relating to Google adwords”, *Computer and Telecommunications Law Review* 2007, 13(3), 83-87.

mark “Mr. Spicy”, registered for food, sauces and spices, and provision of food and drink. Mr. Wilson was displeased with the fact that internet searches for the word “spicy” resulted in the appearance of links to competitors among the search results. The court concluded that the defendants had not used the trademark as an adword, only the word “spicy”, and that any use of “Mr. Spicy” was solely on the part of internet users conducting a search. The court went on to say that even if “Mr. Spicy” had been sold as an adword, the use of the term by the search engine operator would not constitute use as a trademark, in light of the ECJ decision in *Arsenal/Reed*. Referring to what would happen if “Mr. Spicy” was typed in as a search term, the relevant High Court judge said:

“There is a reference to Sainsbury’s. It does not say that all the food sold at Sainsbury’s has Mr. Wilson’s trade or business as an origin. It is not pretending that Sainsbury’s food all comes from Mr. Wilson’s trade or business, “Mr. Spicy”. It does not even say that Sainsbury’s, amongst the many brands they stock, stock Mr. Wilson’s foods under the brand name “Mr. Spicy” or under the trade mark “Mr. Spicy”. I do not begin to see how what is described in the search response with reference to Sainsbury’s has any impact of an adverse character on Mr. Wilson’s rights as proprietor of the Community Trade Mark<sup>19</sup>.”

14. The situation in France differs somewhat from that in the other countries. Both the Versailles Cour d’Appel (court of appeal)<sup>20</sup> and the Strasbourg Tribunal de Commerce (commercial court)<sup>21</sup> concluded that the use of adwords should be prohibited, but on different grounds. The Versailles court held that such use gave rise to confusion because the consumer might think that there was a relationship between the advertiser and the trademark holder, even though the advertisement appeared on the right-hand side of the search engine site with the designation “*liens commerciaux*” (sponsored links); furthermore, the adword use constituted parasitic unfair competition. The Strasbourg court held that it was unlikely that confusion would arise, but concluded there was unfair competition because the trademark holder’s repute was being exploited in a parasitic manner. With regard to the liability of a search engine operator, both the Paris Cour d’Appel<sup>22</sup> and the aforementioned Versailles Cour d’Appel<sup>23</sup> held that a search engine operator was under an obligation to take measures, prior to the marketing of advertisement services, to prevent trademark infringements, because the concept and content of the adword advertising system offer strong incentives to commit such infringements. The abovementioned Strasbourg court thought otherwise, as it held that only a reasonable effort should be demanded of the search engine operator and, in the case at hand, held that

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<sup>19</sup> High Court 20 February 2008, [2008] EWHC 361 (Ch) (*Victor Wilson / Yahoo! UK Ltd. and Overture Services Ltd.*).

<sup>20</sup> Versailles Court of Appeal 23 March 2006, unpublished (*Google France v. CNRRH*).

<sup>21</sup> Strasbourg District Court 20 July 2007, unpublished (*Atrya/Google*).

<sup>22</sup> Paris Court of Appeal 28 June 2006, IIC 2007, 116 (*Google/Louis Vuitton*); It should be mentioned that this case involved, among other things, sponsored links to sites on which fake Louis Vuitton products were offered for sale.

<sup>23</sup> See footnote 19.



Google had taken sufficient measures against trademark infringements by users of its advertising services<sup>24</sup>.

15. In Italy, it was decided in a number of cases regarding metatags that there were no trademark infringements, but that there was unfair competition<sup>25</sup>. With regard to adwords, there are some cases pending, but no decision has as yet been rendered in any of them.

16. The above survey shows a very mixed picture. Where the use of adwords is seen as having trademark law implications, this has been either in judgments rendered prior to the ECJ decision in *Adam Opel/Autec* or from an approach which differs from the ECJ's approach in that case, possibly as a result of the absence of a provision equivalent to Article 5(5) of the Directive. We will soon know how the ECJ will look at the trademark implications of the use of adwords, since a number of cases has been referred to the ECJ in the meantime<sup>26</sup>, it should be pointed out, however, that, whatever the outcome of the ECJ cases in, this will not always offer a solution, as long as there are countries in which the use of adwords is addressed under the national rules on unfair competition, as this concerns what for now is virtually a completely unharmonised area of law.

17. Let me now return to the Benelux, as far as I know the only jurisdiction where a provision identical to Article 5(5) exists. In fact Article 5(5) was based on a provision of Benelux law (the Benelux Trademarks Act, since replaced by the Benelux Convention on Intellectual Property). Pursuant to the Benelux provision, a trademark holder was entitled to oppose any use of his trademark or a similar sign (whether use for the purposes of distinguishing goods or services, or for other purposes) provided such use could be prejudicial. Since the provisions of Article 5(1) and 5(2) of the Directive speak of use *in relation to* goods and services, the Benelux countries wanted to maintain the possibility for trademark holders to oppose other damaging forms of use; hence Article 5(5)<sup>27</sup>. As explained under point 7 above, the use of metatags and adwords can, in my opinion, be covered by the latter provision. But even if it is established that the use of a metatag or adword should be considered as "use" within the meaning of Article 5(5), which is what I argue in point 7, the question then arises as to whether such use can be considered as use that takes unfair advantage of, or that is detrimental to the distinctive character or the repute of, the relevant

<sup>24</sup> See footnote 20.

<sup>25</sup> Milan Regional Court 8 February 2002, *Corriere Giuridico* 2002, 1607 (*Technoform Bautech Italia/Alfa Solare*), in which it was explicitly held that there was no trademark infringement because the use of the trademark did not affect the latter's essential functions; Naples Regional Court 28 December 2001, *Diritto Informazione e Informatica*, 2002, 94 (*Philips/Infostrada*); Rome Regional Court 18 January 2001, *Diritto Informazione e Informatica*, 2001, 550 (*Trieste/Crowe Italia*).

<sup>26</sup> See the cases *Google France/Louis Vuitton* (C-236/08), *Google France/Viaticum, Luteciel* (C-237/08), *Google France/CNRRH a.o.* (C-238/08) and *Die BergSpechte Outdoor Reisen c.s./Guenter Guni* (C-278/08) and finally Dutch Supreme Court in its decision of December 12, 2008, case nr. C07/056HR (*Primakabin/Portakabin*) in which it concerns the use by an non authorized dealer (of second hand products) of adwords consisting of the original trademark and misspellings of it; the detailed questions by the Supreme Court deal with the application of art. 5(1)(a), 6(1)(b)-(c), 7 and finally 5(5) of the Directive.

<sup>27</sup> For the background see Gielen, "Harmonisation of Trade Mark Law in Europe: The First Trade Mark Harmonisation Directive", [1992] *European Intellectual Property Review* 262.

trademark and, if yes, whether there is perhaps a valid reason to designate it as such. As far as I am concerned, here there is a difference between metatags and adwords.

18. But first of all: what exactly does taking unfair advantage of a trademark's repute mean? In his opinion in the *Adidas/Fitnessworld* case, Advocate-General Jacobs describes it as follows: "The concepts of taking unfair advantage of the distinctive character or repute of the mark in contrast must be intended to encompass instances where there is clear exploitation and free-riding on the coattails of a famous mark or an attempt to trade upon its reputation<sup>28</sup>". In my view, free-riding alone will not always be sufficient to make the advantage unfair. Take comparative advertising, for example: the use of a trademark in such advertising can quite validly be seen as free-riding, but if the advertisement is otherwise not misleading, the advantage is not an unfair one. On the contrary, in EU legislation, the position has been taken that it may be necessary, in order to make comparative advertising effective, to name a competitor's trademark<sup>29</sup>.

19. In my opinion, an advertiser on the internet that uses his competitor's trademark on his own website (either in the source or in a hidden manner on the site), solely with the aim of causing the site to come up when the competitor's trademark is entered in a search engine, takes unfair advantage of the repute—and, it can validly be argued, also of the distinctive character—of that trademark. What makes the advantage unfair is that the impression is given, in an unsolicited, confusing and misleading manner, that there is a relationship between the advertiser's products and those advertised on the site desired by the internet user. This is because the advertiser's site appears in close proximity to the desired site, as a result of which a variety of incorrect conclusions can potentially be derived. In this way, the relationship that the internet user assumes to exist between the trademark entered and the desired website is intruded upon by a competitor<sup>30</sup>. But is this also the case when, for example, a retailer uses the manufacturer's trademark as a metatag? Here I think that the principle of exhaustion of rights as provided for in Article 7 of the Directive can apply<sup>31</sup>. After all, the retailer has the right to perform all acts of use regarding the trademark, to the extent that such use concerns goods which have been put on the market in the EEA by or with the consent of the trademark holder; specif-

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<sup>28</sup> ECJ 23 October 2003, *Bijblad bij de Industriële Eigendom* 2004, 162 with commentary Steinhauser; *Intellectuele Eigendom en Reclamerecht* 2004/13, p. 53 with commentary Kabel.

<sup>29</sup> See recital 14 of Directive 97/55/EC, Pb.1997, L 290/18. In the decision rendered by the English Court of Appeal on 17 October 2007 in *L'Oreal/Bellure* (as yet unpublished, but can be found on [www.bailii.org/ew/cases/EWCA/Civ/2007/968.html](http://www.bailii.org/ew/cases/EWCA/Civ/2007/968.html)), a case about cheap look-alikes of luxury perfume products, the question as to when an advantage is unfair was also raised. In the opinion of the English court, mere free-riding is not enough. Questions have been submitted to the ECJ in this regard.

<sup>30</sup> It should not be forgotten that, unlike with the sponsored links that come up when adwords are used, the links that come up when metatags are used look the same as the link to the trademark holder's site.

<sup>31</sup> Some may argue that the exhaustion rule does not apply to instances of use under Article 5(5) because the Directive provision on exhaustion applies *only* in respect of Article 5(1) and 5(2), as the instances of use referred to in Article 5(5) are—pursuant to that same provision—explicitly not affected by the directive. In my opinion, however, under the Benelux Convention on Intellectual Property and in particular Article 2.23(3), which is identical to Article 7 of the Directive, the limitations of the trademark holder's right also apply to the exclusive right referred to in Article 2.20(1)(d) of the Convention, which is identical to Article 5(5).

ically, the retailer has the right to advertise such goods<sup>32</sup>. In the situation under discussion, such advertising consists of the use of, e.g., the BMW trademark by dealers as a metatag, as a result of which an internet user seeking this trademark will find links to those dealers. In this situation, there is no unfair advantage to the party using the trademark.

20. What is the position with regard to adwords in light of the above? In the case of adwords, the advertiser pays to have the link to his site appear in a particular place on the page containing the results or hits generated by the search engine: specifically, next to the link(s) to the site(s) of the competitor. In order to achieve this, the competitor's trademark must be filled in on the relevant form. There is no doubt that, in this scenario, advantage is taken of the repute and the distinctive character of the trademark. But is this advantage unfair? Let us compare this scenario with one from the brick and mortar world: a manufacturer is prepared to surrender part of its profit margin to a supermarket chain (in effect, to pay) in order to have its products placed on the same shelf next to those of its biggest competitor. To do this, the manufacturer must specify (i.e. use) the competitor's trademark, otherwise the supermarket will not understand the request. Another example: a company is prepared to pay extra if its advertisement is placed on the front page of the *Herald Tribune* newspaper next to the advertisement of its competitor, which has stood there for several years. Also in this case, the company must specify the competitor's trademark. And so on: many examples can be given, such as special advertisements in the Yellow Pages, etc. As a society, we do not consider such use of a trademark to be unacceptable. Let us be honest: the use of a competitor's trademark in comparative advertising is also perfectly acceptable, assuming of course that all other conditions for the admissibility of advertisements are complied with. In brief, I do not think that the use of a trademark as an adword in principle constitutes taking unfair advantage of that trademark<sup>33</sup>. The situation is different if, by reason of the layout or otherwise, confusion is created. No such confusion arises if the sponsored links are placed in the normal position (above the list of hits against a dark background, or in a special column marked with the words "sponsored link(s)"); this is what the surfing public is now accustomed to. The confusion to which I refer is created not so much by the use of the adword, but by the layout of the advertisement. I also consider the use of a trademark as an adword as constituting the taking of an unfair advantage where the adword is used to create a link to a website on which fakes or counterfeits of the relevant product(s) are offered for sale. In this regard, a comparison can be made with Article 4, point (g), of Directive 2006/114/EC concerning misleading and comparative advertising, pursuant to which comparative advertising is not permitted if it presents goods or services as imitations or replicas of goods or services bearing a protected trademark or trade name.

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<sup>32</sup> See in this regard the German Federal Supreme Court 8 February 2007, *GRUR* 2007, 784 (*Aidol*); interim relief judge of the Amsterdam District Court 9 March 2006, *Intellectuele Eigendom en Reclamerecht* 2006/55, p. 204, upheld (but without any discussion of this point) by the Amsterdam Court of Appeal 14 December 2006, *Intellectuele Eigendom en Reclamerecht* 2007/27, p. 114 (*Portakabin/Primakabin*).

<sup>33</sup> This was also ruled by the Amsterdam Court of Appeal 14 December 2006, *Intellectuele Eigendom en Reclamerecht* 2007/27, p. 114 (*Portakabin/Primakabin*).

21. In the recent cases brought before the ECJ<sup>34</sup>, the latter will, in my opinion, only be able to rule on the question of which provision covers the use of a trademark as a metatag or adword. If the ECJ concludes that the relevant use of a trademark constitutes "use" within the meaning of Article 5(5) of the Directive, it will probably not express an opinion on the conditions for applicability of that provision, e.g. the question as to when the advantage taken is an unfair one<sup>35</sup>. However, I do not rule out the possibility that a national court might not ask itself, in line with other decisions of the ECJ (*Arsenal/Reed* and *Adam Opel/Autec*), to what extent such use detrimentally affects the trademark in terms of its essential function. It would not be good to take the position that this is the case in situations where adwords are being used in the normal manner<sup>36</sup>.

22. What is the position regarding the liability of a search engine operator that runs and maintains the relevant adwords system? In my opinion, under normal circumstances it cannot be successfully argued that the search engine operator is committing trademark infringement if the advertiser submits an adword that has been conceived by the advertiser himself, and the search engine operator is paid to run that adword. The situation is different if the search engine operator suggests trademarks as adwords to the advertiser; there is absolutely no necessity or reason for this. If the case in question concerns an advertisement that is confusing or that offers fake or imitation products, the search engine operator can be sued, and then ordered to cooperate in the removal of the advertisement.

23. In the context of cases regarding metatags or adwords, the argument that there is a valid reason for the use of the relevant trademark is raised quite often. In my opinion, this is often done too quickly; the issue of whether there is a valid reason should only arise if it has first been established that the advantage taken through the use of the trademark is an unfair one. This will only very rarely occur.

24. In conclusion, I would say that in Europe there is a great deal of unclarity regarding the acceptability of metatags and, in particular, adwords. As far as the Benelux is concerned, the use of metatags consisting of another party's trademark is generally considered as constituting trademark infringement, whereas the use of adwords, in my opinion, does not in principle give rise to trademark infringement, unless there are exceptional circumstances. There will certainly be more cases regarding this subject, and hopefully the ECJ will be able to shed some light on the same in the recent cases referred to it that are mentioned above.

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<sup>34</sup> See footnote 25.

<sup>35</sup> See in this connection ECJ 21 November 2002, *IER* 2003, 35 with commentary Gielen (*Robeco/Robelco*); also see with regard to this decision A. Tsoutsanis, "Robe(l)co, art. 5 lid 5 Merkenrichtlijn en economisch verkeer: een fout in de richtlijn", *Bijblad bij de Industriële Eigendom* 2003, p. 3. The types of damage set out in Article 5(5) of the Directive are, of course, also set out in Article 5(2). The question is whether the ECJ might decide that the former must be interpreted in the same way as those set out in Article 5(2), in which case any explanation given in case law pertaining to Article 5(2) might also apply to Article 5(5). See for an affirmative response F. Henning-Bodewig, "Markenmässiger Gebrauch", *GRUR* 2008, p. 301.

<sup>36</sup> By "in the normal manner" I mean: provided that there is no risk of confusion and that no fake or imitation products are offered for sale.

