



Neutral Citation Number: [2013] EWHC 1291 (Ch) Case No: HC08C03340

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

Rolls Building

Fetter Lane, London, EC4A 1NL Date: 21 May 2013

Before :

THE HON MR JUSTICE ARNOLD

Between :

(1) **INTERFLORA, INC. Claimants**

(2) **INTERFLORA BRITISH UNIT**

- and -

(1) **MARKS AND SPENCER PLC Defendants**

(2) **FLOWERS DIRECT ONLINE LIMITED**

Michael Silverleaf QC and **Simon Malynicz** (instructed by **Pinsent Masons LLP**) for the
Claimants

Geoffrey Hobbs QC and **Emma Himsworth QC** (instructed by **Osborne Clarke**) for the **First**
Defendant

Hearing dates: 15-18 and 22 April 2013

Approved Judgment

I direct that pursuant to CPR PD 39A para 6.1 no official shorthand note shall be taken of this
Judgment and that copies of this version as handed down may be treated as authentic.

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THE HON MR JUSTICE ARNOLD

MR JUSTICE ARNOLD :

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Introduction

1.

The Claimants (collectively “Interflora”) operate the best known flower delivery network in the United Kingdom. They own registered trade marks consisting of the word INTERFLORA. The First Defendant (“M & S”) is a very well known retailer. Both parties operate internet websites which take orders for the delivery of flowers. Google operates the best known internet search engine in the UK. M & S pays Google to display advertisements for its flower delivery service on the search engine results page (or SERP) when an internet user uses Google’s search engine to search for “interflora” and similar terms (a form of advertising variously referred to as “keyword advertising”, “paid search advertising”, “pay per click (or PPC) advertising” and “search engine advertising”). Interflora contend that M & S thereby infringes Interflora’s trade marks. M & S deny any infringement.

2.

This dispute raised complex issues of European trade mark law as well as issues of fact. Accordingly, at a relatively early stage of the proceedings, I referred 10 questions of interpretation of the relevant legislation to the Court of Justice of the European Union by an order dated 22 May 2009 for the reasons given in my judgment of that date: [\[2009\] EWHC 1095 \(Ch\)](#), [\[2009\] ETMR 54](#) (“my first judgment”). Subsequently, I withdrew 6 questions by an order dated 29 April 2010 and modified one of the other questions for the reasons given in my judgment of that date: [\[2009\] EWHC 925 \(Ch\)](#). The CJEU answered the remaining questions in its ruling in Case C-323/09 given on 22 September 2011 [\[2011\] ECR I-0000](#), [\[2012\] ETMR 1](#) (“Interflora (CJEU)”). Since then I have heard a series of case management applications, two of which resulted in appeals to the Court of Appeal: [\[2012\] EWCA Civ 1501](#), [\[2013\] ETMR 11](#) (“Interflora (CA I)”) and [\[2013\] EWCA Civ 319](#) (“Interflora (CA II)”). The case was finally tried before me in April 2013. I must now find the relevant facts and apply the law as stated by the CJEU to those facts. Because the length of time for which this litigation has been pending, I must make findings with regard to the period from May 2008 to the present. The Trade Marks

3.

The First Claimant Interflora, Inc. ("Inc") is the registered proprietor of the following registered trade marks ("the Trade Marks"):

i)

United Kingdom Trade Mark No. 1329840 INTERFLORA registered with effect from 16 December 1987 in respect of various goods and services in classes 16, 31, 35, 38, 39, 41 and 42. These include "natural plants and flowers" in class 31, "advertising services ... provided for florists" and "information services relating to the sale of ... flowers" in class 35, "transportation of flowers" in class 39.

ii)

Community Trade Mark No. 909838 INTERFLORA registered with effect from 19 August 1998 in respect of various goods and services in classes 16, 31, 35, 38, 39, 41 and 42. These include "natural plants and flowers" in class 31, "advertising services ... provided for florists" in class 35, "transportation of flowers" in class 39 and "information services relating to the sale of ... flowers" in class 42.

4.

There is no dispute as to the validity of either of the Trade Marks. Nor does M & S dispute that the Trade Marks have acquired a substantial reputation in the United Kingdom and elsewhere in the European Union in relation to flower delivery and the operation of a flower delivery network.

The witnesses

Interflora's witnesses

5.

Michael Barringer has been the Marketing Director of the Second Claimant Interflora British Unit ("IBU") since 2003. He is in charge of all Interflora advertising and marketing in the UK. He gave evidence about IBU's flower delivery business and its reputation and about IBU's keyword advertising.

6.

Ann Bampton is the Marketing Projects Manager at IBU. She has been with IBU in various roles for over 35 years. She gave evidence concerning the history of the Interflora brand and the nature of the Interflora network.

7.

Nicholas Priest is the Director of Interflora Services at IBU, which is responsible for all members. He joined IBU in January 2009. He gave evidence concerning the members of the network and IBU's relationship with them.

8.

Rhys Hughes is President of IBU. He has been Chief Operating Officer since August 2006 and President since May 2008. He is Managing Director of the UK and Irish operations, among other territories. He gave unchallenged evidence about the transformation of IBU from a trade association into a commercial organisation and about his communications with Sir Stuart Rose and Marc Bolland (former Chairman and current CEO of M & S respectively) concerning this dispute.

9.

Adam Rose is Head of Paid Search, UK, at Croud Inc Ltd, an online digital marketing company which manages IBU's keyword advertising. He gave evidence about Interflora's keyword advertising and the impact of M & S's keyword advertising on Interflora.

10.

Anang Pandya is a Senior Custom Analyst at Experian Hitwise (as to which, see below). He gave evidence about an analysis of Hitwise's data he carried out on behalf of Interflora for the purposes of these proceedings.

M & S's witnesses

11.

Steven Bond is Director of Customer Insight and Loyalty at M & S. He gave evidence concerning the history of the M & S business and its reputation, and specifically the M & S flower business and its reputation.

12.

Jack Lemon is an Online Marketing Manager responsible for all UK search engine advertising activity on behalf of M & S. He gave evidence about search engine advertising and about M & S's Google AdWord accounts relating to "interflora" and other variant terms, as well as other flower-related accounts.

13.

Anna Del Gesso is Head of Customer Service Centres for M & S. She gave evidence based on searches for "interflora" within customer contacts in various databases held by M & S and on social media such as Twitter and Facebook.

14.

Susan MacMillan formerly worked for M & S in the online marketing department, initially as a contractor in 2003 and then as an employee managing the team until December 2008. She gave evidence about M & S's paid search advertising activity before and after Google's change of policy in May 2008.

15.

Robert Levetsky is an Account Director of Adobe Systems Europe Ltd ("Adobe"). He is a specialist in digital marketing and in particular software created by a company called Efficient Frontier, of which M & S was an online marketing client. He was employed by Efficient Frontier until it was taken over by Adobe in January 2012. He

gave evidence about the relationship between M & S and Efficient Frontier, and latterly Adobe, concerning the M & S Google AdWords account.

16.

Alfred Church is a solicitor and associate at Osborne Clarke, the solicitors acting for M & S in these proceedings. He gave unchallenged evidence on various topics, in particular Google searches for Tesco Flowers and visits to the Tesco Flowers website he carried out.

17.

Joanne Loveridge is a trainee solicitor employed by Osborne Clarke. She gave unchallenged evidence concerning her test purchase of flowers from the Flowers Direct and Flying Flowers websites.

Factual background

The UK flower market

18.

The UK flower and houseplant market appears to have been worth about £2.2 billion in each of the years 2008-2012 inclusive. Of that, the cut flower market was worth about £1.7 billion. In 2008 multiple retailers (including M & S) accounted for 65% of sales, with florists (including relay organisations such as Interflora) accounting for 18%. Mail order and internet sales by all players accounted for 2%. There is no evidence before me as to how the market has changed since then, but it is likely that the proportion of sales made online has steadily increased.

19.

Mr Barringer's evidence was that the UK flower delivery market could be divided into four segments. First, premium designer florists like Moyses Stevens, Jane Packer, Drake Algar (now owned by IBU) and The Real Flower Company. These are at the top end and retail bouquets of flowers for anything from £50 up to £500 and higher. Secondly, higher end flower delivery companies such as Interflora, Marks & Spencer, John Lewis, Waitrose and Next. These are all trusted national retail brands with good ranges of flowers and national coverage for delivery. The average price point for bouquets from these companies is between £25 and £40. Thirdly, less well known flower delivery companies who operate solely on-line and do not have a high street brand or presence. In this category are companies such as E-Florist, Serenata, Flowers Direct (now owned by IBU) and Arena. The price point for these companies is slightly lower, often because they have special money off deals, which take the average price to around £20 - £30. Fourthly, delivery companies such as Flowers By Post and Flying Flowers (now owned by IBU) and Bunches. The average price point for bouquets from these companies is under £20 and they operate online, through telephones and through coupons.

20.

The two peak periods for flower sales in the UK are in the run up to Valentine's Day and in the run up to Mother's Day. Throughout the year, two significant reasons for flower purchases are for anniversaries (including birthdays) and funerals. What all these occasions have in common is that the flowers are being purchased as gifts. This is generally the case with flowers ordered for delivery.

Interflora

21.

Inc. Inc is a corporation organised and existing under the laws of the State of Michigan, USA. It is jointly owned by three companies which are referred to as "the Constituent Groups": Florists' Transworld Delivery, Inc. ("FTD"), a Michigan corporation; IBU, a private unlimited liability company registered in England and Wales; and Fleurop-Interflora Association ("Fleurop"), a corporation organised and existing under the laws of Switzerland.

22.

Inc is a "virtual" company. All the operational business is conducted by the stakeholders and so it does not have its own offices or paid employees. Although Inc owns the registrations for the trade mark INTERFLORA, national units tend to deal with local enforcement. In addition to its role as owner of the trade mark, Inc is responsible for the international exchange of orders. The technology platform used for the last few years to manage the worldwide order exchange and associated accounts is owned and maintained by FTD. During the course of 2013, the responsibility for this will be moved to Fleurop in the form of its commercial arm, the Fleurop-Interflora European Business Company AG.

23.

FTD. FTD operates the Interflora network in the USA. It pioneered relay flower delivery at the beginning of the twentieth century.

24.

Fleurop. Fleurop is a trade association which operates the Fleurop-Interflora network in Europe, apart from the UK and Ireland. In some countries this operates under the name Fleurop and in others it operates under the name Interflora.

25.

Trade mark licences. Inc owns a considerable number of registrations of the trade mark INTERFLORA worldwide. Inc has granted exclusive licences to FTD, IBU and Fleurop for their respective territories. Similarly, FTD owns a considerable number of trade mark registrations for the “Mercury Man” emblem (as to which, see below) worldwide, and it has granted exclusive licences to IBU and Fleurop.

26.

IBU. IBU’s business originated in 1912 when the concept of a network of florists to facilitate flower delivery around the country was introduced into the UK, having first been developed in the USA. The “Mercury Man” emblem reproduced below was introduced in 1914. The image of the Roman messenger god was used to represent the qualities of fast delivery and excellent service.



27.

Until 1953 the network was known as “Florists’ Telegraph Delivery Association”. In 1953 the name was changed to “Interflora”. Some use of that name had been made even before then, however. Since then, IBU has made extensive use of both the INTERFLORA word mark and the Mercury Man emblem both separately and together. Since 2010 IBU has used a combination of the two together with the strapline “the flower experts” as shown below.



28.

Until 2005 IBU was a member-owned and member-managed trade association. In 2003 a new Chief Executive Officer was appointed by the board of directors and given a mandate to change the

commercial structure, leadership and direction of the trade association. Following a period of consultation with the membership, and after obtaining advice from PriceWaterhouseCoopers, in January 2005 the members voted to approve a change of ownership. This allowed the business of the trade association to become a separate trading entity with a fully professional, non-florist executive board. The transaction was completed in February 2005. From this date, member florists were no longer actively involved with the management of IBU, although they did retain one non-executive member on the board. The business was then owned partly by the private equity house 3i, partly by the management team and partly by the members. In August 2006 the business was sold to FTD. In August 2008 FTD was itself acquired by United Online, Inc.

29.

IBU's current annual revenue is in the region of £90-100 million. About £80 million of this comes from direct sales from orders taken either online or by telephone. The remaining £10-20 million comes from a combination of (i) commission on member to member sales which are not placed centrally, (ii) brand licence fees from members and other income received from members such as for the provision of websites and (iii) other sundries sold to members such as vases, teddy bears and chocolates.

30.

IBU estimates that its members' revenue under the Interflora brand amounts to about £200 million. In total, IBU estimates that Interflora have approximately 10-15% of the UK flower market.

31.

The Interflora network in the UK. IBU currently has 1,618 members with 1,879 shops at the present time. The vast majority of the members have a single shop. Approximately 270 members have two or more shops. The largest member used to have 13 shops. Currently, the largest member has 11 florist shops and a garden centre. Of the approximately 6,000 independent florists in the UK, about 27% are Interflora members.

32.

Interflora distinguish between full members (members who engaged full time in the floristry business) and classified members (members who are engaged in business wholly or partly as a florist) and between sending members (members who take an order and transmit it for execution by another member) and executing members (members who receive an order from another member and execute it). Classified members may only be sending members.

33.

Members of the Interflora network retain their own business name, whilst also using the Interflora branding. The way this is used varies. Some members simply have an Interflora Mercury Man sticker in their shop window to indicate that they are a member of the network and are able to take and fulfil Interflora orders. Other members use the Interflora brand much more prominently, including using the Interflora brand on their shop front fascias and delivery van livery.

34.

Typically, orders derived from Interflora membership account for about a third of members' turnover. The balance derives purely from their own endeavours. Much of that will consist of traditional walk-in custom. Interflora members are not permitted to be members of other flower delivery networks without special permission, and to date no one has been given such permission.

35.

IBU supports and provides services to the members in various different ways. One way is by building, hosting and maintaining websites. IBU supplies two packages, referred to as FOL and PFOL. FOL (Florists OnLine) is the basic package which was launched in 2005. PFOL (Premier Florists OnLine) is an enhanced package which was introduced more recently. Of the 1,618 members, 242 have FOL, 491 have PFOL and 885 have neither. Both FOL websites and PFOL websites are co-branded with the member's name and the Interflora and Mercury Man trade marks on the home page, but PFOL websites are consistently presented and are fully integrated with IBU's website located at www.interflora.co.uk. The websites of members who do not have either package frequently do not have prominent Interflora branding, and many barely mention Interflora.

36.

On 1 January 2012 IBU introduced two new branding options for members called Silver and Gold. Members pay a different level of fees depending on whether they opt for Silver or Gold.

37.

Membership is subject to terms and conditions contained in Membership Bye-Laws. In addition, use of the Interflora and Mercury Man trade marks is governed by Trade Mark Regulations. In January 2012 IBU introduced a Brand Handbook in an attempt to make the requirements of the Bye-Laws and Regulations easier for members to understand. These documents set out what members can and cannot do with the trade marks, which since January 2012 has depended on whether they are Silver or Gold members. Gold members are permitted and encouraged to make greater use of the trade marks.

38.

In general, members can use the trade marks in advertising aimed at their local area, but not outside their area. Furthermore, members can use the trade marks to communicate the fact that they are members of the Interflora network, but they must not give members of the public the impression that they are Interflora (i.e. IBU) as opposed to a member.

39.

IBU uses various mechanisms to enforce members' obligations. These include a field team of eight, reports from other members and a mystery shopping programme. IBU's principal concern is to ensure that quality standards are maintained, but it also polices use of the trade marks by members. IBU recognises, however, that it is not practicable to ensure strict compliance by members with the letter of every regulation at all times. A good example of this relates to packaging. The Trade Mark Regulations permit members to use the trade marks on their delivery vans, whether or not the van is being

used to deliver an Interflora order or a non-Interflora order. By contrast, strictly speaking, packaging such as Interflora-branded cellophane should only be used for Interflora orders. It is likely, however, that some members use such cellophane for non-Interflora orders as well. IBU turns a blind eye to this, recognising that it would be difficult to stop and that the result is greater exposure for the Interflora trade mark.

40.

Interflora orders in the UK. Interflora in the UK now take about 3.2 million orders each year. Historically, orders were placed by an individual contacting a member florist and placing an order, either for delivery in the local area by that florist, or for transmission to another florist out of the area if the recipient was further afield. Today, the make up of these 3.2 million orders is more varied. About 1.8 million orders are placed via IBU's website located at interflora.co.uk, about 400,000 orders are

placed by telephone through IBU's central order line and approximately 1 million are member to member orders.

41.

Of the 400,000 phone orders, the majority are made using the telephone number visible on the top of the website. IBU advertises a different phone number in the Yellow Pages and the BT Phone Book and online equivalents. Thus IBU considers its website to account for over 2 million of the total 3.2 million orders received each year.

42.

All orders are entered into ROSEGold, an online order management system used by both IBU and its members. ROSEGold is used for many things, but primarily it is used to allow florists to accept orders for delivery and for members to input their own orders taken in store for delivery to other parts of the country ("member to member" or "relay" orders). Sending members use ROSEGold to transmit orders gathered under the name Interflora to other members. ROSEGold decides where to send orders based on the delivery address and known stock levels for certain products. IBU uses essentially the same process if the order comes online via the interflora.co.uk website and/or via the telesales team. ROSEGold is the successor to earlier systems called Messenger and Messenger II.

43.

Historically, all Interflora orders were fulfilled by members, and this is still the method of fulfilment for the vast majority of orders. The member to whom the order is transmitted will make up an open bouquet from its stock of flowers, wrap the bouquet in Interflora-branded packaging (cellophane or paper and ribbon, delivery card and flower food) and deliver it to the recipient.

44.

In 2005 IBU introduced its "Simply Interflora" products, a small range of single variety flowers delivered flat in a box, orders for which were centrally fulfilled. In 2009 IBU expanded its boxed flower delivery service. These orders are centrally fulfilled by one of four pack houses subcontracted by IBU and delivered by couriers. The packaging is branded Interflora, but not the delivery vehicle. Flowers ordered for same day delivery are not centrally fulfilled, nor are international orders or bespoke orders. Customers who order via the website are given a choice between "Florist Delivered" and "Courier Delivered".

45.

Centrally fulfilled orders now account for 12-15% of IBU's annual order volume. 58% consists of non-floral gifts such as food and wine. The remaining 80% of orders are fulfilled by members.

46.

IBU and its members are committed to the highest quality service. They provide the "Interflora Promise" which states:

"If your order doesn't arrive on time, or your recipient isn't delighted with their flowers, let us know. We'll do all we can to put the situation right, or, if you prefer, give you your money back."

47.

The complaint rate for locally fulfilled orders is around 1%, whereas the complaint rate for centrally fulfilled orders is around 4-5%. The main reason for this difference is that delivery of centrally fulfilled orders is outside Interflora's control.

48.

The international Interflora network. The Interflora network extends worldwide to 40,000 members in over 140 countries. This means that a UK customer can order flowers for delivery in over 140 countries. Similarly, customers can place orders from any one of those countries for delivery to another of those countries. The Mercury Man emblem is a consistent thread seen on the branding of all members of the international network, notwithstanding the country in which they operate. The "Interflora" brand name is used in many other territories throughout the world, including in Denmark, Spain, Sweden, France, Italy, Australia, New Zealand and South Africa. In some countries, the brand name "Fleurop" is used. In the USA and other countries, the brand name is "FTD".

49.

Inc maintains the domain name interflora.com. Depending on the IP address of the visitor to that site, it resolves to the local Interflora, Fleurop, or FTD country website. For instance, if you are on a network connection from France your connection will resolve to interflora.fr. From the UK, it will be interflora.co.uk. IBU maintains the marketing portal at interflora.com and the technology behind it.

50.

IBU's marketing. IBU's annual marketing budget is around £8 million. The majority of this is spent on direct mail and on advertising in directories such as Yellow Pages or now Yell.com. IBU mails about 7 million items each year to people on its customer database. In 2011 IBU spent about £800,000 on a television campaign, but that was a one-off. Around 20-25% of IBU's budget is spent on keyword advertising.

51.

IBU's keyword advertising. IBU has engaged in keyword advertising, mainly via Google's AdWords service (as to which, see below), since 2004. Its expenditure on this medium has risen substantially over time:

2004	£124,518
2005	£686,607
2006	£651,904
2007	£920,405
2008	£1,426,427
2009	£1,474,920
2010	£1,424,005
2011	£1,795,754
2012	£2,229,322

52.

For comparison, IBU's expenditure on keyword advertising on Bing and Yahoo! (as to which, see below) in 2012 was £68,461.

53.

IBU generates substantial revenue from keyword advertising, as can be seen from the following figures:

	2008	2009	2010	2011	2012
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PPC Revenue	£23,111,000	£26,465,000	£26,181,000	£28,746,000	£29,165,000
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54.

Interflora brand recognition. IBU regularly commissions market research in the ordinary course of its business from an agency called Aurora. During the period April 2009 to February 2013, these studies have consistently found that the spontaneous (i.e. unprompted) recognition of Interflora as a flower delivery service amongst a representative sample of UK adults is around 70-75%. The prompted brand recognition for Interflora is consistently around 80-85%. As counsel for Interflora emphasised, Interflora have a much higher brand recognition than the size of their business would suggest. This is particularly striking when it is borne in mind that all of Interflora's members trade under their own separate brands. On the evidence, I consider that this is attributable to the length of time for which the network has been in operation and the high quality of service it provides.

55.

Interflora customer demographics. Interflora's customers are predominantly more female than male and are predominantly more A, B and C1 than not in terms in social demographic profiling. Broadly speaking, Interflora customers are more likely to live in the South East of England than elsewhere. In terms of age, Interflora's customers are much more likely to be in their late 30s to early 50s than other ages. A key customer group consists of those aged 35-54 who are sending flowers to relatives who are in their 60s or older.

56.

IBU's commercial partnerships. In recent years, IBU has increasingly been developing commercial partnerships with third parties, including supermarkets. From 1995 to about 2000 IBU had a relationship with Sainsbury's that involved co-branded Sainsbury's/Interflora leaflets being placed in selected Sainsbury's stores. These invited customers to place an order with Interflora via a dedicated telephone number. Calls on that number were answered "Interflora Sainsbury's". Orders were then transmitted to participating Interflora members who had agreed to carry the stock required for a selection of four bouquets exclusive to Sainsbury's for fulfilment. The bouquets were delivered with a limited amount of Interflora branding on the flower food and the care and guarantee card, but not upon the wrapping or the message card. There was no Sainsbury's branding on the bouquet.

57.

In 2005 IBU entered into a relationship with the Co-Op that continues to this day. Pursuant to this relationship, the Co-Op offers to its funeral care clients the opportunity to order online floral tributes from Interflora. This service is displayed prominently on the Co-Operative Funeralcare website. The Interflora service is accessed by the user clicking on the "Floral tributes" section on the Co-Operative Funeralcare homepage. When a user clicks on the "Order online with Interflora" link, they are taken to a co branded Interflora/Co-Op website. The domain name of the cobranded website is co-operativefuneralcareinterflora.co.uk. The Co-Op does not bid on the keyword "interflora", although it is not clear whether it is contractually prohibited from doing so. All orders received via the co-branded website are fulfilled by Interflora member florists. None are centrally fulfilled. IBU and the Co-Op have very recently agreed to extend their business relationship.

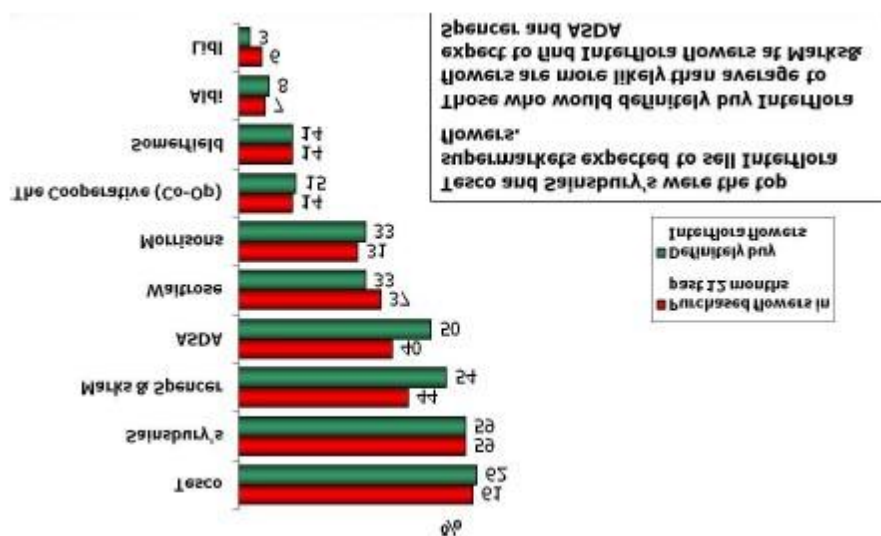
58.

In November 2009 IBU entered into a relationship with Tesco which still continues. IBU and Tesco operate a website located at tescofreshflowers.com which is cobranded. Interflora fulfil the orders

taken via this website. It is a term of the contract that Tesco shall not bid on the keyword “interflora” on any search engine. The orders received via the Tesco site are fulfilled in the same way as any other Interflora order i.e. most by network florists, some by central pack houses. When the “Tesco” order is received by the recipient, it looks like any other Interflora delivery. There is no Tesco branding on it and it is delivered in standard Interflora packaging. Thus the recipient would be given the impression that the flowers had been ordered direct through Interflora.

59.

When deciding whether to enter into a relationship with Tesco, IBU commissioned some research from Aurora in April 2009. Consumers who had purchased flowers in the last 12 months were told that Interflora were considering developing a range of flowers for sale in supermarkets and asked where they would expect to find Interflora flowers. The results were as shown below:



60.

At about the same time, IBU commissioned some market research from an agency called TREE. In broad terms, the research involved asking people their views about buying flowers in supermarkets. The results showed that the respondents would pay 25-40% more for Interflora-branded flowers compared to supermarket-branded flowers, even where the products themselves were the same. The results also showed that 56% of customers asked would buy more flowers as gifts from a supermarket if an Interflora range was available.

61.

Since January 2013 IBU has also had a relationship with Thorntons, the well-known chocolate retailer. Thorntons offers flowers online through a flowers tab on the Thorntons website, which takes the user to a co-branded Thorntons/Interflora website. This website is operated by Interflora.

62.

IBU also has relationships with a series of other partners, including American Express, Fitness First and the NAAFI. It is not necessary to describe these.

63.

Interflora’s trade mark enforcement efforts. One of Mrs Bampton’s main responsibilities since 2000 has been the enforcement of Interflora’s trade marks, including the Trade Marks, against infringements by third parties as well as misuse by members. One of IBU’s key purposes in this has been to prevent the Trade Marks becoming generic. One particular exercise which IBU undertook to

this end in 2004 was called Project Catharine (sic). IBU instructed a firm of solicitors to send trainees to make test purchases in 25 florist shops which were not members. The trainee would ask whether the florist could “send some flowers by Interflora for me”. If the florist said yes, an order would be placed. Once in possession of the receipt, the trainee would hand the florist a letter of claim alleging passing off and demanding undertakings. Some florists gave undertakings immediately, some after correspondence and some after proceedings had been issued.

64.

As part of its enforcement efforts, IBU secured undertakings from a flower delivery company called Flowergram Ltd in 2003 preventing it from bidding on “interflora” or any confusingly similar terms. In addition, IBU took action against competitors who were using “interflora” as a metatag on their websites.

Flowers Direct

65.

The Second Defendant is a private limited company incorporated in England and Wales. At the time these proceedings were commenced, it sold and delivered flowers in competition with Interflora under the name “Flowers Direct” and it was bidding on “interflora” and similar terms as keywords. By a consent order in Tomlin form dated 26 March 2009, Interflora and the Second Defendant settled the dispute between them. As part of the settlement agreement, the Second Defendant undertook not to bid on “interflora” and a long list of variant terms as keywords unless and until there was a decision by a court of competent jurisdiction that such bidding did not constitute use of a sign. Since then, Interflora’s claim has only concerned M & S.

66.

Subsequently, the Flowers Direct business was acquired by the Flying Brands group, which already owned Flying Flowers (see below). It is not clear from the evidence whether the acquisition was of the Second Defendant or merely of its assets, but it may have been the latter. Mr Barringer gave evidence that Flying Brands disputed that it was bound by the undertakings in the Tomlin order. As a result, Flowers Direct engaged in bidding for Interflora-related terms at least for some of the time it was owned by Flying Brands.

67.

In May 2012 the flowers and gifts division of the Flying Brands group, and hence the Flowers Direct business, was acquired by IBU. Flowers Direct operates a flower delivery network which is separate from the Interflora network. Flowers Direct competes in the third of the four market segments identified by Mr Barringer (see paragraph 18 above). Orders are taken via its website at www.flowersdirect.co.uk. The website is entirely separately branded from Interflora, and it is only the contractual small print that informs consumers that they are in fact contracting with IBU. The order fulfilment mechanism is broadly similar to that of Interflora. Since the acquisition, IBU has experimented with selling Interflora-branded flowers via the Flowers Direct website from time to time, but currently it does not do this.

68.

Since the acquisition, Flowers Direct has bid on “interflora” as a keyword from time to time. Mr Barringer thought that this would probably have occurred when Flowers Direct was selling Interflora-branded flowers, but he was unable to confirm that that was necessarily the case. On the other hand, there is no evidence which establishes that this did occur at a time when Flowers Direct was not selling Interflora-branded flowers.

Flying Flowers

69. Flying Flowers is another flower delivery business that was acquired by IBU from the Flying Brands group in May 2012. Flowers Direct operates an online flower delivery service via its website as www.flowersdirect.co.uk which competes in the fourth of the four market segments identified by Mr Barringer (see paragraph 18 above). Flying Flowers delivers flowers in boxes and all orders are centrally fulfilled. The website is entirely separately branded from Interflora, and it is only the contractual small print that informs consumers that they are in fact contracting with IBU. IBU has recently started selling Interflora-branded flowers via the Flying Flowers website.

M & S

70.

M & S has traded under the name "Marks & Spencer" since 1894. The name "M & S" has been used since the 1910s, initially in a very slight way but with increasing frequency in recent years. Over the years the public have referred to the business by names which include "Marks", "Marks and Sparks" and "M & S". The scale of the business conducted under and by reference to the names "Marks & Spencer" and "M & S" is demonstrated by its turnover which has increased from £7,977 million in 2007 to £8,868 million in 2012.

71.

There are now more than 700 M & S stores in the UK. 93% of people living in the UK live within a 30 minute drive of an M & S store. M & S estimates around 65% of the adult population in the UK shopped with M & S in the year to 28 October 2012.

72.

As is well known, for many years M & S sold goods under its own brand, "St Michael". The brand was introduced in 1928. By the 1950s virtually all goods were sold under the St Michael brand. In 2000, however, M & S dropped the St Michael brand. Since then M & S has used "Marks & Spencer" as its main brand. It also sells goods under subsidiary own brands such as "Autograph" and "Per Una". Since 2009, however, it has also sold goods under well-known brand names, in particular in its food halls.

73.

M & S's marketing. M & S engages in high profile advertising campaigns across the full spectrum of media, including television, print and the internet. M & S's annual marketing expenditure has increased from £144.7 million in 2007 to £161.8 million in 2012. A typical advertising campaign will reach 85% of adults in the United Kingdom. References to the M & S website at www.marksandspencer.com appear on most advertising for M & S in addition to other branding where the product being advertised is available online. It also appears at the end of all television advertising for M & S's general merchandising.

74.

M & S brand recognition. Marks & Spencer has been identified as a valuable, strong and trusted brand by a variety of different organisations including Which? magazine dated December 2012, which identified M & S as the most trusted brand in the UK, and Superbrands 2013, in which M & S was the category winner in the "Retail - General" category and was the only retailer to rank in the top 20 Consumer Superbrands.

75.

M & S customer demographics. M & S's customer demographics are broadly similar to those of Interflora, particularly when it comes to flowers.

76.

Loyalty and Customer Insight. M & S launched a charge card in 1985. In October 2003 this evolved into a credit card, initially known as the "&more" card. There are now over 3 million active M & S card holders. Holders are encouraged to use the card by a loyalty scheme under which they receive reward points for making purchases using the credit card and receive vouchers which can be redeemed at M & S stores. M & S uses the transactional data gathered from customers' use of the card as one of its sources of information on customer behaviour and needs.

77.

About 40 staff work in M & S's Customer Insight and Loyalty Department, which is headed by Mr Bond. They use a variety of internal and external sources of information to understand what customers want from M & S. In addition to the loyalty data, the Customer Insight Unit conducts and commissions regular market research. This includes the following: around 15-18 focus groups each month; 600 exit interviews across 32 locations each month with people leaving M & S shops; an invitation on every tenth till receipt asking customers to provide feedback online, which generates around 83,500 responses a month; an online customer satisfaction survey asking customers to provide feedback on their experience of making purchases via the M & S website, which generates around 3,500 responses a month; and a number of other online surveys.

78.

M & S's online service. M & S launched an online shopping service in 1999. The M & S website has been very successful, particularly since it was revamped in March 2007. Visits to the website have increased each year from 53,534,647 in 2006 to 178,561,977 in 2012. The revenue of M & S Direct (80-90% of which consists of sales through the website) has risen from £160 million in 2007 to around £559 million in 2012.

79.

M & S's sales of flowers in stores. M & S began selling flowers in its stores in 1986. Data from Nielsen indicates that since 2012 M & S's average weekly share of the market for the in-store sale of flowers and house plants has been consistently just below 11%.

80.

M & S's flower delivery service. M & S began operating a telephone flower delivery service in 1992. Since 2000 M & S has provided an online flower delivery service via its website. Visits to the main flowers page on the M & S website have risen from 1,862,057 in 2006 to 2,757,474 in 2012.

81.

Mr Bond's evidence was that, although there was a degree of cross-over between instore customers and online customers, there were differences. Many of the in-store customers buy flowers for their own home as a part of a regular grocery shopping trip. By contrast, purchases of online flowers are more likely to be intended as a gift for delivery to another person.

82.

Between July 2007 and April 2008 M & S commissioned a rolling online survey one of the questions in which was "Thinking of places you could buy flowers from, which online stores or websites would you consider shopping at?". An average of 18% of respondents spontaneously identified M & S as an online store they would consider buying flowers from, putting M & S in third place behind Interflora

and Tesco. The market research carried out by Aurora on behalf of IBU from 2009 to 2013 (see paragraph 54 above) shows spontaneous awareness of M & S as a flower delivery service ranging from 10-14%, putting M & S in second place after Interflora.

83.

This research is consistent with the evidence of several of M & S's witnesses that, as at May 2008, M & S did not have a strong reputation for online flower delivery, at least compared to Interflora. Furthermore, the position does not appear to have changed since then.

84.

An online customer satisfaction survey carried out by M & S in December 2012 found that around 40% of customers who bought flowers online arrived at the M & S website via a search engine. The survey did not ask customers which search engine they used, what search terms they entered, whether they clicked on a natural search

result or an advertisement or why they chose M & S's service. I shall return to this point below.

85.

As counsel for M & S emphasised by reference to the evidence of Mr Barringer and Mr Priest and to various documents disclosed by Interflora, IBU has perceived M & S to be a major competitor since at least 2005. For example, the Aurora reports present M & S as a competitor to Interflora. It does not follow that consumers recognise M & S as being a competitor to Interflora, however.

86.

As counsel for Interflora emphasised, M & S has not adduced any evidence to show, let alone proved, that it was generally known by consumers of flower delivery services in the UK in May 2008 that M & S's flower delivery service was not a member of the Interflora network. Nor has M & S adduced any evidence to show, let alone proved, that this is generally known now.

Google AdWords

87.

Google operates an internet search engine and provides a number of other services via the internet. Google.com is currently the most popular website in the world and google.co.uk is the most popular website in the UK. Throughout the period since May 2008, Google has been the dominant search engine in the UK. Google had 91.02% of the search market in April 2012, up from 90.84% a year earlier.

88.

Google's principal source of revenue is advertising. Google's global revenue from advertising has risen from \$66.9 million in 2001 to \$43.7 billion in 2012.

89.

The principal way in which Google provides advertising is by means of a service Google calls AdWords. It is important to note that Google constantly refines the way in which its search engine operates and that Google regularly changes the way in which AdWords operates. There have been a considerable number of such changes in the period from April 2008 to now which are potentially relevant to the issues in the present. I cannot hope to describe all these changes. Accordingly I shall first attempt to describe the common features of AdWords over this period, and then to indicate some of the principal changes that have occurred during this time.

90.

Common features. When a user of the Google search engine carries out a search, the SERP presented to the user usually contains three main elements. The first is the search box, which displays the search term typed in by the user. This may consist of one or more than one word. The second element comprises the “natural” or “organic” results of the search, consisting of links to websites assessed to be relevant to the search term by the search engine’s algorithm, accompanied in each case by some text derived from the website in which the search term appears, sorted in order of relevance.

Typically, there is a large number of natural results, the listing of which continues on succeeding pages. Although there are various ways in which website operators can and do seek to influence their position in the “natural” search results, a process known as “search engine optimisation” or SEO, in principle the ranking is an objective one based solely on relevance. The third element comprises advertisements containing links to websites which are displayed because the operators of those websites have paid for them to appear in response to the search term in question. The advertisements are generally displayed in one or more of three sections of the SERP, namely (i) in a shaded box at the top of the SERP (often referred to as the “golden

box”) which contains up to three advertisements, (ii) in a panel on the right-hand side of the SERP and (iii) a panel at the bottom of the SERP after the first ten natural results.

91.

The display of such advertisements is triggered when the user enters one or more particular words into the search engine. These words, which are referred to as keywords, are selected by the advertiser in return for the payment of a fee calculated in the manner described below. This is often referred to as “bidding on” or “purchasing” the keywords.

92.

The advertisements consist of three main elements. The first is an underlined heading (consisting of a maximum of 25 characters) which functions as a hyperlink to a landing page specified by the advertiser. That is to say, when the user clicks on the link, the user’s browser is directed to that page on the advertiser’s website. The hyperlink may consist of or include the keyword or it may not. The second element consists of two lines of promotional text (with a maximum of 35 characters for each line), which may or may not include the keyword. The third element consists of the URL of the advertiser’s website (maximum of 35 characters). It should be noted that the URL does not function as a hyperlink (although the user could type it or cut-andpaste it into his or her browser and access the website in that way).

93.

The way in which the advertiser pays for this form of advertising is that the advertiser pays a certain amount each time a user clicks on the hyperlink in its advertisement and thus is directed to the advertiser’s website (known as “click through”). Accordingly, the advertiser does not pay for the display of advertisements to users who do not click through. The amount the advertiser pays is calculated as the “cost per click” or CPC for each keyword purchased subject to a maximum daily limit specified by the advertiser. If the daily limit is exceeded, the advertisement will not be displayed.

94.

More than one person can purchase each keyword. Where more than one person purchases a particular keyword, there is an automated auction process whereby, subject to the influence of the Quality Score discussed below, the advertiser who bids the highest maximum CPC has its

advertisement displayed in the highest position and so on. This means that popular keywords are more expensive than unpopular ones.

95.

In addition to the CPC, the positioning of advertisements is influenced by the Quality Score or QS which Google ascribes to the advertisement. Google does not publish all the factors it takes into account in determining the QS, and I believe that this has changed over time, but they include the relevance of the promotional text, the “click through rate” or CTR and the relevance of the landing page. An advertiser whose advertisement has a high QS, but low maximum CPC, can appear higher in the ranking than one whose advertisement has a lower QS but higher maximum CPC.

96.

Google offers advertisers the facility to match a keyword to the user’s search query so as to trigger an advertisement in various different ways. An “exact match” is where the search term entered by the user must be the same as the keyword selected by the advertiser in order for the advertisement to appear, with no additional words. A “phrase match” requires the search term to contain the same words as the keyword in the same order, but it may include additional words before or after the phrase. A “broad match” enables the search term to be matched to variants of the keyword such as plurals. By May 2008 Google’s broad match included a facility referred to by practitioners (but not Google) as “advanced broad match”, namely for a search term to be matched to a different keyword which was nevertheless relevant. For example, this enabled M & S to display advertisements associated with the keyword “florists” when the search term “flowers” was entered. “Negative match” enables advertisers to prevent advertisements from appearing when the search query includes a particular word or phrase. Negative matching is a straightforward and routine process.

97.

Google enables advertisers to organise their keyword advertising in various ways. An advertiser may have one or more accounts, which may be categorised by reference to product or service. Within each account, advertisers can have various “campaigns”. Each campaign is subject to settings determined by the advertiser that dictate the manner in which advertisements are displayed e.g. in which geographical area, on what devices, at what times of day and in what sequence. Within each campaign, there can be various “groups”. Each group contains a list of keywords and the promotional text, URL and match type associated with it. The process of creating a keyword advertising campaign as at April 2009 is illustrated in Annex 1 to my first judgment.

98.

Google enables advertisers to assess and manage their keyword advertising campaigns by means of Search Query Reports or SQRs. Depending on how they are set up and used, SQRs can produce information on a variety of performance measures for keywords, as follows:

i)

Impressions - how many times the advertiser’s advertisements appeared following a search which has been conducted against a search term which, in some way, matches the keyword bid on.

ii)

Clicks - how many times the advertiser’s advertisements were clicked on by users who had searched for a particular search term and had been presented with an advertisement.

iii)

CTR - the proportion of clicks to impressions.

iv)

CPC - on average, how much the advertiser had to pay to Google per click on the advertisement.

v)

Cost - how much in total the advertiser spent on bidding for that search term.

vi)

Conversions - how many tracked events were recorded from the keyword if Google AdWords tracking is implemented on the site.

vii)

Revenue - how much revenue has been generated from the keyword if this facility was implemented as part of setting up Google AdWords tracking on the site.

viii)

Conversion Rate - the rate at which conversions (sales) are made to the number of clicks generated. A 50% conversion rate would indicate that one in every two people that clicks on the advert purchases from the website.

99.

Another performance measure that is commonly used by advertisers is Return On Investment or ROI, which is Revenue divided by Cost.

100.

The May 2008 policy change. Prior to May 2008 Google operated a policy in relation to AdWords whereby a trade mark owner could notify Google that it had registered a particular word as a trade mark. If so notified, Google would block that word from being purchased by third parties as a keyword. The permission of the trade mark owner was required in order to permit any use of the notified word within the AdWords service.

101.

On 5 May 2008, however, Google changed its policy for the United Kingdom and Ireland, although not for other EU member states, so as to cease blocking keywords registered as trade marks. The effect of this was that third parties were now free to bid for keywords registered as trade marks without restriction, including for use in relation to goods or services for which such trade marks were registered.

102.

Since then, the position in the United Kingdom and Ireland has been that an advertiser like M & S can purchase a keyword such as "interflora" that is a registered trade mark of a competitor such as Interflora with the result that, when a user enters the word "interflora" into the search engine, the advertisements include an advertisement by M & S for goods and services covered by that trade mark.

103.

Although, as stated above, Google no longer permits trade mark owners to block the purchase of their trade marks as keywords by third parties in the United Kingdom and Ireland, Google does enable trade mark owners to block the use of trade marks in the advertisement, whether in the hyperlink or in the text. This is illustrated in Annex 2 to my first judgment.

104.

There is no evidence that Google publicised the change in policy to users of its search engine, as opposed to advertisers who were customers of the AdWords service. Nor is there any evidence that users became generally aware of it in any other way.

105.

Changes since May 2008. Notable changes since May 2008 include the following. First, there have been various changes in the labelling of the advertisements. In May 2008 the golden box was headed with the words "Sponsored Links" placed in the top righthand corner and the panel on the right was headed with the same words. In November 2010 the heading was changed to "Ads", although it appears that Google may have trialled this previously. It reverted to "Sponsored Links" in mid 2011. Later in 2011, the heading became "Ads - why these ads? [with a hyperlink to an explanation]". In mid 2012, it became "Ads related to [search term]". This heading does not appear to be used consistently, however, but rather to alternate with "Ads". More recently, the position of the "Ads" heading has been moved from top right to top left.

106.

As many commentators have pointed out, the change from "Sponsored Links" to "Ads" was both positive and negative in terms of transparency. On the credit side, "Ads" is a clearer description, and therefore more likely to be understood by consumers, than "Sponsored Links". On the debit side, the heading is smaller and less conspicuous than it was before.

107.

Secondly, the position of the advertisements on the SERP has changed. In March and April 2009 the advertisements appeared in the golden box at the top and in the righthand panel. At the time of writing this paragraph in early May 2013, they appear in the golden box at the top and in another shaded box at the bottom of the first page, below the fold.

108.

Thirdly, it has increasingly become the case that the appearance of Google's SERP depends on whether the user is using a personal computer, laptop, tablet or smartphone. It also varies slightly depending on the software the user has installed, in particular the browser. The difference is particularly striking in the case of a smartphone, as can be seen from the following comparative examples of searches carried out by Mr Rose for "flowers" on 19 March 2013, the first using an iPad and Safari and the second using an iPhone and Safari (note that the shaded box has not reproduced well in either case):

[Birthday Flowers](#) - [Indoor Plants](#) - [Event Flowers](#) - [Sympathy Flowers](#)
 seven day freshness guaranteed. Order by 9pm for next day delivery.
Flowers delivered from Marks & Spencer. Gorgeous bouquets and arrangements with
www.marksandspencer.com/Flowers-Plants-Flowers-Gifts...
Flowers & Plants - Marks & Spencer

Free Delivery & Cheapest Bouquets From £9.99. **Flowers** Free Delivery
www.bloomingdelightful.co.uk
Cheapest Flowers £9.99 - BloomingDelightful.co.uk

Order by 4pm for next day delivery.
www.efflores.co.uk/flowers
Next Day Flowers - Beautiful **Flowers** From Just £12.99

Birthday Flowers	House Plants
Free Next Day Delivery	Chocolate Gifts

Gorgeous **Flowers**. Free UK Delivery.
www.gerenzflowers.com
Free Delivery on Flowers - Order **Flowers** Today! from £12.99 Ads


Same day delivery before 9pm.
 Beautiful hand delivered **flowers**.
www.inteflora.co.uk/flowers
Inteflora Flowers

Free Cakes! Order now!
 Gorgeous **Flowers** from £10
www.blessedflowers.co.uk
Flowers Online

Buy a local flower. Order now!
Flowers from £18.99 delivered
www.flowers.co.uk
Free Delivery Flowers

Bluschnee.co.uk
 128 people +1.9 or follow
 Since 1988. Order Online Today!
 Free Chocolates & Free Delivery.
www.bluschnee.co.uk
Flowers From £11.99 - UK Ads

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✕ 🔍



seven day ...
 Gorgeous bouquets and arrangements with
Flowers delivered from Marks & Spencer.
www.marksandspencer.com/Flowers...
Flowers & Plants - Marks & Spencer

Flowers from the Experts
 Order by 3pm for Same Day Delivery. Beautiful
www.inteflora.co.uk
Inteflora Flowers

Free Next Day Deliv... [Birthday Flowers](#)
Flowers. Free UK Delivery.
 Order **Flowers** Today! from £12.99! Gorgeous
www.gerenzflowers.com
Free Delivery on Flowers Ads

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109.

Fourthly, it has also increasingly become the case that the appearance of the SERP is affected by the user's immediate browsing history, and in particular by cookies present on the user's device and the contents of the user's cache.

110.

Fifthly, in about 2010 Google introduced “sitelinks” in advertisements, short phrases or terms (maximum of 35 characters) that function as hyperlinks to landing pages specified by the advertiser. These only appear in the advertisement at the top of the golden box. They enable the advertiser to offer the user a choice of pages on the advertiser’s website to click through to. (Similarly, at around the same time Google introduced additional links to internal pages for the top-ranked natural result.)

111.

Sixthly, in May 2010 Google introduced its “broad match modifier”. By placing a “+” symbol before a keyword, the advertiser can essentially ensure that the keyword is not broad matched using the advanced broad matching facility.

Bing and Yahoo!

112.

Microsoft’s Bing and Yahoo! are search engines which compete with Google. Like Google, they provide a keyword advertising service. Unlike Google, they both still operate a trade mark complaint procedure in the UK whereby trade mark owners can apply to block their trade marks being chosen as keywords otherwise than by advertisers who have the owners’ consent. Both IBU and M & S place small amounts of keyword advertising with Bing and Yahoo!.

Hitwise

113. Both IBU and M & S are, and have for several years been, subscribers to a service provided by Experian Hitwise that measures website traffic by collecting and analysing anonymised data from a number of internet service providers (“ISPs”). This data shows the URLs visited by the ISPs’ customers, each of whom is assigned a unique customer ID number. Hitwise aggregates data from some 8 million internet users in a data warehouse and analyses it in various ways. This enables Hitwise to ascertain, for example, which are the most popular websites in a particular sector. In addition, Hitwise is able to analyse the searches carried out by users of search engines. Contractors and employees on both sides like Mr Rose, Mrs MacMillan and Mr Bond use Hitwise reports regularly in the course of their work, and the evidence of both parties referred to Hitwise reports obtained by them in the ordinary course of business. As mentioned above, Mr Pandya gave evidence about an analysis of Hitwise’s data that he carried out for these proceedings. I shall consider this below.

Searches for “interflora”

114.

According to a United Kingdom newsletter emailed by Hitwise to subscribers, including M & S, on 27 March 2008, in February 2008 “interflora” was the most searched for term in the flower sector and accounted for one in five visits to the top 25 flower websites, followed by the generic term “flowers”. At that time M & S was not listed in the top 10 flower delivery websites. “Interflora” was searched for 30 times more frequently than “marks and spencer flowers”.

115.

Since then, it has remained the case that “interflora” is the top performing keyword driving traffic in the flowers sector. It has also remained the case that it is searched for much more frequently than “marks and spencer flowers”.

M & S’s use of keyword advertising prior to 5 May 2008

116.

When Mrs MacMillan joined M & S in 2003, it was already undertaking online marketing of various kinds, but M & S stepped up its use of keyword advertising in March 2006 when it appointed an agency now known as 24/7 Media to manage its keyword advertising. In March 2007 M & S changed its agency to Efficient Frontier (now Adobe). In February 2008 M & S recruited Mr Lemon to manage its keyword advertising, including its relationship with Efficient Frontier. Mr Lemon overhauled the entirety of the M & S AdWords account.

117.

Between 30 July 2004 and 4 May 2008, M & S bid on almost 30,000 keywords in its flowers campaigns, all of which were generic terms. M & S did not bid on “interflora” or variants thereof.

M & S’s reaction to Google’s policy change

118.

Google notified its advertiser customers of its change of policy with regard to keywords corresponding to trade marks by email on 4 April 2008, that is to say, a month before implementing the change. The email provoked considerable interest at M & S. Mr Lemon’s immediate reaction was that keyword brand bidding was likely to turn out to be something of a damp squib. Mrs MacMillan’s reaction, on the other hand, was that, as she put it in an email sent from her home just 2 hours and 26 minutes after the Google email arrived, “we are reading this thinking how we can nick traffic from the opposition cheaply, admit it. (Interflora, Interflora!)”.

119.

In order to explore the potential for bidding on brand keywords, Mrs MacMillan and Mr Lemon instructed Efficient Frontier to conduct a “controlled trial” on behalf of M & S starting on 6 May 2008. To begin with, this involved M & S bidding on: (a) “interflora” and several combinations of “interflora” with other words including “interflora co uk”, including “interflora com” and “interflora delivery”; (b) a few keyword combinations containing brand names of flower delivery companies such as “flowers direct uk” (but not just “flowers direct”) and “serenata flowers” (but not just “serenata”); and (c) a selection of what Mrs MacMillan described as “long-tail” keywords which combined the name of one of M & S’s high street competitors with the word “flowers” e.g. “asda flowers”, “john lewis flowers” and “tesco flowers”.

120.

The earliest indication of the effect of this trial is a document produced by someone within M & S on 14 May 2008. This contains an analysis by Hitwise of searches for “interflora” in the four weeks ending 10 May 2008 (i.e. including four days of data after the Google policy change). This shows that the Interflora UK website at www.interflora.co.uk received 89.47% of the traffic from such searches, Flowers Direct 1.18%, Facebook 0.78%, eBay UK 0.71%, Orange 0.36%, M & S 0.32%, Flowers UK 0.26%, VoucherCodes.com 0.23%, MyVoucher Codes 0.23% and Tesco.com 0.23%. It seems likely that Flowers Direct and Flowers UK were bidding on “interflora”. It also seems likely that VoucherCodes.com and MyVoucher Codes were supplying vouchers for Interflora.

121.

Mrs MacMillan wrote a number of drafts of a “brand search paper” in which she analysed and commented on the results of the controlled trial. In the first draft dated 19 May 2008 she stated:

“Based on first steps trialling we believe that the main opportunities for £ success are tactical campaigns primarily at range level and where:

1)

we may not be the market leader and our product range is not synonymous with our brand

2)

the competitor targets are specialists with less retaliatory power against a department store proposition

3)

brand terms are high sources of traffic in that field and may be synonymous with the proposition (e.g.

Interflora, DFS, Long Tall Sally)

4)

our market share in this sector is underweight due to lack of organic search results on generic terms or even brand variants

5)

or where, from time to time, we have an exceptional customer proposition e.g. promotional event or offer

These criteria informed our immediate targeting of the flower sector where interflora are market leader and synonymous with flower deliveries, we have no organic listings for 'flower' searches and the term 'interflora' is searched 30x more than 'marks and spencer flowers'.

...

Initial results of controlled trial

-

Consumers are easily distracted from their intention. Early indications suggest they are also far down the purchasing funnel as clickthrough AND conversion on relevant competitor terms has proved exceptional.

-

We launched a limited campaign targeting flower brands, especially high traffic terms e.g. market share leader 'interflora'

-

Over 10 days the keyword 'interflora' drove 2,978 additional qualified visitors to Flowers.

-

Achieved exceptional 13% conversion - 385 sales.

-

£12.1k revenue, at investment cost of £1.2k returning

10.9 ROAS

-

Easily £0.5m opportunity estimate net gain £0.4m".

122.

As a result, the trial was expanded to encompass furniture, with M & S bidding on terms such as "dfs sofas", "harveys furniture" and "john lewis furniture".

123.

In the second draft of the brand search paper produced on about 27 May 2008 Mrs Macmillan set out a table of results from the trial which appears from a later draft to consist of data to 19 May 2008. The table lists the keywords in order of revenue generated:

Keyword	cost	clicks	CPC	revenue	order	conversion	ROI
Interflora	915.25	2817	0.32	11435	321	11.40%	12.5
interflora uk	47.58	117	0.41	1119	28	23.93%	23.5
john lewis furniture	7.62	39	0.20	547	3	7.69%	71.8
harveys furniture	102.93	287	0.36	619	2	0.70%	6.0
next flowers	34.62	104	0.33	244	8	7.69%	7.0
john lewis flowers	7.93	24	0.33	186	6	25.00%	23.5
debenhams furniture	5.75	21	0.27	179	1	4.76%	31.1
interflora co uk	7.77	24	0.32	135	4	16.67%	17.3
asda flowers	22.63	46	0.49	139	5	10.87%	6.1
interflora flowers	6.23	18	0.35	94	3	16.67%	15.1
dfs sofas	7.61	23	0.33	84	1	4.35%	11.0
sainsburys flowers	11.9	34	0.35	84	3	8.82%	7.1
interflora com	0.68	2	0.34	59	2	100.00%	86.8
waitrose flowers	6.94	23	0.30	65	2	8.70%	9.3
interflora online	1.9	5	0.38	45	1	20.00%	23.7
serenata flowers	1.42	3	0.47	35	1	33.33%	24.6
Total	1188.76	3587	0.33	15067	391	10.90%	12.7

124.

This table does not include “tesco flowers” or variants thereof, although M & S did bid on such terms on 6 May 2008 with considerable success (e.g. 604 impressions, 49 clicks, CPC of 35p and ROI of 16.4 for just “tesco flowers”). M & S stopped bidding on “tesco” terms on 8 May 2008, however. Mr Lemon accepted that there was no rational reason for M & S to have done so on the basis of the figures, and that it was possible that Tesco had complained. (Subsequently M & S has bid on “tesco flowers” intermittently.)

125.

Mrs MacMillan commented on the table in her paper as follows:

“While we think Interflora is an exceptional case, based on this first steps trialling we believe that there are distinct opportunities for £ success in cases where:

1)

The range proposition does not have high levels of brand loyalty e.g. flowers

2)

The range competitors match our demographic profile (targeted with our own range message)

3)

The range competitors have a value but lower quality proposition (targeted with out value/opp message)

4)

There are niche competitors whose brand terms are high sources of traffic in that field synonymous with the proposition (e.g. Interflora, DFS, Long Tall Sally, Bravissimo) (targeted with OUR proposition)

5)

Our market share in this sector is underweight due to lack of organic search results on generic terms or even brand variants and where we are prepared to invest more to compensate for traffic loss.

6)

We have a new proposition - we are not be [sic] the market leader and our product range is not synonymous with our brand".

126.

Accordingly, Mrs MacMillan proposed maintaining these campaigns and rolling out competitive brand bidding to wine, lingerie size D-JJ and four other sectors in June.

127.

In the final draft of her paper produced on about 3 June 2008, Mrs MacMillan drew the following conclusions:

"Learnings - where does this work best?"

1)

Product areas should not have high levels of brand

loyalty e.g. flowers

2)

Target niche competitors, where we know why customers are visiting that site and can target our ad appropriately (eg flowers for interflora). If not, google will penalise us for poor conversion rates

3)

Our market share in this sector is underweight v the competitor (eg flowers, maternity, plus, furniture)

4)

We have a new proposition or our product range is not synonymous with our brand (eg flowers, wine, furniture)

...

Also, we could target lower competitors where, from time to time, we have a great proposition e.g. promotional event or offer or new arrivals. Loss of traffic to competitors

•

So far, we have not seen significant bidding on Marks and Spencer or traffic loss (Hitwise analysis allows us to monitor traffic leakage).

•

We will continue to monitor brand click costs and traffic share on brand terms, and affiliate brand bidding."

128.

Despite having instantly singled out Interflora in her email dated 4 April 2008 and having described Interflora as an exceptional case on the second draft of her brand search paper, it was Mrs MacMillan's evidence that she did not expect that "interflora" would perform materially differently as a keyword from what she described as other "lateral" brand keywords, that is to say, a keyword implying that the user is looking for a specific type of product or services, such as "laithwaites" for wine or "dfs" for sofas. She expected that lateral brand bidding would work for M & S wherever there was a specialist competitor whose brand was a high source of traffic and was synonymous with the product or service in question.

129.

In the event, however, it is clear that bidding on competitor brands such as "laithwaites" and "dfs" was not as successful for M & S as bidding on "interflora" and variants thereof. Efficient Frontier produced a Q3 2008 Review for M & S, one of the authors of which was Mr Levetsky, which (among other things) analysed M & S's top 15 competitor keywords in Q2 and Q3 2008. The top performer by a wide margin in both quarters was "interflora". In Q2, "interflora" produced 574,064 impressions and 52,826 clicks (a CTR of 9.2%) at a CPC of £0.42, yielding revenue of £237,602 (an ROI of 10.8). "interflora UK" and "inter flora" were also in the top 15. Second place in terms of revenue went to "next flowers" (which, although listed as a competitor keyword because Next is a retailer, probably functioned more as a generic term i.e. an abbreviation of "next day delivery flowers"). "d f s" was third, with 652,759 impressions and 6,237 clicks (a CTR of 1%) at a CPC of £0.43, yielding revenue of £13,980 (an ROI of 5.2). "dfs" was also in the top 15. Also in the top 15 were "john lewis flowers", "sainsburys flowers", "mfi", "m f i", "furniture village", "next furniture", "harveys", "harveys furniture", and "land of leather". In Q3, "interflora" produced 416,383 impressions and 35,665 clicks (a CTR of 8.6%) at a CPC of £0.56, yielding revenue of £150,676 (an ROI of 7.5). "interflora UK" and "interflora flowers" were also in the top 15. "d f s" was second, with 1,189,752 impressions and 19,824 clicks (a CTR of 1.7%) at a CPC of £0.50, yielding revenue of £26,453 (an ROI of 2.7). "dfs" and "d.f.s" were also in the top 15. "laithwaites" was sixth, with 130,433 impressions and 2,398 clicks (a CTR of 1.84%) at a CPC of £0.44, yielding revenue of £10,204 (an ROI of 9.6). "debenhams sale", "next flowers", "next sale", "john lewis flowers", "virgin wines", "mfi" and "furniture village" were also in the top 15.

130.

Interflora has continued to be successful for M & S since then, as shown for example by two pieces of evidence. First, during the period from 6 May 2008 to August 2010 M & S gained 6,050,112 impressions and 434,338 clicks (a CTR of 7.2%) at a CPC of £0.36 from the keyword "interflora" on all match types, yielding revenue of £1,809,501 (an ROI of 11.7). The bulk of these figures came from exact match, with the CTR for exact match being 7.7%. These figures do not include variants of "interflora".

131.

Secondly, a Hitwise report for the 12 weeks ending 18 June 2011 shows that the M & S website received 6.5% of clicks from the search term "interflora", putting it in third place after Interflora's UK and UK mobile sites. The next place went to Asda flowers with 1.9%. (These figures should be compared with those set out in paragraph 120 above.) The report also shows that, of the top 32 search terms driving traffic to the M & S website, Interflora was in tenth place. Most of the other terms were M & S related, while a few were generic terms. There were no other competitors' brands in the top 32 (unless one counts "next flowers", which is doubtful for the reason explained in paragraph 129 above).

132.

Neither Mrs MacMillan nor Mr Lemon was able to identify any persuasive reasons as to why “interflora” and variants thereof were significantly more successful as keywords than other brand names such as “dfs” and “laithwaites”. One possible explanation for this, which was suggested in at least one of M & S’s contemporaneous documents and by Ms Del Gesso in cross-examination, would be that Interflora has become a generic term. No such case was advanced by M & S in its evidence or its submissions, however.

The growth in M & S’s keyword advertising

133. Over time, M & S has built up a large number of keywords it bids on. As at 21 December 2012, there were approximately 4.2 million keywords spread across 80,556 ad groups, 2,659 campaigns and 32 accounts. The vast majority of these keywords are generic terms, such as “suits”. Many of them are selected on exact match, but M & S also use phrase match, broad match and negative matching. Mr Lemon’s evidence was that about 92.5% of M & S’s keyword advertising budget was now spent on generic terms, about 5% supporting M & S’s own brands and about 2.5% on competitive brand bidding. It appears that about half of the 2.5% is spent on Interflora-related keywords. Much of the remainder is spent on the combination or long tail keywords such as “asda flowers”.

The advertisements which are the subject of the claim

134.

As described above, M & S started bidding on “interflora” on 6 May 2008. Interflora complained instantly: Mrs Bampton sent a letter alleging trade mark infringement and passing off on 7 May 2008. This was followed by further correspondence, a solicitors’ letter dated 25 November 2008 and the commencement of these proceedings on 3 December 2008. After a brief pause, M & S recommenced bidding on 16 December 2008.

135.

M & S has never disputed that, in addition to “interflora”, it has bid on a number of other keywords relating to Interflora. As at 21 December 2012, M & S was bidding on the following keywords on exact match: www.interflora.co.uk, www.interflora.com, intaflora.com, interflora.com, interfloral.com, [interflora](http://interflora.com), [interflora on line](http://interflora.com), interflora.co.uk, [interflora co uk](http://interflora.co.uk), [interflora online](http://interflora.com), [interflora uk](http://interflora.com), [interflora shopping](http://interflora.com), [interflora sale](http://interflora.com), [interflora and interflora store](http://interflora.com) (“the Signs”). It can be seen that, in addition to interflora itself, M & S has bid on a number of close variants, a number of combinations of interflora with a descriptive term and Interflora’s domain names and URLs and variants thereof. In addition, M & S has bid on both these and other Interflora-related terms on broad match. It has also bid on other flower-related terms without negative matching “interflora”.

136.

At all material times these keywords have triggered the display of advertisements having the following format:

“M&S Flowers Online

Beautiful Fresh Flowers & Plants. Order by 5pm for Next Day Delivery. www.marksandspencer.com/flowers”

Since May 2008, the advertisement text has been varied to reflect seasonality, price promotions and other factors. Nowadays, both the heading and the content of the promotional text change constantly. The URL also changes, but less often. Two more examples are set out below:

“M&S Mother’s Day Flowers

Spoil Your Mum on Mothers Day. Wide Range of Mothers Day Flowers at M&S.

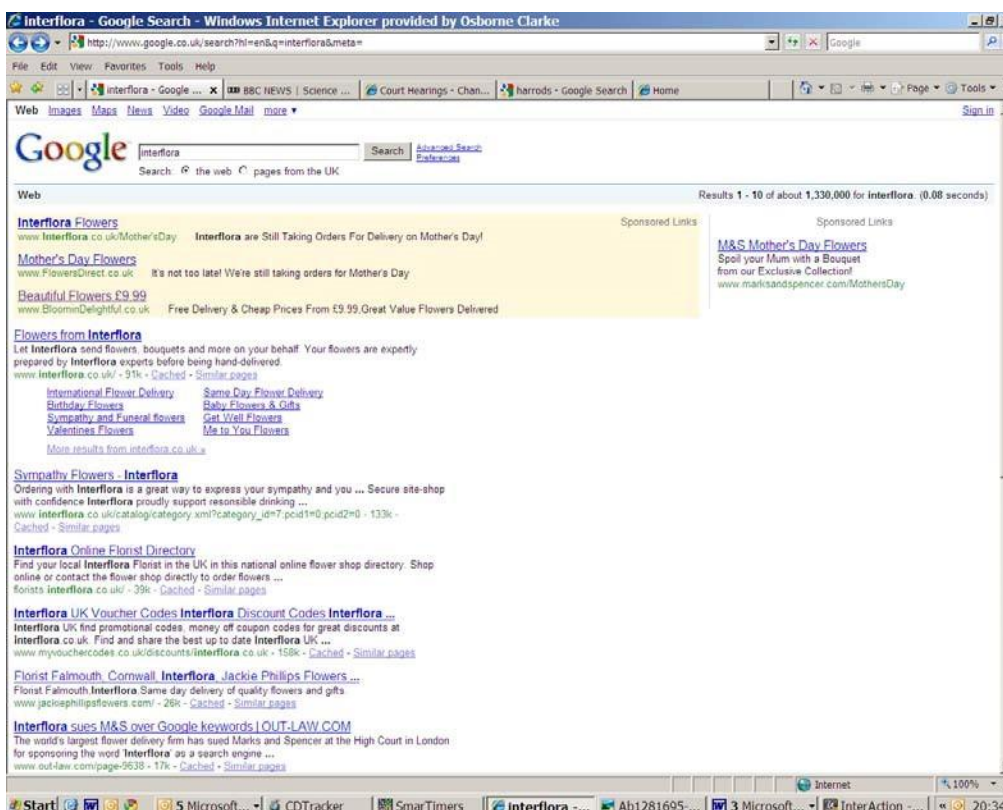
www.marksandspencer.com/mothers_day

M&S Lillies Offer

Save £10 on Lillies Today Only. Flower Freshness Guarantee at M&S. www.marksandspencer.com/flowers”

The advertisement texts used by M & S are not specific to Interflora-related keywords, but are used for a variety of flower-related keywords.

137. Copies of a number of example SERPs showing the advertisements complained of in context ranging in date from 20 March 2009 to 8 March 2012 are contained in Annex 2 to Interflora’s Re-Amended Particulars of Claim. I reproduce the first of these below:



Effect of Google’s policy change on IBU’s keyword advertising costs

138.

Prior to 5 May 2008, IBU had a “notice and take down” agreement with Google, in accordance with the trade mark policy which Google then operated, to prevent anyone else from bidding on “interflora” and misspellings and variants. This system worked

well from IBU’s perspective. As a result IBU paid about 1p per click for bids on

“interflora”.

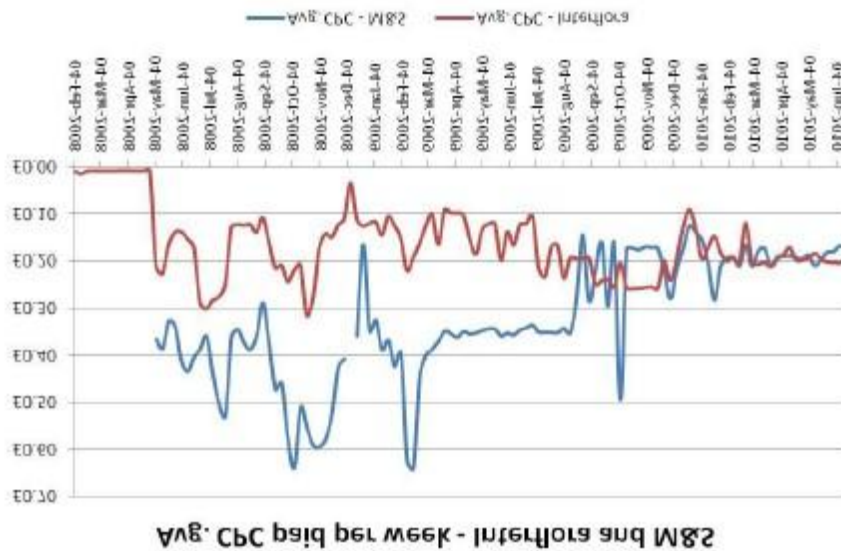
139.

Since May 2008 IBU has paid £1,597,619.07 to Google in bidding costs for the term "interflora" alone so that IBU’s website appears in the "golden box" in response to a user search for “interflora”. This

figure rises to £1,729,682 when one adds the amount IBU has paid to its external advisors. Without Google’s change in policy, IBU’s bid costs would have been £96,087 for the same amount of click throughs based on an average CPC on “interflora” of 1p.

140.

The following chart shows the CPC paid by IBU and M & S per week for the term “interflora” over the period February 2008 to June 2010. As will be seen, IBU’s CPC increased over time, while M & S’s CPC decreased to the point that it was below Interflora’s.



141.

Since January 2012 IBU has implemented a “brand defence” or “golden box” strategy. This involves IBU ensuring that Interflora-related sites appear in all three positions in the golden box, thereby excluding competitors such as M & S. IBU incurs additional bidding costs as a result of this strategy. It appears that M & S’s share of the traffic on the exact match term “interflora” has declined as a result.

Internet literacy generally

142.

Interflora put in evidence by means of a hearsay notice a series of reports published by the Office of Communications (“Ofcom”). Under [section 11 of the Communications Act 2003](#), Ofcom is required to bring about, or encourage others to bring about, a better public understanding of the nature and characteristics of the material published by means of the electronic media and the processes and systems by which it is delivered. As a consequence, Ofcom has undertaken and published detailed research to assess the extent of media literacy in the UK population. Ofcom’s definition of “media” literacy is “the ability to access, understand and create communications in a variety of contexts”. No objection was raised by M & S to the admission of this evidence.

143.

The earliest in time is Ofcom’s Media Literacy Audit published on 2 March 2006. Over 3,200 adults (aged 16+) and over 1,500 children (aged 8-15) were interviewed in June-August 2005 for this research. Among the key findings was that age was the single most defining factor in levels of media literacy. Thus 54% of all UK adults had access to the internet at home, but this figure dropped to 32% for those aged 65+. Total internet use (home, work and elsewhere) averaged 9.9 hours a week. 19% of

all internet users used the internet for shopping at least once a week. Confidence with a range of seven internet-rated tasks ranged from 34% to 86%. Only 25% of the UK population and only 37% of internet users knew how search engine websites were mainly funded (namely by advertising on the website). For comparison, 76% knew how commercial television programmes were funded and 84% knew how BBC television programmes were funded.

144.

The next is Ofcom's Media Literacy Audit published on 16 May 2008. This was based on two pieces of consumer research. The first consisted of interviews with 2,905 adults (aged 16+) in October-December 2007. The second consisted of a monthly tracking survey involving approximately 700 interviews each month. Among the key findings were that older people and those in socio-economic groups C2, D and E used fewer functions and were less likely to be confident in using media platforms, notably the internet, than those in other groups. Internet access at home had increased to 62% of the population as a whole, but only 35% of those aged 65+. Total internet use was up to 12.1 hours a week. Many users were using more than one media device at a time: 24% of people used the internet while watching television and 38% watched television while using the internet. 41% of internet users used the internet for transactions (both buying and selling) at least once a week. Confidence with a range of nine internet-rated tasks ranged from 28% to 82%. Only 26% of the UK population and only 35% of internet users knew how search engine websites were mainly funded (I could not find the latter figure in this report, but it is given in the next one).

145.

The next report is UK Adults' Media Literacy published on 17 May 2010 (following an interim report published on 15 October 2009). This was based on interviews with 1,824 adults (aged 16+) in April-May and September-October 2009. Internet access at home had increased to 71% of the population, but only 33% of those aged 65+. As well as those aged 65+, those in socio-economic groups DE were more likely to be non-users. Total internet use was 12.2 hours a week. 67% of adults went online at home through a PC or laptop, 28% visited websites via a mobile phone, 10% visited websites via a games console/player and 6% visited websites via a portable media player. 37% of internet users used the internet for transactions at least once a week. Confidence with a range of 13 internet-related tasks ranged from 20% to 83%. 81% of internet users said that they had saved money through buying or comparing prices online. Only 28% of the UK population and only 35% of internet users knew how search engine websites were mainly funded. 56% of internet users said that they used a search engine most often when looking for information on the internet (compared to typing in a website address or going to a stored favourite address). Of those who would most often use a search engine, 54% thought that some of the websites listed by the search engine would be accurate and unbiased and some would not, 20% thought that the websites listed would all be accurate and unbiased and 26% did not think about it or didn't know. Thus only 54% made some kind of critical evaluation of search engine results. This section of the report (section 6.9 on pages 71-72) is headed "Around half of search engine users make some kind of critical evaluation of search engine results pages".

146.

The next report is UK Adults' Media Literacy published in April 2011. This was based on interviews with 2,117 adults (16+) in April-May and September-October 2010. Internet access at home had increased to 74% of the population, but only 35% of those aged 65+. As well as those aged 65+, those in socio-economic groups DE were more likely to be non-users. 30% of adults used a smartphone (a mobile phone permitting easy access to emails and the internet). 31% of UK adults visited websites via a mobile phone, rising to 77% among smartphone users. Total internet use was up to 14.2 hours a

week. 43% of internet users used the internet for transactions at least once a week. Confidence with a range of 13 internet-rated tasks ranged from 25% to 86%. 82% of internet users said that they had saved money through buying or comparing prices online. Only 31% of the UK population (I have not found the figure for internet users) knew how search engine websites were mainly funded. 94% of internet users used search engines. Of those who used search engines, 50% thought that some of the websites listed by the search engine would be accurate and unbiased and some would not, 26% thought that the websites listed would all be accurate and unbiased and 24% did not think about it or didn't know. Strikingly, this section of the report (section 5.6 on pages 54-56) is headed "Half of those who use search engines do not understand search engine results pages". In my view the research does not support this conclusion, and the heading to the corresponding section of the previous report is a more accurate summary. It is nevertheless of some interest that Ofcom saw fit to publish that interpretation.

147.

In addition to the reports discussed above, Interflora put in evidence sections of three Communications Market reports published by Ofcom in 2010, 2011 and 2012. These reports survey the state of the communications market using a combination of Ofcom commissioned consumer research and information from other sources. Again, M & S raised no objection to the admission of this evidence. The 2010 report adds little of relevance to the reports discussed above, but the 2011 and 2012 reports contain some more up-to-date data on internet usage. Thus internet access increased to 77% of the population in 2011 and 80% of the population in 2012, while the percentage accessing the internet via smartphone increased to 32% in 2011 and 39% in 2012. In 2012 42% of smartphone users agreed with the statement "my phone is more important to me for accessing the internet than any other device". 39% of adults (16+) with a home broadband connection used the internet for purchasing goods and services in Q1 2011 and 41% in Q2 2012.

Consumer understanding of keyword advertising

148.

In addition to the Ofcom reports, Interflora put in evidence by means of a hearsay notice a series of reports and articles published by academic authors in a variety of media, including some peer-reviewed academic journals. These documents are relied upon by Interflora as showing that many consumers are either not aware of the distinction between paid advertisements and natural search results on SERPs or have difficulty in distinguishing between the two. M & S objected to the admissibility of the majority, but not all, of these documents. I overruled that objection for the reasons given in a ruling on the first day of trial. In his closing submissions counsel for Interflora did not invite me to place much weight on these documents. In my view he was right not to do so, for a number of reasons. First, many of them are quite old. For example, the oldest is a report by Consumer WebWatch published on 30 June 2003, that is to say, quite early in the development of keyword advertising and nearly five years before the earliest date relevant to the present case. Secondly, some of them are based on consumer research using very small samples. For example, the Consumer WebWatch report was based on interviews with just 17 participants. Thirdly, not all of the materials were peer-reviewed. Again, the Consumer WebWatch report is an example of one that was not. Finally, most of them emanate from the USA. That in itself does not mean they are no value, but it means that some caution must be exercised before treating the conclusions as directly applicable to the UK.

149.

Perhaps the strongest of these documents from Interflora's perspective is an article by Benjamin Edelman and Duncan S. Gilchrist, both of Harvard Business School, entitled "Advertising Disclosure:

Measuring Labeling Alternatives in Internet Search Engines”, *Information Economics and Policy* 24, 75-89 (2012). This has the advantage of being both much more up to date than many of the earlier articles and reports and based on consumer research using a reasonably large sample (a demographically varied sample of 723 participants recruited using an online survey service), although it was carried out in the USA, as well of having been published in a peer-reviewed academic journal.

150.

In their study Edelman and Gilchrist arranged for the participants to be directed to a server where they were provided with instructions, a browser window and a questionnaire. The participants were asked first to find three websites selling AeroBed inflatable mattresses and secondly to find information about methods for treating leukaemia. They then asked a short series of questions, in particular whether the participants had seen any “advertisements, Sponsored links or other paid listings” and, if so, how many. The participants were divided into three groups. One group was shown Google SERPs in which the advertisements were labelled “sponsored links”, a second in which they were labelled “ads” and a third in which they were labelled “paid advertisements”. The software recorded what the participants actually did (which produced 449 usable responses) as well as what they reported afterwards (which produced 223 usable responses). Edelman and Gilchrist found no statistically significance difference between the behaviour of the first and second groups, but that the third group clicked on 25% and 27% fewer advertisements than the first and second groups respectively. The difference was particularly evident in the case of the AeroBed search. It was also more marked amongst less experienced users, older users and users without college degrees. The users who clicked on fewer advertisements correctly reported this in their answers to the questionnaires.

151.

Edelman and Gilchrist conclude as follows:

“Our data indicates that the label ‘Paid Advertisement’ is more effective than ‘Sponsored link’ at conveying to users that a given link is in fact an advertisement: When the former label appears in place of the latter, users click somewhat fewer advertisements, but users more accurately report how many advertisements they clicked, indicating that users better understand which results are advertisements.

Furthermore, the ‘Paid Advertisement’ label is especially beneficial in informing the users who otherwise least understand the meaning of ‘Sponsored links’ (including older users, less educated users, and Internet novices). Indeed, as shown in Table 6, the insertion of ‘Paid Advertisement’ labels makes non-college-graduates 31% less likely to click advertisements—transforming these users from frequent adclickers into users who equal educated users in their advertisement click rates.

The FTC has called for ‘clear’ advertisement labels that are ‘easy for consumers to understand.’ (Hipsley, 2002) Our results indicate that whatever the clarity and effectiveness of current advertisement labels, the ‘Paid Advertisement’ alternative appears to be significantly more clear and significantly easier to understand. It seems search engines could change their labels easily; we see no technical costs in implementing such a change.

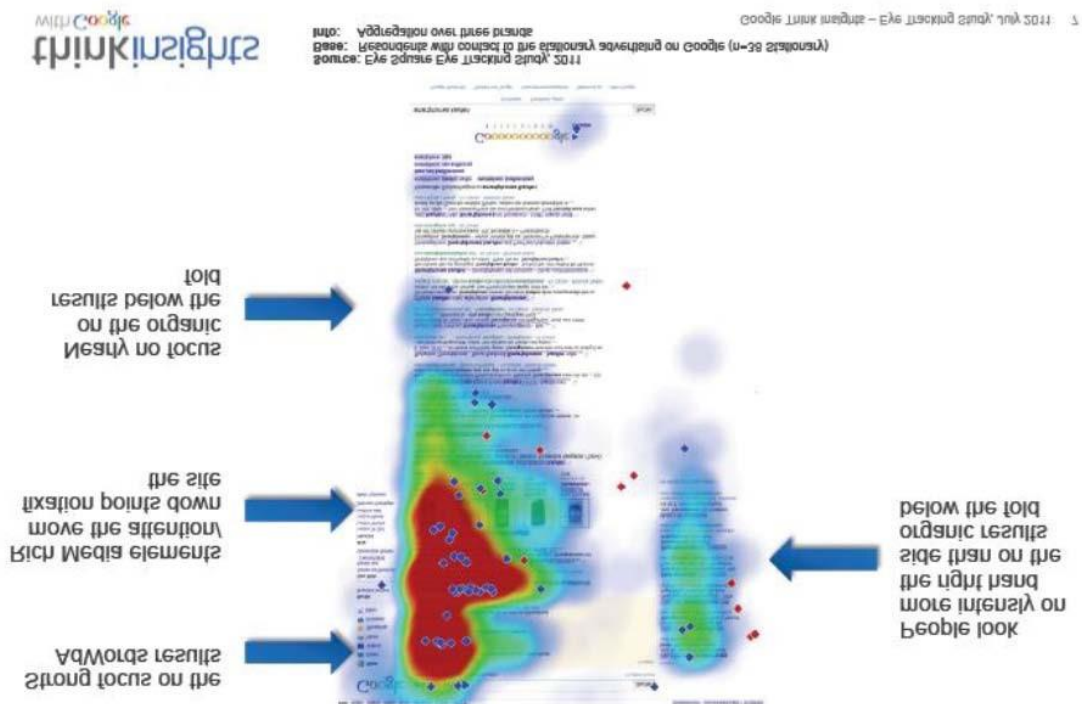
... if ‘Ads’ offers any improvement in user understanding compared to ‘Sponsored links,’ the improvement is sufficiently small that our experiment could not distinguish it from zero.”

152.

In addition to the articles and reports discussed above, Interflora also rely on a report of an eye tracking study commissioned by Google and published in May 2011. Mr Rose gave evidence that he used this study in his work, including in discussions with clients, and that it corresponded with his own experience. The purpose of the study, which was carried out in Germany, was to compare the effects of keyword advertising on “mobile websites” (i.e. websites as displayed on smartphones) compared to “regular websites” (i.e. as displayed on desktop computers). Eye tracking is a method which enables detection and analysis of where a person looks at on a display and for how long. The study involved 90 participants carrying out specified search tasks in tests lasting 45-60 minutes. The results included “heat maps” showing how strongly focussed participants’ eyes were on different parts of the SERP.

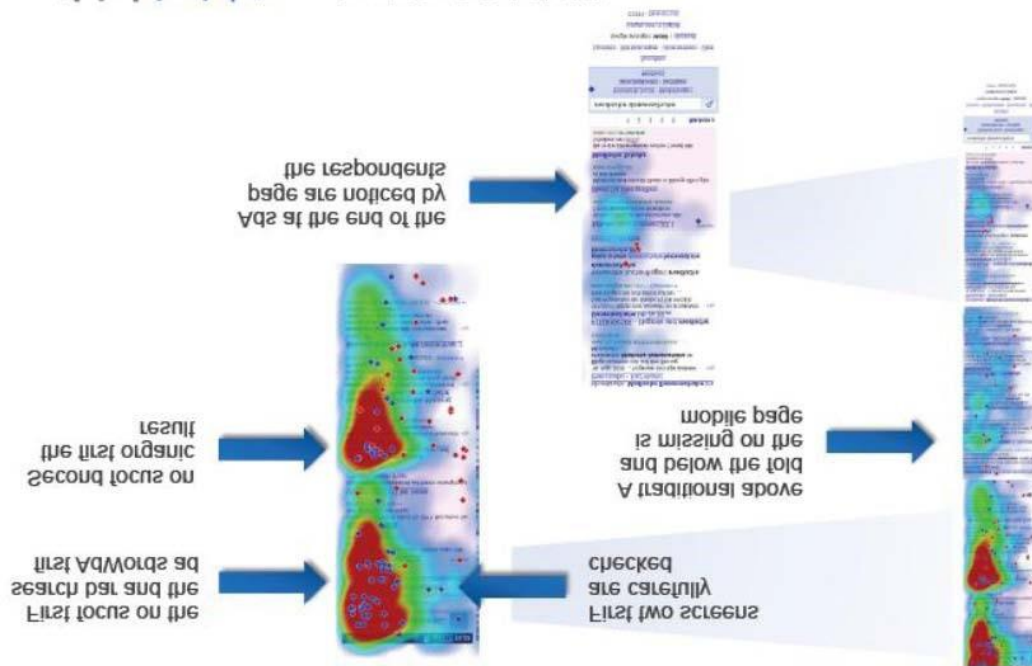
153.

The desktop heatmap is reproduced below:



154.

The smartphone heatmap is reproduced below:



155.

This study also shows that 71% of users look at the advertisements at the top of a desktop SERP compared to 70% at the natural results above the “fold” (i.e. the division between the part of the first page which appears on screen immediately and the part which requires the user to scroll down) and just 21% below the fold. On average users looked at the advertisements for 2.5 seconds, the natural results above the fold for 2.2 seconds and the natural results below the fold for 0.2 seconds. For the mobile SERP, the results were more skewed toward the advertisements as these are sometimes the only results which appear on screen before users scroll down. 85% of visitors looked at the first screen including the advertisements, 60% at the second screen, 16% at the next two screens and only 9% at the last screen. On average, users looked at the first screen for 1.9 seconds, the second screen for 1.0 seconds and the remainder for 0.2 seconds. Thus this study shows that users focus strongly on the top of the SERP, which is where the advertisements appear.

156.

Despite this, the study shows a striking lack of awareness of the advertisements. When users were asked “which brands and products have you seen advertising for?”, just 3% of desktop users and 12% of smartphone users were able to identify them. Even when users were asked “have you seen advertising for the brands listed below”, only 24% of desktop users and 44% of smartphone users were able to identify them.

157.

In his closing submissions, counsel for Interflora relied strongly on an answer given by Mr Bond in cross-examination. As described above, he is M & S’s Director of Customer Insight and Loyalty and his department both carries out and commissions regular consumer research and analyses a great deal of transactional data generated by consumer. As such, he is probably the person at M & S who has the best knowledge about the behaviour of M & S’s customers. He was being asked about why M & S had not carried out online research asking about the routes by which purchasers of flowers had arrived at the M & S website:

“Q. If the flowers unit had asked you to ask those questions, you could have asked them?”

A. It would have been possible. I would have given advice back to them because that might not be an easy question to ask because respondents are not always aware of the difference between a search engine or a www, so they may not have been able to answer the question accurately.

Q. Presumably also they sometimes do not know whether they clicked on a paid or sponsored link?

A. I suspect that a lot of customers do not know, no. They have their own ways and rules of coming into a website.”

158.

Counsel for M & S pointed out that Mr Bond had used the word “suspect” in his answer, rather than the words “know” or “believe”. I acknowledge that Mr Bond was appropriately careful in his choice of the word “suspect”, but the impression Mr Bond made on me when he said those words was that of a witness who being entirely candid. Thus it was Mr Bond who said “a lot of customers”, not the questioner. In my judgment, his answer represents an informed assessment from someone whose job it is to have an informed assessment on this subject.

159.

Furthermore, Mr Bond’s assessment is consistent with that of Mr Rose. Mr Rose expressed the view in his evidence that “in my experience, not only do most people not know or appreciate the difference between the search results which have been generated by PPC and which have generated by SEO, but many people do not know or understand that there is a difference”. Again, Mr Rose cannot know this, but it represents an informed assessment from someone whose job it is to have an informed assessment on this subject.

160.

Still further, Mr Bond’s and Mr Rose’s assessments are consistent with (a) the Ofcom reports concerning internet literacy, (b) the academic literature relied upon by Interflora (in particular, the Edelman and Gilchrist article) and (c) the Google eye tracking study.

Incidence of competitive brand keyword bidding

161.

A surprising dispute emerged at trial as to how common competitive brand keyword bidding (i.e. bidding on a competitor’s brand name as a keyword) has actually become in the UK since May 2008. M & S contends that it is commonplace, while Interflora contend that it is not. In my view it does not much matter who is right about this, but my findings are as follows.

162.

As counsel for Interflora pointed out, in approaching this question it is important to distinguish competitive brand keyword bidding from other forms of keyword bidding on brand names. There are at least two other kinds of brand keyword bidding. The first (labelled “promotional” by Dr Bernard J. Jansen of the College of Information Sciences and Technology at The Pennsylvania State University in one of several articles he had written on this subject) is where the advertiser is promoting the product or service of the brand owner, for example where the advertiser is a reseller or is supplying coupons or samples. The second (labelled “orthogonal” by Dr Jansen) is where the advertiser is neither competing with nor promoting the brand owner, for example where the advertiser is providing information about the brand owner.

163.

Mr Levetsky's view was that brand bidding was commonplace, although the frequency and "ferocity" of it varied from sector to sector, but it is not clear to me that he distinguished competitive brand bidding from promotional and orthogonal brand bidding. Mr Rose's view was that competitive brand bidding was uncommon, although he acknowledged that it did happen and indeed he himself had engaged in it. Neither witness had any hard data to support their respective views. It is clear from various search results that are in evidence that competitive brand bidding does occur from time to time. It appears to be most prevalent in the financial services and gambling sectors. Mr Barringer gave evidence, however, about some systematic searches using the top 20 consumer brands and 36 well-known retail brands as search terms which he had arranged for Interflora's solicitors to undertake in March 2013. These searches failed to reveal any evidence of competitive brand bidding. Accordingly, I conclude that it is not commonplace in the UK.

164.

A related issue is the extent to which other competitors of Interflora have agreed not to engage in competitive brand bidding on "interflora". Mr Barringer gave evidence that, in addition to Flowers Direct, IBU had reached an agreement with another competitor called Bloomin Delightful, although he was somewhat vague as to its terms. Apart from that, his evidence was to the effect that a number of competitors had informally indicated to IBU that they would refrain from bidding on Interflora-related terms pending the outcome of the present litigation, but without making any commitment not to do so.

165.

Another related issue is to the extent to which IBU has negatively matched its competitors' brand names when bidding on broad matched generic terms. Mr Barringer's evidence was that IBU had adopted a policy of negative matching in this way in early 2010, but it was unclear from his and Mr Rose's evidence to what extent this policy has been effectively implemented.

The law

Legal context

166.

Article 16(1) of the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS"), which forms Annex 1C to the Agreement establishing the World Trade Organisation signed in Morocco on 15 April 1994, to which the European Union and all its Member States are parties, provides:

"The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed...."

167.

The tenth recital to the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks ("the Directive") stated:

"Whereas the protection afforded by the registered trade mark, the function of which is in particular to guarantee the trade mark as an indication of origin, is absolute in the case of identity between the mark and the sign and goods or services; whereas the protection applies also in case of similarity between the mark and the sign and the goods or services; whereas it is indispensable to give an

interpretation of the concept of similarity in relation to the likelihood of confusion; whereas 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, of the association which can be made with the used or registered sign, of the degree of similarity between the trade mark and the sign and between the goods or services identified, constitutes the specific condition for such protection; whereas the ways in which likelihood of confusion may be established, and in particular the onus of proof, are a matter for national Procedural rules which are not prejudiced by the Directive”.

168.

Article 5 of the Directive provided as follows:

“Article 5

Rights conferred by a trade mark

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 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:

...

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

...

5. Paragraphs 1 to 4 shall not affect provisions in any Member State relating to the protection against the use of a sign other than for the purpose of distinguishing goods or services, where use of that sign without due cause take unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.”

169.

With effect from 28 November 2008, the original Directive has been replaced by a codified version, European Parliament and Council Directive 2008/95/EC of 22 October 2008. Since the alleged infringements started when the original Directive was in force, and since most of the relevant case law concerns it, I shall continue to refer to the original Directive. There is no reason to think that the codification of the Directive has changed the law in any relevant respect.

170.

Articles 5(1),(2) and (3) of the Directive were implemented in the United Kingdom by section 10(1)-(4) of the [Trade Marks Act 1994](#).

171.

Parallel provisions to Articles 5(1),(2) and (3) of the Directive were contained in Articles 9(1) and (2) of Council Regulation 40/94/EC of 20 December 1993 on the Community trade mark (“the Regulation”), which was replaced by a codified version, Council Regulation 207/2009/EC of 26 February 2009, with effect from 13 April 2009. Again, I shall refer to the original Regulation.

The relevance of TRIPS

172.

The Court of Justice of the European Union has repeatedly held that, in a field of intellectual property law where the European Union has legislated, national courts must interpret both European and domestic legislation as far as possible in the light of the wording and purpose of relevant international agreements to which the EU is a party, and in particular TRIPS: see Case C-53/96 *Hermès International v FHT Marketing Choice BV* [1998] ECR I-3603 at [28]; Joined Cases C-300/98 and C392/98 *Parfums Christian Dior SA v Tuk Consultancy BV* [2000] ECR I-11307 at [47]; Case C-89/99 *Schieving-Nijstad VOF v Groeneveld* [2001] ECR I-5851 at [35];

Case C-49/02 *Heidelberger Bauchemie GmbH* [2004] ECR I-6152 at [20]; Case C245/02 *Anheuser-Busch Inc v Budejovicky Budvar NP* [2004] ECR I-10989 at [55][57]; and Case C-431/05 *Merck Genéricos - Produtos Farmacêuticos Lda v Merck & Co Inc* [2007] ECR I-7001 at [35].

173.

On the other hand, TRIPS does not have direct effect and thus does not itself create rights upon which individuals may rely directly before the courts by virtue of EU law: see Case C-135/10 *Società Consortile Fonografici (SCF) v Del Corso* [2012] ECR I0000 at [46] and the case law cited.

Contextual assessment

174. In determining whether there is a likelihood of confusion under Article 5(1)(b) of the Directive or Article 9(1)(b) of the Regulation, the court is required to make a contextual assessment of the use of the sign: see Case C-533/06 *O2 Holdings Ltd v Hutchison 3G UK Ltd* [2008] ECR I-4231. I do not understand it to be in dispute that the same principle must apply when determining whether the use falls within Article 5(1)(a) of the Directive and Article 9(1)(a) of the Regulation or within Article 5(2) of the Directive and Article 9(1)(c) of the Regulation. Nor is it in dispute that in the present case the context is provided by the SERP presented by Google to the user when one of the Signs is entered as a search term.

Date of assessment

175.

It is common ground that, in general, the question whether the use of a sign infringes a trade mark falls to be assessed as at the date that the use of the sign was commenced: see Case C-145/05 *Levi Strauss & Co v Casucci SpA* [2006] ECR I3703. Given the need for a contextual assessment, I held in *Stichting BDO v BDO Unibank, Inc* [2013] EWHC 418 (Ch) at [94] that, if the defendant used the sign in a materially different manner or context at a later date, a new assessment had to be made as of that date.

176.

In the present case, M & S started use of “interflora” as a keyword on 6 May 2008 and use of the variants shortly thereafter. Save in one respect, M & S has not used the signs complained of in a materially different manner since then, but the context has changed. I shall return to this point below.

Article 5(1)(a) of the Directive/Article 9(1)(a) of the Regulation

177.

The case law of the CJEU establishes that the proprietor of a trade mark can only succeed in a claim under Article 5(1)(a) of the Directive or Article 9(1)(a) of the Regulation if six conditions are satisfied: (i) there must be use of a sign by a third party within the relevant territory; (ii) the use must be in the course of trade; (iii) it must be without the consent of the proprietor of the trade mark; (iv) it must be of a sign which is identical to the trade mark; (v) it must be in relation to goods or services which are identical to those for which the trade mark is registered; and (vi) it must affect or be liable to affect the functions of the trade mark: see in particular Case C206/01 *Arsenal Football plc v Reed* [2002] ECR I-10273 at [51], *Anheuser-Busch* at [59], Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I-1017 at [18]-[22], Case C-17/06 *Céline SARL v Céline SA* [2007] ECR I-7041 at [16] and Case C-62/08 *UDV North America Inc v Brandtraders NV* [2009] ECR I-1279 at [42].

178.

In the present case there is now no dispute that the first five conditions are satisfied, and it is therefore unnecessary for me to say more about them. I should explain, however, that it is common ground that all of the Signs are identical to the Trade Marks applying the test laid down by the CJEU in Case C-291/00 *LTJ Diffusion SA v Sadas Vertbaudet SA* [2003] ECR I-2799.

179.

I considered the case law of the CJEU concerning the sixth condition in detail in my judgments in *L'Oréal SA v eBay International AG* [2009] EWHC 1094 (Ch), [2009] RPC 21 at [288]-[306] and *DataCard Corp v Eagle Technologies Ltd* [2011] EWHC 244 (Pat), [2011] RPC 17 at [244]-[272]. Since the date of the latter judgment, the Court of Justice has delivered its ruling in *Interflora* (CJEU). I shall therefore reconsider its jurisprudence with regard to the sixth condition, and in particular the jurisprudence concerning the effect of keyword advertising, below. At this stage, it suffices to note that the case law establishes that the sixth condition is satisfied if, but only if, the use of the sign affects, or is liable to affect, one of the functions of the trade mark. For this purpose, the functions of a trade mark include its origin, advertising, investment and communication functions: see in particular Case C-487/07 *L'Oréal SA v Bellure NV* [2009] ECR I-5185 at [58]-[64].

180.

In the present case, *Interflora* allege that M & S's use of the signs complained of affects or is liable to affect the origin and investment functions of the Trade Marks. For its part, M & S relies upon the fact that the Court of Justice has held that keyword advertising has no effect on the advertising function.

Article 5(1)(b) of the Directive/Article 9(1)(b) of the Regulation

181.

Interflora do not allege infringement under Article 5(1)(b) of the Directive or Article 9(1)(b) of the Regulation. It is nevertheless necessary for me to say a little about this subject in order to provide some context for points discussed below.

182.

Again, six conditions must be satisfied: (i) there must be use of a sign by a third party within the relevant territory; (ii) the use must be in the course of trade; (iii) it must be without the consent of the proprietor of the trade mark; (iv) it must be of a sign which is similar to the trade mark; (v) it must be in relation to goods or services which are similar to those for which the trade mark is registered; and (vi) it must give rise to a likelihood of confusion on the part of the public.

183.

The manner in which the requirement of a likelihood of confusion in Article 5(1)(b) of the Directive and Article 9(1)(b) of the Regulation, and the corresponding provisions concerning relative grounds of objection to registration in both the Directive and the Regulation, should be interpreted and applied has been considered by the CJEU in a considerable number of decisions, and in particular the leading cases of Case C-251/95 SABEL BV v Puma AG [1997] ECR I-6191, Case C-39/97 Canon Kabushiki Kaisha v Metro-Goldwyn-Meyer Inc [1998] ECR I-5507, Case C-342/97 Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel BV [1999] ECR I-3819, Case C-425/98 Marca Mode CV v Adidas AG [2000] ECR I-4861, Case C-3/03 Matrazen

Concord GmbH v Office for Harmonisation in the Internal Market [2004] ECR I-3657, Case C-120/04 Medion AG v Thomson Sales Germany & Austria GmbH [2005] ECR I-8551 and Case C-334/05 Office for Harmonisation in the Internal Market v Shaker de L. Laudato & C SAS [2007] ECR I-4529.

184.

The Trade Marks Registry has adopted the following standard summary of the principles established by these authorities:

“(a) the likelihood of confusion must be appreciated globally, taking account of all relevant factors: SABEL BV v Puma AG;

(b)

the matter must be judged through the eyes of the average consumer of the goods/services in question (SABEL BV v Puma AG), who is deemed to be reasonably well informed and reasonably circumspect and observant, but who rarely has the chance to make direct comparisons between marks and must instead rely upon the imperfect picture of them he has kept in his mind: Lloyd Schuhfabrik Meyer & Co. GmbH v Klijsen Handel BV;

(c)

the average consumer normally perceives a mark as a whole and does not proceed to analyse its various details: SABEL BV v Puma AG;

(d)

the visual, aural and conceptual similarities of the marks must therefore be assessed by reference to the overall impressions created by the marks bearing in mind their distinctive and dominant components: SABEL BV v Puma AG;

(e)

a lesser degree of similarity between the marks may be offset by a greater degree of similarity between the goods, and vice versa: Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc;

(f)

there is a greater likelihood of confusion where the earlier trade mark has a highly distinctive character, either per se or because of the use that has been made of it: SABEL BV v Puma AG;

(g)

in determining whether similarity between the goods or services covered by two marks is sufficient to give rise to the likelihood of confusion, the distinctive character and reputation of the earlier mark must be taken into account: Canon

Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc;

(h)

mere association, in the sense that the later mark brings the earlier mark to mind, is not sufficient for the purposes of section 5(1): SABEL BV v Puma AG;

(i)

further, the reputation of a mark does not give grounds for presuming a likelihood of confusion simply because of a likelihood of association in the strict sense: Marca Mode CV v Adidas AG and Adidas Benelux BV;

(j)

but if the association between the marks causes the public to wrongly believe that the respective goods come from the same or economically linked undertakings, there is a likelihood of confusion within the meaning of the section: Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc;

(k)

assessment of the similarity between two marks means more than taking just one component of a composite trade mark and comparing it with another mark; the comparison must be made by examining each of the marks in question as a whole, which does not mean that the overall impression conveyed to the relevant public by a composite trade mark may not, in certain circumstances, be dominated by one or more of its components: Medion AG v Thomson Multimedia Sales Germany & Austria GmbH;

(l)

it is only when all other components of a complex mark are negligible that it is permissible to make the comparison on the basis of the dominant element: Shaker di L. Laudato & C. Sas v OHIM."

185. As I noted in *Aveda Corp v Dabur India Ltd* [2013] EWHC 589 (Ch) at [18], although this is a convenient summary of the relevant principles, there are cases in which it is necessary to look in more detail at aspects of the Court of Justice's jurisprudence. For present purposes, it is important to note that what the Court actually said in *Canon* at [29], and has frequently repeated subsequently, is that "the risk that the public might believe that the goods or services in question come from the same undertaking or, as the case may be, from economically-linked undertakings, constitutes a likelihood of confusion" (emphasis added).

Article 5(2) of the Directive/Article 9(1)(c) of the Regulation

186. In Case C-292/00 *Davidoff & Cie SA v Gofkid Ltd* [2003] ECR I-389 and Case C-

408/01 Adidas-Salomon AG v Fitnessworld Trading Ltd [2003] ECR I-12537 the CJEU held that, although the wording of Article 5(2) of the Directive and Article 9(1)(c) of the Regulation refer to goods or services which are not similar to those for which the mark is registered, this form of protection also extends to cases where a sign which is identical with or similar to the trade mark is used in relation to goods or services identical with or similar to those covered by the trade mark. The Court of Justice also held in Adidas-Salomon that it is not necessary for the trade mark proprietor to establish a likelihood of confusion in order to succeed in such a claim. 187. In order for the use of a sign to infringe under Article 9(1)(c), four requirements must be satisfied. The first is that the trade mark has a reputation in the relevant territory. This is not in issue in the present case.

188.

The second requirement is that the use of the sign complained of gives rise to a “link” between the sign and the trade mark in the mind of the average consumer, even if the average consumer does not confuse them. Again, this is not in issue in the present case.

189.

The third requirement is that the trade mark proprietor must establish the existence of one of three kinds of injury, which were described by the Court of Justice in *L'Oréal v Bellure* as follows:

“37. The existence of such a link in the mind of the public constitutes a condition which is necessary but not, of itself, sufficient to establish the existence of one of the types of injury against which Article 5(2) of Directive 89/104 ensures protection for the benefit of trade marks with a reputation (see, to that effect, *Intel Corporation*, paragraphs 31 and 32).

38.

Those types of injury are, first, detriment to the distinctive character of the mark, secondly, detriment to the repute of that mark and, thirdly, unfair advantage taken of the distinctive character or the repute of that mark (see, to that effect, *Intel Corporation*, paragraph 27).

39.

As regards detriment to the distinctive character of the mark, also referred to as ‘dilution’, ‘whittling away’ or ‘blurring’, such detriment is caused when that mark’s ability to identify the goods or services for which it is registered is weakened, since use of an identical or similar sign by a third party leads to dispersion of the identity and hold upon the public mind of the earlier mark. That is particularly the case when the mark, which at one time aroused immediate association with the goods or services for which it is registered, is no longer capable of doing so (see, to that effect, *Intel Corporation*, paragraph 29).

40.

As regards detriment to the repute of the mark, also referred to as ‘tarnishment’ or ‘degradation’, such detriment is caused when the goods or services for which the identical or similar sign is used by the third party may be perceived by the public in such a way that the trade mark’s power of attraction is reduced. The likelihood of such detriment may arise in particular from the fact that the goods or services offered by the third party possess a characteristic or a quality which is liable to have a negative impact on the image of the mark.

41.

As regards the concept of ‘taking unfair advantage of the distinctive character or the repute of the trade mark’, also referred to as ‘parasitism’ or ‘free-riding’, that concept relates

not to the detriment caused to the mark but to the advantage taken by the third party as a result of the use of the identical or similar sign. It covers, in particular, cases where, by reason of a transfer of the image of the mark or of the characteristics which it projects to the goods identified by the identical or similar sign, there is clear exploitation on the coat-tails of the mark with a reputation.

42.

Just one of those three types of injury suffices for Article 5(2) of Directive 89/104 to apply (see, to that effect, *Intel Corporation*, paragraph 28)."

190.

The Court of Justice had previously given guidance with regard to detriment to the distinctive character of the trade mark in the context of Article 4(4)(a) of the Directive in Case C-252/07 *Intel Corp Inc v CPM United Kingdom Ltd* [2008] ECR I-8823. In that case the Court held as follows:

i)

The more immediately and strongly the mark is brought to mind by the sign, the greater the likelihood that the current or future use of the sign is detrimental to the distinctive character of the mark: [67].

ii)

The stronger the earlier mark's distinctive character and reputation, the easier it will be to accept that detriment has been caused by it: [69].

iii)

The existence of a link between the sign and the mark does not dispense the trade mark proprietor from having to prove actual and present injury to its mark, or a serious likelihood that such an injury will occur in the future: [71].

iv)

The more "unique" the trade mark, the greater the likelihood that use of a later identical or similar mark will be detrimental to its distinctive character: [74].

v)

Detriment to the distinctive character of the trade mark is caused when the mark's ability to identify the goods or services for which it is registered and used as coming from the proprietor is weakened. It follows that proof that the use of the sign is or would be detrimental to the distinctive character of the earlier mark requires evidence of a change in the economic behaviour of the average consumer of the goods or services for which the mark is registered consequent on the use of the sign, or a serious likelihood that such a change will occur in the future: [77].

191.

The Court of Justice explained the correct approach to the determining whether unfair advantage has been taken of the trade mark in *L'Oréal v Bellure* as follows:

"44. In order to determine whether the use of a sign takes unfair advantage of the distinctive character or the repute of the mark, it is necessary to undertake a global assessment, taking into account all factors relevant to the circumstances of the case, which include the strength of the mark's reputation and the degree of distinctive character of the mark, the degree of similarity between the marks at issue and the nature and degree of proximity of the goods or services concerned. As regards the strength of the reputation and the degree of distinctive character of the mark, the Court has already held that, the stronger that mark's distinctive character and reputation are, the easier it will be to accept that detriment has been caused to it. It is also clear from the case-law that, the more

immediately and strongly the mark is brought to mind by the sign, the greater the likelihood that the current or future use of the sign is taking, or will take, unfair advantage of the distinctive character or the repute of the mark or is, or will be, detrimental to them (see, to that effect, Intel Corporation, paragraphs 67 to 69).

45.

In addition, it must be stated that any such global assessment may also take into account, where necessary, the fact that there is a likelihood of dilution or tarnishment of the mark.

46.

In the present case, it is a matter of agreement that Malaika and Starion use packaging and bottles similar to the marks with a reputation registered by L'Oréal and Others in order to market perfumes which constitute 'downmarket' imitations of the luxury fragrances for which those marks are registered and used.

47.

In that regard, the referring court has held that there is a link between certain packaging used by Malaika and Starion, on the one hand, and certain marks relating to packaging and bottles belonging to L'Oréal and Others, on the other. In addition, it is apparent from the order for reference that that link confers a commercial advantage on the defendants in the main proceedings. It is also apparent from the order for reference that the similarity between those marks and the products marketed by Malaika and Starion was created intentionally in order to create an association in the mind of the public between fine fragrances and their imitations, with the aim of facilitating the marketing of those imitations.

48.

In the general assessment which the referring court will have to undertake in order to determine whether, in those circumstances, it can be held that unfair advantage is being taken of the distinctive character or the repute of the mark, that court will, in particular, have to take account of the fact that the use of packaging and bottles similar to those of the fragrances that are being imitated is intended to take advantage, for promotional purposes, of the distinctive character and the repute of the marks under which those fragrances are marketed.

49.

In that regard, where a third party attempts, through the use of a sign similar to a mark with a reputation, to ride on the coattails of that mark in order to benefit from its power of attraction, its reputation and its prestige, and to exploit, without paying any financial compensation and without being required

to make efforts of his own in that regard, the marketing effort expended by the proprietor of that mark in order to create and maintain the image of that mark, the advantage resulting from such use must be considered to be an advantage that has been unfairly taken of the distinctive character or the repute of that mark.

50.

In the light of the above, the answer to the fifth question is that Article 5(2) of Directive 89/104 must be interpreted as meaning that the taking of unfair advantage of the distinctive character or the repute of a mark, within the meaning of that provision, does not require that there be a likelihood of confusion or a likelihood of detriment to the distinctive character or the repute of the mark or, more generally, to its proprietor. The advantage arising from the use by a third party of a sign similar to a

mark with a reputation is an advantage taken unfairly by that third party of the distinctive character or the repute of the mark where that party seeks by that use to ride on the coat-tails of the mark with a reputation in order to benefit from the power of attraction, the reputation and the prestige of that mark and to exploit, without paying any financial compensation, the marketing effort expended by the proprietor of the mark in order to create and maintain the mark's image."

192.

This passage has been considered by the Court of Appeal on three occasions: see *Whirlpool Corp v Kenwood Ltd* [2009] EWCA Civ 753, [2010] RPC 2, in particular at

[112] and [136]-[137] (Lloyd LJ), *L'Oréal v Bellure* [2010] EWCA Civ 535, [2010] RPC 23, in particular at [49] (Jacob LJ), and *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2012] EWCA Civ, [2012] FSR 19, in particular at [127]-[128] (Kitchin LJ). For present purposes it is not necessary to consider these judgments in any detail.

193.

The final requirement is that the use of the sign must be "without due cause". The CJEU addressed this requirement in its judgment in *Interflora* (CJEU), which I shall consider below.

The "average consumer"

194.

It is well established that many questions in European trade mark law are to be assessed from the perspective of the "average consumer" of the relevant goods or services, who is deemed to be reasonably well-informed and reasonably observant and circumspect.

195.

The first reference to the "average consumer" in the case law of the CJEU appears to have been in *Case-51/93 Meyhui v Schott Zwiesel Glaswerke* [1994] ECR I-3874, a case concerning the interpretation of Council Directive 69/493/EEC of 15 December 1969 on the approximation of the law of the Member States relating to crystal glass, at [18]. The concept of the "average consumer" was imported into trade mark law, specifically with respect to the assessment of likelihood of confusion, by the Court of Justice in *SABEL* at [23]. (The Court of Justice was anticipated by the English courts, however, as long ago as 1866, when Lord Cranworth LC said in a passing case that the question was whether "ordinary purchasers, purchasing with ordinary caution, are likely to be misled" (*Seixo v Provezende* (1865-66) LR 1 Ch App 192 at 196). Indeed, in the first substantial English decision under [the 1994 Act](#), *Jacob J* used the very term "average consumer" (*British Sugar plc v James Robertson & Sons Ltd* [1996] RPC

281 at 300).)

196.

In *Case C-470/93 Verein gegen Unwesen in Handel und Gewerbe Köln eV v Mars GmbH* [1995] ECR I-1923, a case concerning the interpretation of Article 30 of the EC Treaty (as it then was), the Court of Justice referred at [24] to "reasonably circumspect consumers".

197.

In *Case C-210/96 Gut Springenheide GmbH v Oberkreisdirektor des Kreises Steinfurt - Amt für Lebensmittelüberwachung* [1998] ECR I-4657, a case concerning the interpretation of Council Regulation 1907/90/EEC of 26 June 1990 on certain marketing standards for eggs, the Court of Justice

brought these two concepts together and articulated for the first time the average consumer test which it has subsequently repeated on many occasions (emphasis added):

“30. There have been several cases in which the Court of Justice has had to consider whether a description, trade mark or promotional text is misleading under the provisions of the Treaty or of secondary legislation. Whenever the evidence and information before it seemed sufficient and the solution clear, it has settled the issue itself rather than leaving the final decision for the national court (see, in particular, Case C-362/88 GB-INNO-BM [1990] ECR I-667; Case C-238/89 Pall [1990] ECR I-4827; Case C-126/91 Yves Rocher [1993] ECR I-2361; Case C-315/92 Verband Sozialer Wettbewerb [1994] ECR I-317; Case C-456/93 Langguth [1995] ECR I-1737; and Case C-470/93 Mars [1995] ECR I-1923).

31

In those cases, in order to determine whether the description, trade mark or promotional description or statement in question was liable to mislead the purchaser, the Court took into account the presumed expectations of an average consumer who is reasonably well-informed and reasonably observant and circumspect, without ordering an expert's report or commissioning a consumer research poll.

32

So, national courts ought, in general, to be able to assess, on the same conditions, any misleading effect of a description or statement designed to promote sales.”

198.

It is clear from this that the Court was saying that a national court should determine whether a description, trade mark or promotional statement was liable to mislead by considering the matter from the perspective of “an average consumer who is reasonably well-informed and reasonably observant and circumspect”. In general, it was not necessary to have expert evidence or consumer research for that purpose.

199.

The Court went on to say, however, that national courts were not precluded in cases of difficulty from seeking assistance from expert evidence or consumer research (emphasis added):

“34. In Case C-373/90 X [1992] ECR I-131, paragraphs 15 and 16, in which Directive 84/450 was in point, the Court held, inter alia, that it was for the national court to ascertain in the circumstances of the particular case and bearing in mind the consumers to which the advertising was addressed, whether advertising describing cars as new despite the fact that they had been registered for the purposes of importation, without ever having been driven on a road, could be misleading insofar as, on the one hand, it sought to conceal the fact that the cars advertised as new were registered before importation and, on the other hand, that fact would have deterred a significant number of consumers from making a purchase. The Court also held that advertising regarding the lower prices of the cars could be held to be misleading only if it were established that the decision to buy on the part of a significant number of consumers to whom the advertising in question was addressed was made in ignorance of the fact that the lower price of the vehicles was matched by a smaller number of accessories on the cars sold by the parallel importer.

35.

The Court has not therefore ruled out the possibility that, in certain circumstances at least, a national court might decide, in accordance with its own national law, to order an expert's opinion or

commission a consumer research poll for the purpose of clarifying whether a promotional description or statement is misleading or not.

36.

In the absence of any Community provision on this point, it is for the national court, which may find it necessary to order such a survey, to determine, in accordance with its own national law, the percentage of consumers misled by a promotional description or statement that, in its view, would be sufficiently significant in order to justify, where appropriate, banning its use.

37.

The answer to be given to the questions referred must therefore be that, in order to determine whether a statement or description designed to promote sales of eggs is liable to mislead the purchaser, in breach of Article 10(2)(e) of Regulation No1907/90, the national court must take into account the presumed expectations which it evokes in an average consumer who is reasonably well-informed and reasonably observant and circumspect. However, Community law does not preclude the possibility that, where the national court has particular difficulty in assessing the misleading nature of the statement or description in question, it may have recourse, under the conditions laid down by its own national law, to a consumer research poll or an expert's report as guidance for its judgment."

200.

In Joined Cases C-108/97 and C-109/97 *Windsurfing Chiemsee Produktions- und Vertriebs GmbH (WSC) v Boots- und Segelzubehör Walter Huber* [1999] ECR I-2779 the Court of Justice applied the approach laid down in *Gut Springenheide* to the issue of whether a geographical name had acquired a distinctive character through use in accordance with Article 3(3) of the Directive, although it did not explicitly refer to the average consumer test (emphasis added):

"49. In determining whether a mark has acquired distinctive character following the use made of it, the competent authority must make an overall assessment of the evidence that the mark has come to identify the product concerned as originating from a particular undertaking, and thus to distinguish that product from goods of other undertakings.

...

51.

In assessing the distinctive character of a mark in respect of which registration has been applied for, the following may also be taken into account: ... the proportion of the relevant class of persons who, because of the mark, identify goods as originating from a particular undertaking;

52.

If, on the basis of those factors, the competent authority finds that the relevant class of persons, or at least a significant proportion thereof, identify goods as originating from a particular undertaking because of the trade mark, it must hold that the requirement for registering the mark laid down in Article 3(3) of the Directive is satisfied. However, the circumstances in which that requirement may be regarded as satisfied cannot be shown to exist solely by reference to general, abstract data such as predetermined percentages.

53.

As regards the method to be used to assess the distinctive character of a mark in respect of which registration is applied for, Community law does not preclude the competent authority, where it has particular difficulty in that connection, from having recourse, under the conditions laid down by its

own national law, to an opinion poll as guidance for its judgment (see, to that effect, Case C-210/96 Gut Springenheide and Tusky [1998] ECR I-4657, paragraph 37).”

201.

In *Lloyd Schuhfabrik* the Court of Justice brought together what it had said in *SABEL* and *Canon* about the assessment of likelihood of confusion, what it had said about in *Windsurfing* about the assessment of distinctive character and what it had said in *Gut Springenheide* about the average consumer. At [17]-[21] it repeated its statements in *SABEL* and *Canon* that “the risk that the public might believe that the goods or services in question come from the same or economically-linked undertakings constitutes a likelihood of confusion”, that “likelihood of confusion on the part of the public must be appreciated globally”, that there is “some interdependence between the relevant factors” and that “the more distinctive the earlier mark, the greater will be the likelihood of confusion”. At [22]-[24] it said that “in determining the distinctive character of a mark” for that purpose, “the national court must make an overall assessment of the ... capacity of the mark ... to distinguish those goods and services” in accordance with the approach laid down in *Windsurfing* in the passage cited above. At [25]-[27] it said that the “global appreciation of the likelihood of confusion” involved considering “the visual, aural or conceptual similarity of the marks in question” from the perspective of “the average consumer of the category of products concerned [who] is deemed to be reasonably well-informed and reasonably observant and circumspect”, but whose “level of attention is likely to vary according to the category of goods or services in question”.

202.

In Case C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [2002] ECR I-5475 the Court of Justice repeated what it had said in *Windsurfing* about the assessment of distinctive character for the purposes of Article 3(3) of the Directive, but this time it explicitly stated that distinctive character must be assessed in the light of the presumed expectations of the average consumer (emphasis added):

“60. As is clear from paragraph 51 of the judgment in *Windsurfing Chiemsee*, in assessing the distinctive character of a mark in respect of which registration has been applied for, the following may inter alia also be taken into account: ... the proportion of the relevant class of persons who, because of the mark, identify goods as originating from a particular undertaking; ..

61.

The Court has also held that if, on the basis of those factors, the competent authority finds that the relevant class of persons, or at least a significant proportion thereof, identify goods as originating from a particular undertaking because of the trade mark, it must in any event hold that the requirement for registering the mark laid down in Article 3(3) of the Directive is satisfied (*Windsurfing Chiemsee*, paragraph 52).

62.

However, it must first be pointed out that the Court has made clear that the circumstances in which the requirement under Article 3(3) of the Directive may be regarded as satisfied cannot be shown to exist solely by reference to general, abstract data, such as predetermined percentages (*Windsurfing Chiemsee*, paragraph 52).

63.

Second, the distinctive character of a sign consisting in the shape of a product, even that acquired by the use made of it, must be assessed in the light of the presumed expectations of an average consumer of the category of goods or services in question, who is reasonably well-informed and

reasonably observant and circumspect (see, to that effect, the judgment in Case C-210/96 Gut Springenheide and Tusky [1998] ECR I4657, paragraph 31).

64.

Finally, the identification, by the relevant class of persons, of the product as originating from a given undertaking must be as

a result of the use of the mark as a trade mark and thus as a result of the nature and effect of it, which make it capable of distinguishing the product concerned from those of other undertakings.

65.

In the light of those considerations, the answer to the third question must be that, where a trader has been the only supplier of particular goods to the market, extensive use of a sign which consists of the shape of those goods may be sufficient to give the sign a distinctive character for the purposes of Article 3(3) of the Directive in circumstances where, as a result of that use, a substantial proportion of the relevant class of persons associates that shape with that trader and no other undertaking or believes that goods of that shape come from that trader. However, it is for the national court to verify that the circumstances in which the requirement under that provision is satisfied are shown to exist on the basis of specific and reliable data, that the presumed expectations of an average consumer of the category of goods or services in question, who is reasonably well-informed and reasonably observant and circumspect, are taken into account and that the identification, by the relevant class of persons, of the product as originating from a given undertaking is as a result of the use of the mark as a trade mark.”

203.

It can be seen from this review of the Court of Justice’s early case law in this field that, even as it was propounding the average consumer test, the Court held that (a) a trade mark may be distinctive only to a proportion of the relevant class of persons, (b) there is a likelihood of confusion if there is a risk that the public might believe that the goods or services come from the same or economically-linked undertakings and (c) it is relevant for the national court to consider whether the description, trade mark or promotional statement in issue is liable to mislead or confuse a significant proportion of the relevant class of persons. Nothing in the Court’s subsequent case law suggests that it has changed its mind on any of these points.

204.

Counsel for M & S relied on the fact that the average consumer test has received legislative endorsement from the EU legislature in the field of unfair competition law. Recital 18 of European Parliament and Council Directive 2005/29/EC of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market (“the Unfair Commercial Practices Directive”) states (emphasis added):

“It is appropriate to protect all consumers from unfair commercial practices; however the Court of Justice has found it necessary in adjudicating on advertising cases since the enactment of Directive 84/450/EEC to examine the effect on a notional, typical consumer. In line with the principle of proportionality, and to permit the effective application of the protections contained in it, this Directive takes as a benchmark the average consumer, who is reasonably well-informed and reasonably observant and circumspect, taking into account social, cultural and linguistic factors, as interpreted by the Court of Justice, but also contains provisions aimed at preventing the exploitation of consumers whose characteristics make them particularly vulnerable to unfair commercial practices. Where a commercial practice is specifically aimed at a particular group of consumers, such as children, it is

desirable that the impact of the commercial practice be assessed from the perspective of the average member of that group. It is therefore appropriate to include in the list of practices which are in all circumstances unfair a provision which, without imposing an outright ban on advertising directed at children, protects them from direct exhortations to purchase. The average consumer test is not a statistical test. National courts and authorities will have to exercise their own faculty of judgement, having regard to the case-law of the Court of Justice, to determine the typical reaction of the average consumer in a given case.”

205.

Counsel for M & S submitted that it followed from the last two sentences of this recital that what the Court of Justice said in *Gut Springenheide* at [36] was no longer good law. The Court of Justice has continued to adhere to it, however, as can be seen from a case cited by counsel for M & S himself, Case C-478/07 *Budějovický Budvar, národní podnik v Rudolf Ammersin GmbH* [2009] ECR I-7721 at [89]:

“Accordingly, in the absence of any Community provision in that regard, it is for the national court to decide, in accordance with its own national law, whether a consumer survey should be commissioned for the purpose of clarifying the factual circumstances and perceptions prevailing in the Czech Republic in order to ascertain whether the designation ‘Bud’ can be classified as a simple and indirect indication of geographical source and has not become generic in that Member State. It is also in the light of that national law that the national court, if it finds it necessary to commission a consumer survey, must determine, for the purposes of making the necessary assessments, the percentage of consumers that would be sufficiently significant (see, by analogy, Case C-210/96 *Gut Springenheide and Tusky* [1998] ECR I-4657, paragraphs 35 and 36).”

206.

Furthermore, as counsel for *Interflora* pointed out, in Case C-356/03 *Lidl Belgium GmbH & Co KG v Etablissements Franz Colruyt NV* [2006] ECR I-8524, a case concerning the interpretation of Council Directive 84/450/EEC of 10 September 1984 concerning misleading and comparative advertising, which was amended by the Unfair Commercial Practices Directive and has since been codified as Directive 2006/114/EC of 12 December 2006 (“the Misleading and Comparative Advertising Directive”), the Court of Justice again made it clear that whether an advertisement was misleading was to be considered from the perspective of the average consumer, but nevertheless it was sufficient for this purpose if a significant number of consumers was misled (emphasis added):

“77. It is for national courts to ascertain in the circumstances of each particular case, and bearing in mind the consumers to which the advertising is addressed, whether the latter may be misleading (see, in particular, Case C-373/90 *X* [1992] ECR I-131, paragraphs 15 and 16).

78.

Those courts must take into account the perception of an average consumer of the products or services being advertised who is reasonably well informed and reasonably observant and circumspect (see *X*, paragraphs 15 and 16; Case C-210/96 *Gut Springenheide and Tusky* [1998] ECR I-4657, paragraph 31; Case C-220/98 *Estée Lauder* [2000] ECR I-117, paragraph 27; Case C-99/01 *Linhart and Biffel* [2002] ECR I-9375, paragraph 31; and *Pippig Augenoptik*, paragraph 55). In the present instance, both the advertising methods at issue are addressed not to a specialist public but to end consumers who purchase their basic consumables in a chain of stores.

79.

In carrying out the requisite assessment, national courts must also take account of all the relevant factors in the case (*Estée Lauder*, paragraphs 27 and 30), having regard, as follows from Article 3 of the Directive, to the information contained in the advertising and, more generally, to all its features.

80.

The Court has thus held that an omission may render advertising misleading, in particular where, bearing in mind the consumers to which it is addressed, the advertising seeks to conceal a fact which, had it been known, would have deterred a significant number of consumers from making a purchase (*X*, paragraph 15).

81.

With regard, more specifically, to price comparisons, the eighth recital in the preamble to Directive 97/55 states that the comparison of the price only of goods and services should be possible if this comparison respects certain conditions, in particular that it not be misleading.

82.

The Court has thus already been led to state that advertising relating to the lower prices of cars that are parallel imports can be considered to be misleading only if it is established that the decision to buy on the part of a significant number of consumers to whom the advertising in question is addressed was made in ignorance of the fact that the lower price of the vehicles was matched by a smaller number of accessories on the cars sold by the parallel importer (*X*, paragraph 16).

83.

Analogously, comparative advertising relating to the general level of the prices charged by competing chains of stores in respect of their comparable ranges of products and to the amount that can be saved by consumers purchasing their basic consumables from one of those chains rather than the other should, for example, be considered to be misleading if it is established, in the light of all the relevant circumstances of the particular case, that the decision to buy on the part of a significant number of consumers to whom that advertising is addressed is made in the mistaken belief that all the advertiser's products have been taken into account in calculating the general price level, and the amount of savings, that are claimed by the advertising. The same must be true if it is established that such a decision is made in the mistaken belief that that amount will be saved by consumers irrespective of the nature and quantity of the products which they acquire from the advertiser or, for example, in the mistaken belief that all the advertiser's products without exception are cheaper than those of his competitors.

84.

Such advertising will also be misleading if it is established that the collective reference which it contains to a range of amounts that may be saved by consumers who purchase their basic consumables from the advertiser rather than from competing chains of stores and the failure to specify individually the general level of the prices charged by each of those chains in competition with the advertiser and the amount that can be saved in relation to each of them are such as to deceive a significant number of persons to whom the advertising is addressed as to the amount that they are actually liable to save by purchasing their basic consumables from the advertiser rather than from some particular competitor or other, and to affect their economic behaviour to that extent."

207.

The Court of Justice repeated these points in Case C-156/09 *Lidl SNC v Vierzon Distribution SA* [2010] ECR I-11761 at [46]-[50].

208.

Against this background, a number of points are common ground between the parties. First, the average consumer is, as Lewison LJ put it in *Interflora* (CA I) at [44] and [73], a “legal construct”.

209.

Secondly, the average consumer provides what the EU legislature has described in recital (18) of the Unfair Commercial Practices Directive as a “benchmark”. As counsel for M & S put it, the test is a “normative” one. By assessing matters from the perspective of a consumer who is reasonably well-informed and reasonably observant and circumspect, confusion on the part of those who are ill-informed or unobservant is discounted.

210.

Thirdly, as Lewison LJ stressed in *Interflora* (CA I) at [45]-[56], in a case concerning ordinary consumer goods and services, the court is able to put itself into the position of the average consumer without requiring expert evidence or a consumer survey. As Chadwick LJ said in *BACH and BACH FLOWER REMEDIES Trade Marks* [2000] RPC 513 at [41], in a passage which Lewison LJ emphasised in *Interflora* (CA I) at [41]-[43]:

“The task for the court is to inform itself, by evidence, of the matters of which a reasonably well informed and reasonably observant and circumspect consumer of the products would know; and then, treating itself as competent to evaluate the effect which those matters would have on the mind of such a person with that knowledge, ask the [relevant] question”.

211.

Fourthly, the average consumer test is not a statistical test in the sense that, if the issue is likelihood of confusion, the court is not trying to decide whether a statistical majority of the relevant class of persons is likely to be confused.

212.

There is nevertheless a significant dispute between the parties with regard to the average consumer (and the reasonably well-informed and reasonably observant internet user, as to whom see below). Counsel for M & S submitted that the effect of the Court of Justice’s case law is to create a single meaning rule in European trade mark law, that is to say, a rule that the use of a sign in context is deemed to convey a single meaning in law even if it is in fact understood by different people in different ways. Accordingly, he submitted that it is impermissible for the court to consider whether a significant proportion of the relevant class of persons is likely to be confused when determining an issue as to infringement. Counsel for *Interflora* disputed that there is a single meaning rule in European trade mark law. He submitted that consideration of whether a significant proportion of the relevant class of persons is likely to be confused is not merely permissible, but positively required by the Court of Justice’s case law. I shall consider this question in two stages. At this stage, I shall consider the position with regard to the average consumer test generally in European trade mark law. Below, I shall consider whether the position is any different in the case of the reasonably well-informed and reasonably observant internet user confronted with keyword advertising.

213.

In my judgment there is in general no single meaning rule in European trade mark law. My reasons are as follows.

214.

First, it is settled law that a trade mark may acquire distinctive character for the purposes of registration if it is distinctive to a significant proportion of the relevant class of persons: see in particular the passages from *Windsurfing* and *Philips* quoted above.

215.

Secondly, as a matter of logic, it follows that it is necessary to consider the impact of an allegedly infringing sign upon the proportion of the relevant class of persons to whom the trade mark is distinctive. This must be so whether one is considering whether the use of the sign affects, or is liable to affect, the origin function of the trade mark under Article 5(1)(a)/Article 9(1)(a), whether there is a likelihood of confusion under Article 5(1)(b)/Article 9(1)(b) or whether there is a “link” and consequent harm under Article 5(2)/Article 9(1)(c).

216.

Thirdly, as a matter of principle, it should be sufficient for a finding of infringement of a trade mark that a significant proportion of the relevant class of persons is likely to be confused. That is both damaging to the trade mark proprietor and contrary to the public interest.

217.

Fourthly, I am aware of no decision of the CJEU which supports the proposition that there is a single meaning rule in European trade mark law. By contrast, there is ample authority which supports the opposite proposition. In addition to the cases cited in paragraphs 200-202 above, I would particularly mention three of the cases in which

the Court of Justice developed its doctrine that infringement under Article 5(1)(a)/Article 9(1)(a) requires an adverse effect on the functions of the trade mark.

218.

In *Arsenal* the Court of Justice held that Mr Reed’s use of the sign Arsenal was liable to jeopardise the trade mark’s guarantee of origin. In this context it stated (emphasis added):

“56. Having regard to the presentation of the word ‘Arsenal’ on the goods at issue in the main proceedings and the other secondary markings on them (see paragraph 39 above), the use of that sign is such as to create the impression that there is a material link in the course of trade between the goods concerned and the trade mark proprietor.

57. That conclusion is not affected by the presence on Mr Reed's stall of the notice stating that the goods at issue in the main proceedings are not official Arsenal FC products (see paragraph 17 above). Even on the assumption that such a notice may be relied on by a third party as a defence to an action for trade mark infringement, there is a clear possibility in the present case that some consumers, in particular if they come across the goods after they have been sold by Mr Reed and taken away from the stall where the notice appears, may interpret the sign as designating Arsenal FC as the undertaking of origin of the goods.”

219.

In *Anheuser-Busch* the Court of Justice, having addressed the requirements for liability under Article 5(1) of the Directive, went on to address the “own name” defence under Article 6(1)(a) of the Directive, which is subject to the proviso that the defendant’s use of the sign is in accordance with honest practices in industrial or commercial matters. In that context, the Court stated at [83] (emphasis added):

“In assessing whether the condition of honest practice is satisfied, account must be taken first of the extent to which the use of the third party’s trade name is understood by the relevant public, or at least a significant section of that public, as indicating a link between the third party’s goods and the trademark proprietor or a person authorised to use the trade mark, and secondly of the extent to which the third party ought to have been aware of that. Another factor to be taken into account when making the assessment is whether the trade mark concerned enjoys a certain reputation in the Member State in which it is registered and its protection is sought, from which the third party might profit in selling his goods.” The Court of Justice repeated this in *Céline* at [34].

220.

Fifthly, it is clear from the case law of the Court of Justice surveyed above that the average consumer test applies in a number of different areas of unfair competition law (using that term in a broad sense). As with trade marks, so too in the neighbouring fields of unfair commercial practices and misleading and comparative advertising, the

case law does not support the existence of a single meaning rule, but contradicts it: see in particular the cases cited in paragraphs 197-199 and 205-207 above.

221.

Sixthly, I am not aware of any textbook or academic commentary which supports the existence of a single meaning rule in trade mark law. Nor am I aware of any authority from the superior courts of the other Member States to support the existence of such a rule.

222.

Seventhly, I am aware of no domestic authority which supports the proposition that there is a single meaning rule in trade mark law. It is beyond dispute that English trade mark law prior to implementation of the Directive did not have a single meaning rule. Nor does English passing off law have such a rule. While it is possible that trade mark law may have changed as a result of implementation of the Directive and its interpretation by the CJEU, the only case in which this question has been directly addressed prior to the present one is *Hasbro Inc v 123 Nahrungsmittel GmbH* [2011] EWHC 199 (Ch), [2011] ETMR 25, where Floyd J (as he then was) accepted Mr Hobbs QC’s own submission that there was no such rule:

“169. The overall assessment must be performed through the eyes of the ‘average consumer’, see, for example, *Koninklijke Philips Electronics BV v Remington Consumer Products Ltd* (C299/99) [2002] E.C.R. I-5475; [2002] E.T.M.R. 81 at [65]. Yet, as the above citation from Lloyd recognises, a mark can possess distinctive character if only a proportion of the relevant public recognises that the mark means that the goods originate from a particular undertaking. The proportion of the relevant public which identifies the mark as denoting origin is a factor which the court must take into account in assessing distinctiveness. But it follows from this that the existence of a proportion of the relevant public who have not heard of the mark, or do not regard it as identifying the goods of a particular undertaking is not necessarily destructive of validity.

170. Mr Hobbs also submitted that there is no ‘single meaning rule’ in trade marks of the kind that there was once thought to be, but there is no longer, in the law of malicious falsehood: see *Ajinomoto Sweeteners Europe SAS v Asda Stores Ltd* [2010] EWCA Civ 609; [2010] F.S.R. 30. He relied on two decisions of General Court: *Icebreaker Ltd v Office for Harmonisation I the Internal Market (Trade Marks and Designs)* (OHIM) (I112/09) [2010] E.T.M.R. 66 and *Travel Service AS v Office for Harmonisation I the Internal Market (Trade Marks and Designs)* (OHIM) (T-72/08), judgment of September 13, 2010, not yet reported, both of which concerned relative grounds. The latter case

shows that the Court was prepared to take into account conceptual similarity 'as regards that part of the relevant public which understands English' - see [57]. Those cases do not have a direct bearing on whether a mark can be distinctive to some and merely descriptive to others, but do indicate that a segmented approach is permissible."

223.

The only authority I am aware of which comes anywhere near to supporting the existence of a single meaning rule is the following passage from the judgment of Lewison LJ in *Interflora* (CA I):

"33. I should also refer to *Reed Executive Plc v Reed Business Information Ltd* [2004] *EWCA Civ 159*; [2004] *E.T.M.R. 56*; [2004] *RPC 40*. In the course of his judgment in that case Jacob LJ (with whom Auld and Rix LJJ agreed) said (at [82]):

'Next the ordinary consumer test. The ECJ actually uses the phrase "average consumer" (e.g. Lloyd paras [25] and [26]). The notion here is conceptually different from the "substantial proportion of the public" test applied in passing off (see e.g. *Neutrogena Corp v Golden Ltd* [1996] *RPC 473*). The "average consumer" is a notional individual whereas the substantial proportion test involves a statistical assessment, necessarily crude. But in the end I think they come to the same thing. For if a "substantial proportion" of the relevant consumers are likely to be confused, so will the notional average consumer and vice versa. Whichever approach one uses, one is essentially doing the same thing—forming an overall ("global") assessment as to whether there is likely to be significant consumer confusion. It is essentially a value judgment to be drawn from all the circumstances. Further conceptual over-elaboration is apt to obscure this and is accordingly unhelpful. It may be observed that both approaches guard against too "nanny" a view of protection—to confuse only the careless or stupid is not enough.'

34.

I agree entirely that the average consumer (in trade mark infringement) is conceptually different from the substantial proportion of the public test (in passing off). What I find difficult to accept is that they come to the same thing. If most consumers are not confused, how can it be said that the average consumer is? I do not think that this particular paragraph of Jacob LJ's judgment is part of the ratio of the case and, with the greatest of respect, despite Jacob LJ's vast experience of such cases I question it. In some cases the result will no doubt be the same however, the question is approached; but I do not think that it is inevitable.

35.

There is, of course, no doubt that a valid survey can be an accurate diagnostic or predictive tool. They are used daily to sample public opinion on a variety of different topics. For example, they are used to gauge support for rival candidates in an election and to predict the eventual result. Suppose that a valid survey shows that in an election 49 per cent of the electorate support candidate A and 51 per cent support candidate B. It would be possible to say on the strength of such a survey that B will win the election. It would also be possible to say that a substantial proportion of the electorate will vote for candidate A. But what a survey does not, I think, tell you is: for whom will the average voter vote? In cases where acquired distinctiveness of a mark is in issue a survey may accurately identify that proportion of the relevant public which recognises the mark as a badge of trade origin. It will then be for the fact finding tribunal, with the aid of such a survey, to decide whether a significant proportion of the relevant public identify goods as originating from a particular undertaking because of the mark: see *Windsurfing Chiemsee Produktions-und-Vertriebs GmbH v Boots-und-Segelzubehor* (C-108/97) [1999] *ECR I-2779*; [1999] *ETMR 585* at [52], [53].

36.

In our case the question is whether M & S's advertisement would enable a reasonably well-informed and reasonably observant internet user to grasp without undue difficulty that Interflora and M & S were independent. This, as the Court of Justice has emphasised is not a question of counting heads, but is a qualitative assessment. The fact that some internet users might have had difficulty in grasping that Interflora and M & S were independent is not sufficient for a finding of infringement. If, by analogy with Neutrogena and Chocosuisse, the court were to conclude that most internet users would have grasped that, but that some would not, I cannot see that the court would be any closer to answering the legal question."

224.

In my judgment this passage does not support the existence of a single meaning rule for the following reasons. First, nowhere in this passage does Lewison LJ say that there is a single meaning rule. Secondly, given that the single meaning rule which exists in English defamation law is widely regarded as anomalous, that the Court of Appeal forcibly ejected the single meaning rule from the English law of malicious falsehood in *Ajinomoto Sweeteners Europe SAS v Asda Stores Ltd* [2010] EWCA Civ 609, [2010] FSR 30 (thereby bringing that part of English unfair competition law into line with the Court of Justice's jurisprudence in that field) and that there is no such rule in passing off, it would be very surprising if Lewison LJ had intended to adopt such a rule unless it was clearly required by the case law of the Court of Justice. Thirdly, Lewison LJ expressly accepts that a trade mark is distinctive if a significant proportion of the relevant public identify goods as originating from a particular undertaking because of the mark. Thus he accepts that there is no single meaning rule in the context of validity. As I have said, that is logically inconsistent with a single meaning rule when one comes to infringement. Fourthly, the reason why it is not necessarily sufficient for a finding of infringement that "some" consumers may be confused is that, as noted above, confusion on the part of the ill-informed or unobservant must be discounted. That is a rule about the standard to be applied, not a rule requiring the determination of a single meaning. If a significant proportion of the relevant class of consumers is confused, then it is likely that confusion extends beyond those who are ill-informed or unobservant. Fifthly, Lewison LJ does not refer to many of the authorities discussed above, no doubt because they were not cited. Nor

does he discuss the nature of the test for the assessment of likelihood of confusion laid down by the Court of Justice. The legislative criterion is that "there exists a likelihood of confusion on the part of the public". As noted above, the Court of Justice has held that "the risk that the public might believe that the goods or services in question come from the same undertaking or, as the case may be, from economically-linked undertakings, constitutes a likelihood of confusion". This is not a binary question: is the average consumer confused or is the average consumer not confused? Rather, it requires an assessment of whether it is likely that there is, or will be, confusion, applying the standard of perspicacity of the average consumer. It is clear from the case law that this does not mean likely in the sense of more probable than not. Rather, it means sufficiently likely to warrant the court's intervention. The fact that many consumers of whom the average consumer is representative would not be confused does not mean that the question whether there is a likelihood of confusion is to be answered in the negative if a significant number would be confused.

The effect of keyword advertising on the origin function

225.

The CJEU has considered the trade mark issues raised by keyword advertising in a series of six cases culminating in its judgment in the present litigation. I shall consider what the Court of Justice has said about the effect of keyword advertising on the origin function in these cases in chronological order.

226.

Google France. In Joined Cases C-236/08 to C-238/08 *Google France SARL v Louis Vuitton Malletier SA* [2010] ECR I-2417 three preliminary references from the Cour de Cassation in France were heard by the Grand Chamber of the CJEU, namely *Google France SARL v Louis Vuitton Malletier SA* (C-236/08), *Google France SARL v Viaticum SA* (C-237/08) and *Google France SARL v Centre national de recherche en relations humaines (CNRRH)* (C-238/08).

227.

The factual background to the references was as follows:

i)

In *Louis Vuitton* the trade mark proprietor was the well-known luxury goods maker, Louis Vuitton. Its complaint was that, when users of the Google search engine inputted terms like “Louis Vuitton” and “LV”, they were being presented with sponsored link advertisements for counterfeit “Louis Vuitton” goods. It was also established that Google offered advertisers the possibility of selecting not only keywords which corresponded to Louis Vuitton’s trade marks, but also those keywords in combination with expressions indicating imitation, such as “imitation” and “copy”. Louis Vuitton sued Google France, not the advertisers.

ii)

In *Viaticum*, the trade mark proprietor owned the trade marks BOURSE DES VOLS, BOURSE DES VOYAGES and BDV, registered for travel-

arrangement services. Upon becoming aware that third party advertisers were arranging for their sponsored link advertising to be displayed in response to searches for such terms, the trade mark owner brought proceedings against Google France. It did not sue the advertisers.

iii)

In *CNRRH*, the trade mark proprietor owned the trade mark

EUROCHALLENGES, registered for, inter alia, matrimonial agency services.

Upon becoming aware that a third party advertiser had arranged for their

sponsored link advertising to be displayed in response to searches for that term, the trade mark owner brought proceedings against both the advertiser and Google France.

228.

Although the questions in all three cases referred to both Article 5(1)(a) and (b) of the Directive, the Court of Justice noted at [46]-[47] that the infringement allegations concerned signs identical to the trade marks and goods and services identical to those for which the trade marks were registered, and thus Article 5(1)(a) was the relevant provision. In addition, it noted at [48] that the reference in *Louis Vuitton* also involved a question relating to Article 5(2). Whereas the questions relating to Article 5(1) concerned the liability or otherwise of both Google and the advertisers, however, the question relating to Article 5(2) only concerned the liability of Google.

229.

The Court of Justice held at [50]-[74] that an advertiser who used a sign identical to a trade mark as a keyword as part of Google's AdWords service thereby used the sign in the course of trade in relation to the advertised goods or services, but that Google did not. Thus the use of the sign by the advertiser satisfied the first five conditions for liability under Article 5(1)(a). It then turned to the sixth condition and considered whether there was an adverse effect on either the origin function or the advertising function of the trade mark.

230.

In relation to the origin function the Court held as follows:

"82. The essential function of a trade mark is to guarantee the identity of the origin of the marked goods or service to the consumer or end user by enabling him to distinguish the goods or service from others which have another origin (see, to that effect, Case C-39/97 Canon [1998] ECR I-5507, paragraph 28, and Case C-120/04 Medion [2005] ECR I-8551, paragraph 23).

83.

The question whether that function of the trade mark is adversely affected when internet users are shown, on the basis of a keyword identical with a mark, a third party's ad, such as that of a competitor of the proprietor of that mark, depends in particular on the manner in which that ad is presented.

84.

The function of indicating the origin of the mark is adversely affected if the ad does not enable normally informed and reasonably attentive internet users, or enables them only with difficulty, to ascertain whether the goods or services referred to by the ad originate from the proprietor of the trade mark or an undertaking economically connected to it or, on the contrary, originate from a third party (see, to that effect, *Céline*, paragraph 27 and the case-law cited).

85.

In such a situation, which is, moreover, characterised by the fact that the ad in question appears immediately after entry of the trade mark as a search term by the internet user concerned and is displayed at a point when the trade mark is, in its capacity as a search term, also displayed on the screen, the internet user may err as to the origin of the goods or services in question. In those circumstances, the use by the third party of the sign identical with the mark as a keyword triggering the display of that ad is liable to create the impression that there is a material link in the course of trade between the goods or services in question and the proprietor of the trade mark (see, by way of analogy, *Arsenal Football Club*, paragraph 56, and Case C-245/02 *Anheuser-Busch* [2004] ECR I-10989, paragraph 60).

86.

Still with regard to adverse effect on the function of indicating origin, it is worthwhile noting that the need for transparency in the display of advertisements on the internet is emphasised in the European Union legislation on electronic commerce. Having regard to the interests of fair trading and consumer protection, referred to in recital 29 in the preamble to Directive 2000/31, Article 6 of that directive lays down the rule that the natural or legal person on whose behalf a commercial communication which is part of an information society service is made must be clearly identifiable.

87.

Although it thus proves to be the case that advertisers on the internet can, as appropriate, be made liable under rules governing other areas of law, such as the rules on unfair competition, the fact nonetheless remains that the allegedly unlawful use on the internet of signs identical with, or similar

to, trade marks lends itself to examination from the perspective of trade-mark law. Having regard to the essential function of a trade mark, which, in the area of electronic commerce, consists in particular in enabling internet users browsing the ads displayed in response to a search relating to a specific trade mark to distinguish the goods or services of the proprietor of that mark from those which have a different origin, that proprietor must be entitled to prohibit the display of third-party ads which internet users may erroneously perceive as emanating from that proprietor.

88.

It is for the national court to assess, on a case-by-case basis, whether the facts of the dispute before it indicate adverse effects, or a risk thereof, on the function of indicating origin as described in paragraph 84 of the present judgment.

89.

In the case where a third party's ad suggests that there is an economic link between that third party and the proprietor of the trade mark, the conclusion must be that there is an adverse effect on the function of indicating origin.

90.

In the case where the ad, while not suggesting the existence of an economic link, is vague to such an extent on the origin of the goods or services at issue that normally informed and reasonably attentive internet users are unable to determine, on the basis of the advertising link and the commercial message attached thereto, whether the advertiser is a third party vis-à-vis the proprietor of the trade mark or, on the contrary, economically linked to that proprietor, the conclusion must also be that there is an adverse effect on that function of the trade mark."

231.

It can be seen that the Court of Justice referred at [84] to "normally informed and reasonably attentive internet users". In *Interflora* (CJEU) the Court referred to "reasonably well-informed and reasonably observant internet users", which may just be a difference in translation. Be that as it may, it is clear that, in the context of these keyword advertising cases, the "average consumer" and the "reasonably wellinformed and reasonably observant internet user" are one and the same. 232. In *DataCard I* commented on the passage quoted above as follows:

"261. At first sight the Court of Justice's reasoning appears broadly consistent with the Court's treatment of this question in *Arsenal*, *Anheuser-Busch*, *Céline*, *Case C-48/05 Adam Opel AG v Autec AG* [2007] ECR I-1017 and *L'Oréal v Bellure*. On closer examination, however, the Court's approach appears to have shifted in two respects.

262.

First, unlike in *Arsenal* (see the passage at [54]-[60] quoted below) and *L'Oréal v Bellure* (see the passage at [61]-[62] quoted above), the Court does not draw a distinction between use which is liable to affect the origin function on the one hand and 'purely descriptive' use on the other hand. Nor, unlike in *Anheuser-Busch* (see the passage at [59]-[64] quoted below), does it draw a contrast between use which is liable to affect the origin function on the one hand and use 'for purposes other than to distinguish the goods concerned' on the other hand. Nor, unlike in *Céline* (at [27]), does the Court say that use of a sign is liable adversely to affect the origin function if 'consumers are liable to interpret it as designating the origin of the goods or services in question'. Thus the Court appears no longer to be saying that it is enough that the sign is used as a trade mark in relation to the goods or services in question.

263.

Secondly, and perhaps more importantly, the Court introduces a new test in [84], which despite the reference to Céline is not to be found in that case. The new test is that the origin function of the trade mark is adversely affected if the use of the sign considered in context does not enable average consumers, or enables them only with difficulty, to ascertain whether the goods or services referred to under the sign originate from the proprietor of the trade mark or an undertaking economically connected to it, or from a third party. It appears from [84]-[85] and [89]-[90] that this is a test of likelihood of confusion, but with a reversed onus i.e. the onus lies upon the third party to show that the use of the sign in context is sufficiently clear that

there is no possibility of confusion on the part of the average consumer as to the origin of the advertised goods or services.

264.

It will be appreciated that, in stating the test in this way, I have generalised it from the specific form stated by the Court, which is only applicable to keyword advertising on the internet. It is difficult to see, however, why the test for adverse effect on the origin function should be different in that situation to the situations in issue in cases like Arsenal and L'Oréal v Bellure. Nor does the Court say that the test is different in that situation."

233.

Counsel for M & S submitted that I had been wrong to interpret the Court of Justice as imposing a reversed onus. He pointed out that the tenth recital to the Directive states that "the ways in which likelihood of confusion may be established, and in particular the onus of proof, are a matter for national procedural rules which are not prejudiced by the Directive", while Article 97(3) of the Regulation states that "unless otherwise provided in this Regulation, a Community trade mark court shall apply the rules of procedure governing the same type of action relating to a national trade mark in the Member State in which the court is located". Accordingly, he submitted that the burden and standard of proof were a matter for national law and that under English law the burden lay on the trade mark proprietor to establish any allegation of infringement.

234.

I do not accept this submission for a number of reasons. First, in DataCard I was not addressing the legal burden of proving infringement under Article 5(1)(a) of the Directive and Article 9(1)(a) of the Regulation, which I agree lies on the trade mark proprietor. Rather, I was considering who bore the evidential onus in relation to this particular issue.

235.

Secondly, while I accept that, in general, neither the Directive nor the Regulation harmonise national procedural rules, as counsel for Interflora pointed out, we are concerned here with infringement claims under Article 5(1)(a) of the Directive and Article 9(1)(a) of the Regulation, and thus strictly speaking the passage from the tenth recital does not apply. Furthermore, the CJEU has allocated the burden of proof with regard to particular issues in other Article 5(1)(a)/Article 9(1)(a) cases. Thus in Joined

Cases C-414/99 to C-416/99 Zino Davidoff SA v A & G Imports Ltd [2001] ECR I8691, a case about parallel imports, the Court of Justice held at [54] that "it is for the trader alleging consent to prove it and not for the trade mark proprietor to demonstrate its absence". In Case C-244/00 Van Doren + Q GmbH v Lifestyle sports + sportswear Handelgesellschaft mbH [2003] ECR I-3051, another case involving parallel imports, the Court of Justice "split" the burden, holding that where the defendant

established a risk of market partition, the onus of proving that the goods were first placed on the market outside the EEA fell on the trade mark proprietor: see [37]-[42].

236.

Thirdly, I find it difficult to see how else to interpret what the Court of Justice said in *Google France* at [84]. The Court's phraseology involves a negative condition: "The function of indicating the origin of the trade mark is adversely affected if the ad does not enable ... users, or enables them only with difficulty to ascertain...". That is to say, the origin function is adversely affected unless the advertisement does enable

users without difficulty to ascertain this. This implies that it is for the advertiser to show that its advertisement does enable users to ascertain this without difficulty.

237.

Fourthly, I consider that this reading is supported by what the Court of Justice says in the following paragraphs. At [85] the Court says that "the use by the third party of the sign identical with the mark as a keyword triggering the display of that ad is liable to create the impression that there is a material link in the course of trade ...". Thus the Court is saying that the fact that the advertisement is triggered by the entry by the users of a keyword which is identical to the trade mark is likely to make the user think that the advertisement is for the trade mark proprietor's goods or services. It follows that it is for the advertiser to ensure that that impression is dispelled by the advertisement. At [86]-[87] the Court refers to the requirement of transparency in commercial communications forming part of or constituting an information society service laid down by Article 6 of European Parliament and Council Directive 2000/31/EC of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market ("the E-Commerce Directive"). Again, this indicates that it is for the advertiser to ensure that the advertisement is transparent as to the source of the goods or services advertised. At [90] the Court says that if the ad is "vague to such an extent on the origin of the goods or services ... that ... users are unable to determine ... whether the advertiser is a third party ... or ... economically linked to the proprietor, the conclusion must also be that there is an adverse effect". Again, this indicates that it is for the advertiser to ensure that the advertisement is clear as to the origin of the goods or services advertised.

238.

Fifthly, if the onus is not on the advertiser, the consequence would appear to be to impose on the trade mark proprietor a requirement to prove something akin to a likelihood of confusion. That cannot be correct for at least two reasons. First, it is plain on the face of Article 5(1)(a) and Article 9(1)(a) that there is no requirement for a likelihood of confusion, in contradistinction to Article 5(1)(b) and Article 9(1)(b). Secondly, the Court of Justice expressly acknowledges at [77] that "the protection afforded by Article 5(1)(a) ... and Article 9(1)(a) ... is ... more extensive than that provided for in the respective paragraphs (1)(b) of those articles, the application of which requires that there be a likelihood of confusion".

239.

Sixthly, my interpretation of what the Court of Justice has said is consistent with Article 16(1) of the TRIPS, which requires there to be at least a rebuttable presumption of a likelihood of confusion in double identity cases, whereas an interpretation which required the trade mark proprietor to prove a likelihood of confusion, or something akin to it, would not be.

240.

Seventhly, I consider that my interpretation is supported by the subsequent case law, as discussed below.

241.

Nevertheless, I would qualify what I said in *DataCard* in one way. I accept that, when I referred to “no possibility of confusion”, I put the matter too strongly. It would, I think, be more accurate to say that the onus lies on the third party to show that the use of the sign in context is sufficiently clear that there is no real risk of confusion on the part of the average consumer as to the origin of the advertised goods or services.

242.

BergSpechte. In Case C-278/08 *Die BergSpechte Outdoor Reisen und Alpenschule Edi Koblmüller GmbH v Guni* [2010] ECR I-2517 the claimant was the proprietor of a figurative trade mark containing the words “BergSpechte Outdoor-Reisen und Alpenschule Edi Koblmüller” which was registered in respect of, among other things, “training” and “sporting activities”. The second defendant was a competitor of the claimant. Both parties were in the business of organising trekking, adventure tours and mountain expeditions. The claimant discovered that the defendant’s sponsored links were appearing when users searched on Google for “bergspechte” and “edi koblmüller” and brought proceedings. The Oberster Gerichtshof (Austrian Supreme Court) referred questions to the CJEU regarding the interpretation of Article 5(1) of the Directive.

243.

The First Chamber of the Court of Justice pointed out at [17]-[18] that the question whether Article 5(1)(a) or Article 5(1)(b) was the relevant rule depended on whether the signs “bergspechte” and “edi koblmüller” were identical or similar to the trade mark, which was for the national court to assess. In relation to Article 5(1)(a), it recapitulated its reasoning in *Google France* at [29]-[37].

244.

In relation to Article 5(1)(b), the Court held as follows:

“38. The risk that the public might believe that the goods or services in question come from the same undertaking or, as the case may be, from economically-linked undertakings, constitutes a likelihood of confusion (see, inter alia, Case C-342/97 *Lloyd*

Schuhfabrik Meyer [1999] ECR I-3819, paragraph 17; Case C120/04 *Medion* [2005] ECR I-8551, paragraph 26; and Case C-102/07 *adidas and adidas Benelux* [2008] ECR I-2439, paragraph 28).

39.

It follows that, should the rule set out in Article 5(1)(b) of Directive 89/104 be applicable to the dispute in the main proceedings, it will be for the national court to hold whether there is a likelihood of confusion when internet users are shown, on the basis of a keyword similar to a mark, a third party’s ad which does not enable normally informed and reasonably attentive internet users, or enable them only with difficulty, to ascertain whether the goods or services referred to by the ad originate from the proprietor of the trade mark or an undertaking economically connected to it or, on the contrary, originate from a third party.

40.

The points made in paragraph 36 of this judgment [which summarised [89]-[90] of *Google France*] are applicable by analogy.”

245.

In DataCard I commented on this passage as follows:

“266. At first blush, this passage appears to indicate that precisely the same test should be applied to determine both whether the origin function of the trade mark is liable to be affected under Article 5(1)(a) and whether there is a likelihood of confusion under Article 5(1)(b). I cannot believe that that is what the Court of Justice meant to say, however. Article 5(1)(a) contains

no requirement for a likelihood of confusion, whereas Article 5(1)(b) does. The reason why Article 5(1)(a) contains no requirement for a likelihood of confusion is that a likelihood of confusion is presumed where a sign identical to the trade mark is used in relation to goods or services identical to those for which the trade mark is registered, as is required by Article 16(1) of the Agreement on Trade-related Aspects of Intellectual Property Rights. That is what recital (11) of the Directive means when it says that ‘the protection afforded by the registered trade mark ... should be absolute in the case of identity between the mark and the sign and the goods or services’. (In another sense, the protection is not absolute, of course, because it is subject to the defences under Articles 6 and 7 of the Directive.) Furthermore, in the case of Article 5(1)(b) it is clear from the Court’s earlier jurisprudence that the onus lies upon the trade mark proprietor to establish the presence of a likelihood of confusion, not upon the third party to establish the absence of a likelihood of confusion.

267.

Accordingly, it seems to me that the correct reading of [39] must be that the words ‘it will be for the national court to hold whether there is a likelihood of confusion when’ mean that the trade mark proprietor must establish a positive likelihood of confusion in order to succeed under Article 5(1)(b), and not merely the presence of circumstances which would suffice for the purposes of establishing an effect on the origin function under Article 5(1)(a).

268.

Even if that is right, BergSpechte appears to confirm that the test which must be applied in order to determine whether the use of the sign complained of is liable to affect the origin function of the trade mark is a reverse likelihood of confusion test as discussed in paragraph 263 above. Thus the combined effect of the judgments in Google France and BergSpechte is to narrow the distinction between Article 5(1)(a) and Article

5(1)(b) even if they do not eliminate it.”

246.

I went on to note, however, that the Court of Justice had re-iterated what it said in BergSpechte in Portakabin (see below).

247.

Counsel for M & S described this aspect of the Court of Justice’s case law in his closing submissions successively as follows: “a conundrum”, “unfathomable” and “it makes no sense”. He submitted, however, that it was nevertheless this court’s duty to apply the “plain unvarnished words” of the Court’s judgments without struggling to understand the jurisprudential basis for them. I do not accept that submission. In my view one cannot hope to be able properly to apply the Court’s judgments without trying to understand what they mean. I adhere to the opinion which I expressed in DataCard that the Court cannot have meant to say that the same test should be applied under both Article 5(1)(a)/Article 9(1)(a) and Article 5(1)(b)/Article 9(1)(b). I also adhere to the opinion that the interpretation which I offered in DataCard (as qualified above) is the best way in which to make sense of the Court’s case law.

248.

BANANABAY. In Case C-91/09 *Eis.de GmbH v BBY Vertriebsgesellschaft mbH* [2010] ECR I-43 the claimant sold erotic products under the trade mark BANANABAY. The defendant was the operator of a website at www.eis.de. Sponsored link advertising was appearing in response to search requests for “bananabay”. The Bundesgerichtshof made a reference to the CJEU, which was dealt with by the Fifth Chamber by way of reasoned order. At [15] of the reasoned order, the Court of Justice noted that the question asked by the Bundesgerichtshof was almost identical to the first question at issue in *Google France*. It went on to reiterate what it had said in that case.

249.

Portakabin. In Case C-558/08 *Portakabin v Primakabin* [2010] ECR I-6963 the claimant was the owner of the trade mark PORTAKABIN for mobile buildings. The defendant was a competitor who sold and leased new and second-hand mobile buildings including those made by the claimant. The defendant arranged for its sponsored link advertising to appear in response to searches for “portakabin”, as well as common misspellings “portacabin”, “portokabin” and “portocabin”. To begin with, the defendant’s advertisement was headed “new and used units”. Subsequently, the heading was amended to “used portakabins”. The Hoge Raad (Dutch Supreme Court) referred a series of questions to the CJEU.

250.

The First Chamber of the Court of Justice first answered question 1(a) at [26]-[35] by recapitulating the Court’s reasoning in relation to Article 5(1)(a) in *Google France* and *BergSpechte*. In particular, it repeated in [34]-[35] what it had said in *Google France* at [83]-[84] and [89]-[90] and in *BergSpechte* at [35]-[36].

251.

After holding that it was not necessary to reply to question 1(b), it addressed question 1(c) as follows:

“40. By Question 1(c) the referring court asks to what extent it is necessary – in order to determine whether, if an advertiser makes use of a sign identical with a mark, the proprietor of that mark is entitled to prohibit that use – to distinguish a situation in which the goods or services referred to in the ad are actually offered for sale in the ad itself as it is displayed by the referencing service provider from a situation in which such an offer for sale appears only on the advertiser’s website to which the internet user is referred if he clicks on the advertising link.

41.

As has been stated in paragraphs 9 and 10 above, the use of a sign as a keyword for an internet referencing service triggers the display of an ad, which consists, firstly, of a link leading the internet user – should he decide to click on that link – to the advertiser’s website and, secondly, of a commercial message.

42.

That link and commercial message are concise and, in general, do not enable the advertiser to make specific sales offers or to provide a comprehensive overview of the types of goods or services which it markets. That circumstance does not, however, alter in any way the fact that the advertiser, having chosen as a keyword a sign identical with another person’s trade mark, intends that internet users who enter that word as a

search term should click on its advertising link in order to find out about its offers. There is, therefore, use of that sign ‘in relation to goods or services’ within the meaning of Article 5(1)(a) of Directive 89/104 (see *Google France* and *Google*, paragraphs 67 to 73).

43.

It follows that no purpose is served by examining whether the goods or services referred to by the ad are actually offered for sale in the wording of that ad, as set out by the reference service provider, or whether they are offered for sale only on the advertiser's website to which the internet user is referred if he clicks on the advertising link.

44.

It is, in principle, also unnecessary to carry out such an examination when considering the question whether the use of the sign – identical with the mark – as a keyword is likely to have an adverse effect on the functions of the mark and, in particular, on the function of indicating its origin. As was pointed out in paragraphs 34 to 36 above, it is for the national court to assess, in the light of how the ad is presented as a whole, whether it enables normally informed and reasonably attentive internet users to determine if the advertiser is a third party vis-à-vis the trade mark proprietor or, on the contrary, economically linked to that proprietor. The presence or absence, in the ad, of actual offers for the sale of the goods or services in question is not, in general, a decisive factor for purposes of that assessment."

252.

What this passage emphasises is that the national court must assess whether the use of the keyword is likely to have an adverse effect on the origin function of the mark "in the light of the how the ad is presented as a whole", but it makes little difference whether or not the advertisement contains an actual offer for sale or not.

253.

The Court of Justice then discussed a question which concerned the search terms which consisted of misspelling of "portakabin", and pointed out that it was for the national court to assess whether the signs were identical to the trade mark within Article 5(1)(a) or similar with Article 5(1)(b) applying the test laid down in LTJ. In relation to Article 5(1)(b), it repeated at [52]-[53] what it had said in BergSpechte at [52]-[53].

254.

The Court of Justice went on to address some questions concerning possible defences to the allegation of infringement. The first of these was under Article 6 of the Directive. In that context, the Court stated (emphasis added):

"68. As has been pointed out in reply to the first and fourth questions, however, use by an advertiser of a sign identical with, or similar to, a trade mark for an internet referencing service comes within Article 5(1) of Directive 89/104 where that use does not enable normally informed and reasonably attentive internet users, or enables them only with difficulty, to ascertain whether the goods or services referred to by the ad originate from the trade mark proprietor or from an undertaking economically linked to it or, on the contrary, originate from a third party.

69.

Thus, the circumstances under which a trade mark proprietor is, pursuant to Article 5(1) of Directive 89/104, entitled to prevent an advertiser from using a sign identical with, or similar to, that trade mark as a keyword may, in the light of the case-law referred to in paragraph 67 above, easily correspond to a situation in which the advertiser cannot claim that it is acting in accordance with honest practices in industrial or commercial matters, and cannot therefore validly rely on the exception provided for in Article 6(1) of that directive.

70.

In that regard, it must be held, first, that one of the characteristics of the situation referred to in paragraph 68 above lies precisely in the fact that the ad is likely to cause at least a significant section of the target public to establish a link between the goods or services to which it refers and the goods or services of the trade mark proprietor or persons authorised to use that trade mark. Second, in the event that the national court finds that the ad does not enable average internet users, or enables them only with difficulty, to ascertain whether the goods or services referred to by the ad originate from the trade mark proprietor or from a third party, it is unlikely that the advertiser can genuinely claim not to have been aware of the ambiguity thus caused by its ad. It is the advertiser itself, in the context of its professional strategy and with full knowledge of the economic sector in which it operates, which chose a keyword corresponding to another person's trade mark and which, alone or with the assistance of the referencing service provider, designed the ad and therefore decided how it should be presented."

255.

This is an important passage, for two reasons. First, the Court explicitly states that, where the use of the sign does not enable normally informed and reasonably attentive internet users, or enables them only with difficulty, to ascertain whether the goods or services originate from the trade mark proprietor (or a party economically connected with it) or from a third party, the advertisement "is likely to cause at least a significant section of the target public" to think that the goods or services emanate from the trade mark proprietor. In my judgment this confirms that the requirement in this context to consider the matter from the perspective of the reasonably informed and reasonably observant internet user does not result in a single meaning rule. Thus the position is the same as with regard to the average consumer test, as discussed above.

256.

Secondly, the Court emphasises that it is the responsibility of the advertiser to ensure that the advertisement is designed and presented in a manner which does enable the reasonably informed and reasonably observant internet user without difficulty to ascertain the origin of the goods or services advertised. In my judgment this confirms that the onus lies on the advertiser to avoid confusion, as discussed above.

257.

L'Oréal v eBay. In Case C-324/09 *L'Oréal SA v eBay International AG* [2011] ECR I-0000, [2011] RPC 27 I referred a number of questions to the CJEU arising out of a dispute between *L'Oréal*, which owned various trade marks for cosmetics and perfumes, and *eBay*, which operated an online marketplace in which sellers sold, among other things, cosmetics and perfumes which were either counterfeits or objected to by *L'Oréal* for other reasons, for example, that they were parallel imports from outside the EEA. The fifth and sixth questions related to the fact that *eBay* had purchased keywords corresponding to *L'Oréal's* trade marks. As a result, internet users who typed in, for example, "shu uemura" were presented with an advisement that read "Shu Uemura/Great deals on Shu uemura/Shop on eBay and Save!/www.ebay.co.uk". Users who clicked through would then be presented with offers on *eBay*, some of which were infringing and some of which were not.

258.

Questions 5 and 6 were as follows:

"(5) Where a trader which operates an online marketplace purchases the use of a sign which is identical to a registered trade mark as a keyword from a search engine operator so that the sign is

displayed to a user by the search engine in a sponsored link to the website of the operator of the online marketplace, does the display of the sign in the sponsored link constitute 'use' of the sign within the meaning of Article 5(1)(a) of the Trade Marks Directive and Article 9(1)(a) of the CTM Regulation?

(6) Where clicking on the sponsored link referred to in question 5 above leads the user directly to advertisements or offers for sale of goods identical to those for which the trade mark is registered under the sign placed on the website by other parties, some of which infringe the trade mark and some which do not infringe the trade mark by virtue of the differing statuses of the respective goods, does that constitute use of the sign by the operator of the online marketplace 'in relation to' the infringing goods within the meaning of 5(1)(a) of the Trade Marks Directive and Article 9(1)(a) of the CTM Regulation?"

259.

The Grand Chamber of the Court of Justice's answer to these questions concluded as follows:

"94. As regards, finally, whether the use of a keyword corresponding to a trade mark is liable to have an adverse effect on one of the functions of the trade mark, the Court has made clear in other cases that there is such an adverse effect where that advertising does not enable reasonably wellinformed and reasonably observant internet users, or enables them only with difficulty, to ascertain whether the goods or services referred to by the advertisement originate from the proprietor of the trade mark or from an undertaking economically linked to it or, on the contrary, originate from a third party (Google France and Google, paragraph 99; and

Case C-558/08 Portakabin and Portakabin [2010] ECR

I-0000, paragraph 54).

95.

It should be borne in mind in that regard that the need for transparency in the display of advertisements on the internet is emphasised in EU legislation on electronic commerce. Having regard to the interests of fair trading and consumer protection, Article 6 of Directive 2000/31 lays down the rule that the natural or legal person on whose behalf a commercial communication which is part of an information society service is made must be clearly identifiable (Google France and Google, paragraph 86).

96.

Advertising originating from the operator of an online marketplace and displayed by a search engine operator must thus, in any event, disclose both the identity of the onlinemarketplace operator and the fact that the trade-marked goods advertised are being sold through the marketplace that it operates.

97.

In view of the foregoing, the answer to the fifth and sixth questions is that, on a proper construction of Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94, the proprietor of a trade mark is entitled to prevent an online marketplace operator from advertising - on the basis of a keyword which is identical to his trade mark and which has been selected in an internet referencing service by that operator - goods bearing that trade mark which are offered for sale on the marketplace, where that advertising does not enable reasonably well-informed and reasonably observant internet users, or enables them only with difficulty, to ascertain whether the goods

concerned originate from the proprietor of the trade mark or from an undertaking economically linked to that proprietor or, on the contrary, originate from a third party.”

260.

In this passage, particularly at [95]-[96], the Court of Justice confirms that it is the responsibility of the advertiser to ensure that the advertisement is transparent as to the origin of the goods or services advertised in it.

261.

Interflora (CJEU). The questions which I referred to the CJEU were as follows:

“(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-291/00) 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 acts constitute ‘use’ of the sign by the competitor within the meaning of Article 5(1)(a) of First Council Directive 89/104/EEC of 21 December 1988 (‘the Trade Marks Directive’) and Article 9(1)(a) of Council Regulation 40/94 of 20 December 1993 on the Community trade mark (‘the CTM Regulation’)?

(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 the Trade Marks Directive and Article 9(1)(a) of the CTM Regulation?

(3)

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

(a)

Article 5(1)(a) of the Trade Marks Directive and Article 9(1)(a) of the CTM Regulation; and

(b)

Article 5(2) of the Trade Marks Directive and Article 9(1)(c) of the CTM Regulation?

(4)

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

(a)

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

(b)

the search engine operator does not permit trade mark proprietors in the relevant Member State of the Community to block the selection of signs identical to their trade marks as keywords by other parties?”

262.

In its judgment, the First Chamber of the Court of Justice first considered Article 5(1)(a)/Article 9(1)(a) and then considered Article 5(2)/Article 9(1)(c). It began its consideration of Article 5(1)(a)/Article 9(1)(a) at [30]-[34] by recapitulating the Court's jurisprudence in *L'Oréal v Bellure*, *Google France*, *BergSpechte*, *BANANABAY* and *Portakabin*. At [35]-[43] it considered and rejected arguments by M & S and the Commission to the effect that the principles established by that case law should be modified, on the Commission's case by restricting Article 5(1)(a)/Article 9(1)(a) to acts affecting the trade mark's origin function. In this context the Court stated:

"36. It follows from the wording of Article 5(1) of Directive 89/104 and from the tenth recital in the preamble thereto that the laws of the Member States have been harmonised inasmuch as the exclusive right conferred by a trade mark affords the proprietor of the mark 'absolute' protection against the use by third parties of signs which are identical with that mark in relation to identical goods or services, whilst, where there is not identity on two counts, only the existence of a likelihood of confusion enables the proprietor to rely successfully on its exclusive right. That distinction between the protection conferred by Article 5(1)(a) and that provided for in Article 5(1)(b) was espoused, so far as the Community trade mark is concerned, by the seventh recital to, and Article 9(1) of, Regulation No 40/94.

37.

Although the European Union legislature described as 'absolute' the protection against the unauthorised use of signs identical with a trade mark in relation to goods or services identical with those for which the mark is registered, the Court has put that description into perspective by stating that, as extensive as it may be, the protection conferred by Article 5(1)(a) of Directive 89/104 is intended solely to enable the trade mark proprietor to protect its specific interests as proprietor of the mark, that is to say, to ensure that the trade mark can fulfil its functions. The Court has concluded that the exercise of the exclusive right conferred by the trade mark must be reserved to cases in which a third party's use of the sign adversely affects, or is liable adversely to affect, the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods (see Case C-206/01 *Arsenal Football Club* [2002] ECR I-10273, paragraph 51).

38.

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

263.

In this passage the Court of Justice once again recognises the distinction between Article 5(1)(a)/Article 9(1)(a) and Article 5(1)(b)/Article 9(1)(b), and that it is only the latter which requires proof of a likelihood of confusion. In my view, this confirms that the Court cannot have intended in *BergSpechte* and *Portakabin* to mean that precisely the same test should be applied to both types of claim.

264.

The Court of Justice considered adverse affect on the origin function at [44]-[53].

After briefly recapitulating what it had said in Google France and Portakabin at [44][46], the Court stated at [47] that it was irrelevant that the search engine operator did not permit trade mark proprietors to block the selection of signs identical to their trade marks as keywords by other parties. The Court went on:

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

49.

Indeed, if the referring court’s assessments of the facts were to show that M & S’s advertising, displayed in response to searches performed by internet users using the word

‘Interflora’, may lead those users to believe, incorrectly, that the flower-delivery service offered by M & S is part of Interflora’s commercial network, it would have to be concluded that that advertising does not allow it to be determined whether M & S is a third party in relation to the proprietor of the trade mark or whether, on the contrary, it is economically linked to that proprietor. In those circumstances, the function of the INTERFLORA trade mark of indicating origin would be adversely affected.

50.

In that context, as has been observed at paragraph 44 of this judgment, the relevant public comprises reasonably wellinformed and reasonably observant internet users. Therefore, the fact that some internet users may have had difficulty grasping that the service provided by M & S is independent from that of Interflora is not a sufficient basis for a finding that the function of indicating origin has been adversely affected.

51.

In carrying out its examination of the facts, the referring court may choose to assess, first, whether the reasonably wellinformed and reasonably observant internet user is deemed to be aware, on the basis of general knowledge of the market, that M & S’s flower-delivery service is not part of the Interflora network but is, on the contrary, in competition with it and, second, should it become apparent that that is not generally known, whether M & S’s advertisement enabled that internet user to tell that the service concerned does not belong to the Interflora network.

52.

In particular, the referring court may take into account that, in the present case, the commercial network of the trade mark proprietor is composed of a large number of retailers which vary greatly in terms of size and commercial profile. The Court considers that, in such circumstances, it may be particularly difficult for the reasonably well-informed and reasonably observant internet user to determine, in the absence of any indication from the advertiser, whether or not the advertiser – whose advertisement is displayed in response to a search using that trade mark as a search term – is part of that network.

53.

Having regard to that situation and to the other matters that it may consider relevant, the referring court will, in the absence of any general knowledge such as that referred to at paragraph 51 of this

judgment, have to determine whether or not the use of words such as 'M & S Flowers' in an advertisement such as the one set out at paragraph 19 of this judgment is sufficient to enable a reasonably well-informed and reasonably observant internet user who has entered search terms including the word 'Interflora' to tell that the flower-delivery service offered does not originate from Interflora."

265.

This is another important passage, for two reasons. First, the Court states at [50] that the fact that "some internet users may have had difficulty grasping the service provided by M & S is independent from that of Interflora" is not a sufficient basis for a finding of adverse effect, because the matter is to be assessed from the perspective of the reasonably well-informed and reasonably observant internet user. In my judgment, this is entirely consistent with my analysis in paragraphs 209 and 224 above. Confusion on the part of internet users who are ill-informed or unobservant must be discounted.

266.

Secondly, the Court states at [51]-[53] that it is relevant to consider whether (i) the reasonably well-informed and reasonably observant internet user is aware that M & S's flower delivery service is not part of the Interflora network and, if not, (ii) whether M & S's advertisements enable the user to tell that the service does not belong to that network. With regard to question (ii), the Court expresses the view that, because Interflora's network consists of a large number of retailers of varying size and profile, it may be particularly difficult for the reasonably well-informed and reasonably observant internet user to determine this in the absence of any indication from the advertiser. In my judgment, this confirms that the onus lies on the advertiser to ensure that the advertisement makes it clear that advertised goods or services do not originate from the trade mark proprietor.

267.

Summary. For the reasons discussed above, I consider that the case law establishes the following principles:

i)

The origin function of a trade mark is adversely affected by keyword advertising triggered by the trade mark if the advertisement does not enable reasonably well-informed and reasonably observant internet users, or enables them only with difficulty, to ascertain whether the advertised goods or services originate from the trade mark proprietor (or an economically-connected undertaking) or from a third party.

ii)

The onus lies upon the advertiser to ensure that the advertisement does enable such users to ascertain this without difficulty and hence that there is no real risk of such users being confused.

iii)

It is not sufficient to establish an adverse effect that some internet users may have difficulty in grasping that the advertised goods or services are independent of the trade mark proprietor. Confusion on the part of ill-informed or unobservant internet users must be discounted.

iv)

If the advertisement causes a significant section of the relevant class of persons wrongly to believe that the advertised goods or services are connected to the trade mark proprietor, that does establish an adverse effect. Thus there is no single meaning rule.

v)

In the context of the present case, it is relevant to consider whether the reasonably well-informed and reasonably observant internet user is aware that M & S's flower delivery service is not part of the Interflora network and, if not, whether M & S's advertisements enable such a user to ascertain this.

The effect of keyword advertising on the advertising function

268.

Even though the advertising function is not in issue in this case, for reasons that will appear, it is necessary to see what the CJEU has said about it. The Court of Justice addressed this question in *Google France* as follows:

"91. Since the course of trade provides a varied offer of goods and services, the proprietor of a trade mark may have not only the objective of indicating, by means of that mark, the origin of its goods or services, but also that of using its mark for advertising purposes designed to inform and persuade consumers.

92.

Accordingly, the proprietor of a trade mark is entitled to prohibit a third party from using, without the proprietor's consent, a sign identical with its trade mark in relation to goods or services which are identical with those for which that trade mark is registered, in the case where that use adversely affects the proprietor's use of its mark as a factor in sales promotion or as an instrument of commercial strategy.

93.

With regard to the use by internet advertisers of a sign identical with another person's trade mark as a keyword for the purposes of displaying advertising messages, it is clear that that use is liable to have certain repercussions on the advertising use of that mark by its proprietor and on the latter's commercial strategy.

94.

Having regard to the important position which internet advertising occupies in trade and commerce, it is plausible that the proprietor of a trade mark may register its own trade mark as a keyword with a referencing service provider in order to have an ad appear under the heading 'sponsored links'.

Where

that is the case, the proprietor of the mark must, as necessary, agree to pay a higher price per click than certain other economic operators if it wishes to ensure that its ad appears before those of those operators which have also selected its mark as a keyword. Furthermore, even if the proprietor of the mark is prepared to pay a higher price per click than that offered by third parties which have also selected that trade mark, the proprietor cannot be certain that its ad will appear before those of those third parties, given that other factors are also taken into account in determining the order in which the ads are displayed.

95.

Nevertheless, those repercussions of use by third parties of a sign identical with the trade mark do not of themselves constitute an adverse effect on the advertising function of the trade mark.

96.

In accordance with the Cour de cassation's own findings, the situation covered in the questions referred is that of the display of advertising links following the entry by internet users of a search

term corresponding to the trade mark selected as a keyword. It is also common ground, in these cases, that those advertising links are displayed beside or above the list of the natural results of the search. Finally, it is not in dispute that the order in which the natural results are set out results from the relevance of the respective sites to the search term entered by the internet user and that the search engine operator does not claim any remuneration for displaying those results.

97.

It follows from those factors that, when internet users enter the name of a trade mark as a search term, the home and advertising page of the proprietor of that mark will appear in the list of the natural results, usually in one of the highest positions on that list. That display, which is, moreover, free of charge, means that the visibility to internet users of the goods or services of the proprietor of the trade mark is guaranteed, irrespective of whether or not that proprietor is successful in also securing the display, in one of the highest positions, of an ad under the heading 'sponsored links'.

98.

Having regard to those facts, it must be concluded that use of a sign identical with another person's trade mark in a referencing service such as that at issue in the cases in the main proceedings is not liable to have an adverse effect on the advertising function of the trade mark."

269.

The Court of Justice has adhered to this position in its subsequent case law.

The effect of keyword advertising on the investment function

270. The CJEU considered this in *Interflora* (CJEU), where it said:

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

61.

Although that function of a trade mark – called the 'investment function' – may overlap with the advertising function, it is none the less distinct from the latter. Indeed, when the trade mark is used to acquire or preserve a reputation, not only advertising is employed, but also various commercial techniques.

62.

When the use by a third party, such as a competitor of the trade mark proprietor, of a sign identical with the trade mark in relation to goods or services identical with those for which the mark is registered substantially interferes with the proprietor's use of its trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty, the third party's use must be regarded as adversely affecting the trade mark's investment function. The proprietor is, as a consequence, entitled to prevent such use under Article 5(1)(a) of Directive 89/104 or, in the case of a Community trade mark, under Article 9(1)(a) of Regulation No 40/94.

63.

In a situation in which the trade mark already enjoys such a reputation, the investment function is adversely affected where use by a third party of a sign identical with that mark in relation to identical goods or services affects that reputation and thereby jeopardises its maintenance. As the Court has already held, the proprietor of a trade mark must be able, by virtue of the exclusive right conferred

upon it by the mark, to prevent such use (Case C-324/09 L'Oréal and Others [2011] ECR I-0000, paragraph 83).

64.

However, it cannot be accepted that the proprietor of a trade mark may – in conditions of fair competition that respect the trade mark's function as an indication of origin – prevent a competitor from using a sign identical with that trade mark in relation to goods or services identical with those for which the mark is registered, if the only consequence of that use is to oblige the proprietor of that trade mark to adapt its efforts to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty. Likewise, the fact that that use may prompt some consumers to switch from goods or services bearing that trade mark cannot be successfully relied on by the proprietor of the mark.

65.

It is in the light of those considerations that it will be for the referring court to determine whether the use, by M & S, of the sign identical with the INTERFLORA trade mark jeopardises

the maintenance by Interflora of a reputation capable of attracting consumers and retaining their loyalty.”

271.

As counsel for M & S submitted, the problem with this exposition is that it is not easy to understand exactly what the Court of Justice means by the “investment function” and how it differs from the “advertising function”. Nevertheless, it is necessary to try and give effect to what the Court of Justice has said. The starting point must be that the Court of Justice has unequivocally ruled that keyword advertising does not adversely affect the advertising function, but nevertheless has ruled that it may affect the investment function.

272.

If one considers what the Court of Justice said about effect on the advertising function in Google France, the focus of the enquiry was upon the fact that the trade mark proprietor is likely to have to pay a higher price per click for its own keyword advertising if third parties select the trade mark as a keyword and even then the proprietor cannot guarantee that its advertisement will appear first. Thus the Court was considering whether an increase in the cost, and a decrease in the prominence, of the proprietor's keyword advertising amounted to an adverse effect on the advertising function of the trade mark. It held that they did not.

273.

By contrast, if one considers what the Court of Justice said about effect on the investment function in Interflora (CJEU), the focus of the enquiry was upon the use of the trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty. Where the trade mark enjoys such a reputation, the Court states that the investment function is adversely affected where the third party's use affects that reputation and thus jeopardises its maintenance. On the other hand, the Court says that it is not enough that the proprietor must adapt its own efforts to preserve the reputation of the trade mark (such as, presumably, paying more for its advertising) or that consumers decide to change to another brand of good or services.

274.

In trying to understand the distinction the Court is making, it seems to me that some light is shed by what is at first blush the slightly puzzling cross-reference to L'Oréal v eBay at [83]. In that paragraph,

the Court of Justice was considering a question which I had referred as to whether a trade mark proprietor could rely upon the trade mark to oppose the sale on eBay of genuine cosmetics and perfumes without their packaging. The Court's answer was that the proprietor could do so if either the consequence of the removal of the packaging was that essential information was missing or the proprietor established that "the removal of the packaging has damaged the image of the product and, hence, the reputation of the trade mark". Bearing that in mind, I think that what the Court is saying in *Interflora* (CJEU) at [63] is that, if the third party's keyword advertising adversely affects the reputation of the trade mark, as for example where the image the trade mark conveys is damaged, then there is an adverse affect on the investment function.

Keyword advertising and detriment to the distinctive character of the mark

275.

The CJEU began its consideration of Article 5(2)/Article 9(1)(c) in *Interflora* (CJEU) at [68]-[75] by recapitulating what it had said in *Davidoff, Adidas-Salomon and L'Oréal v Bellure*. It then proceeded to consider first detriment to the distinctive character of the mark and secondly unfair advantage.

276.

In relation to detriment to the distinctive character of the mark, the Court of Justice stated:

"76. As the Advocate General states at paragraph 80 of his Opinion, detriment is caused to the distinctive character of a trade mark with a reputation when the use of a sign identical with or similar to that mark reduces the ability of the mark to distinguish the goods or services of its proprietor from those which have a different origin. At the end of the process of dilution, the trade mark is no longer capable of creating an immediate association, in the minds of consumers, with a specific commercial origin.

77.

For the proprietor of a trade mark with a reputation to be effectively protected against that type of injury, Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94 must be interpreted as entitling the proprietor to prevent all use of a sign identical with or similar to that trade mark which reduces the distinctiveness of the mark, without it being required to wait for the end of the process of dilution, that is to say, the total loss of the trade mark's distinctive character.

78.

In support of its contention that detriment is caused to its trade mark's distinctive character, *Interflora* maintains that the use by M & S and other undertakings of the word 'Interflora' within a referencing service such as that at issue in the main proceedings gradually persuades internet users that the word is not a trade mark designating the flower-delivery service provided by florists in the *Interflora* network but is a generic word for any flower-delivery service.

79.

It is true that the use, by a third party in the course of trade, of a sign identical with or similar to a trade mark with a reputation reduces the latter's distinctiveness and is thus detrimental to the distinctive character of that trade mark for the purposes of Article 5(2) of Directive 89/104 or, in the case of a Community trade mark, of Article 9(1)(c) of Regulation No 40/94, when it contributes to turning the trade mark into a generic term.

80.

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

81.

Thus, when the use, as a keyword, of a sign corresponding to a trade mark with a reputation triggers the display of an advertisement which enables the reasonably well-informed and reasonably observant internet user to tell that the goods or services offered originate not from the proprietor of the trade mark but, on the contrary, from a competitor of that proprietor,

the conclusion will have to be that the trade mark's distinctiveness has not been reduced by that use, the latter having merely served to draw the internet user's attention to the existence of an alternative product or service to that of the proprietor of the trade mark.

82.

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

83.

If, on the other hand, the referring court were to conclude that the advertising triggered by the use of the sign identical to the INTERFLORA trade mark did not enable the reasonably wellinformed and reasonably observant internet user to tell that the service promoted by M & S is independent from that of Interflora and if Interflora were to seek moreover from the referring court, in addition to a finding that the mark's function of indicating origin has been adversely affected, a finding that M & S has also caused detriment to the distinctive character of the INTERFLORA trade mark by contributing to turning it into a generic term, it would fall to the referring court to determine, on the basis of all the evidence submitted to it, whether the selection of signs corresponding to the trade mark INTERFLORA as keywords on the internet has had such an impact on the market for flower-delivery services that the word 'Interflora' has come to designate, in the consumer's mind, any flower-delivery service."

277.

In my judgment it is clear from this passage, and in particular [81]-[82], that, if Interflora fail to establish their case of effect on the origin function under Article 5(1)(a)/Article 5(2) because M & S's advertisements do enable reasonably wellinformed and reasonably observant internet users to ascertain that the advertised service is independent of Interflora, then Interflora's case that M & S's use of the signs complained of causes detriment to the distinctive character of the Trade Mark must equally fail.

Keyword advertising, unfair advantage and due cause

278. The CJEU addressed this topic in Interflora (CJEU) as follows:

"84. As the Court has already held, an advertiser which has selected in an internet referencing service a keyword corresponding to another person's trade mark intends that internet users who enter that

word as a search term should click not only on the links displayed which come from the proprietor of the trade

mark, but also on the advertising link of the advertiser (Google France and Google, paragraph 67).

85.

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

86.

In those circumstances, as the Advocate General observes at paragraph 96 of his Opinion, it cannot be denied that, where a competitor of the proprietor of a trade mark with a reputation selects that trade mark as a keyword in an internet referencing service, the purpose of that use is to take advantage of the distinctive character and repute of the trade mark. In fact, that selection is liable to create a situation in which the probably large number of consumers using that keyword to carry out an internet search for goods or services covered by the trade mark with a reputation will see that competitor's advertisement displayed on their screens.

87.

Nor can it be denied that, when internet users, having studied the competitor's advertisement, purchase the product or service offered by the competitor instead of that of the proprietor of the trade mark to which their search originally related, that competitor derives a real advantage from the distinctive character and repute of the trade mark.

88.

Furthermore, it is not disputed that, in the context of a referencing service, an advertiser which selects signs identical with or similar to the trade marks of other persons does not, as a general rule, pay the proprietors of the trade marks any compensation in respect of that use.

89.

It is clear from those particular aspects of the selection as internet keywords of signs corresponding to trade marks with a reputation which belong to other persons that such a selection can, in the absence of any 'due cause' as referred to in Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94, be construed as a use whereby the advertiser rides on the coat-tails of a trade mark with a reputation in order to benefit from its power of attraction, its reputation and its prestige, and to exploit, without paying any financial compensation and without being required to make efforts of its own in that regard, the marketing effort expended by the proprietor of that mark in order to create and maintain the image of that mark. If that is the case, the advantage thus obtained by the third party must be considered to be unfair (Case C-487/07 L'Oréal and Others, paragraph 49).

90.

As the Court has already stated, that is particularly likely to be the conclusion in cases in which internet advertisers offer for sale, by means of the selection of keywords corresponding to trade marks with a reputation, goods which are imitations of the goods of the proprietor of those marks (Google France and Google, paragraphs 102 and 103).

91.

By contrast, where the advertisement displayed on the internet on the basis of a keyword corresponding to a trade mark with a reputation puts forward – without offering a mere imitation of

the goods or services of the proprietor of that trade mark, without causing dilution or tarnishment and without, moreover, adversely affecting the functions of the trade mark concerned – an alternative to the goods or services of the proprietor of the trade mark with a reputation, it must be concluded that such use falls, as a rule, within the ambit of fair competition in the sector for the goods or services concerned and is thus not without ‘due cause’ for the purposes of Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94.

92.

It is for the referring court to determine, in the light of the foregoing interpretative guidance, whether, on the particular facts of the dispute in the main proceedings, there is use of the sign without due cause which takes unfair advantage of the distinctive character of the repute of the trade mark INTERFLORA.”

279.

At [84]-[88] the Court of Justice accepts that an advertiser who selects a trade mark with a reputation as a keyword, and thereby obtains custom from consumers instead of the trade mark proprietor, obtains a real advantage from the distinctive character and repute of the trade mark without compensating the proprietor mark for such use. At [89] it says that this must be considered to be an unfair advantage in the absence of due cause. At [90], however, it says that, if the advertisement offers an alternative to the goods or services of the proprietor without (i) offering a mere imitation of those goods or services or (ii) causing dilution or tarnishment of the trade mark or (iii) adversely affecting the functions of the trade mark, then “as a rule” the use constitutes fair competition and thus is not “without due cause”.

280.

As Kitchin LJ commented in *Specsavers* at [141], this represents a significant development in the Court of Justice’s case law under Article 5(2)/Article 9(1)(c). What the Court of Justice has done is to recognise an important limitation upon the very broad principle which it had apparently enunciated in *L’Oréal v Bellure*. As Advocate General Kokott said in her Opinion in *Case C-65/12 Leidesplein Beheer BV v de Vries* (21 March 2013) at [34]-[36], this involves balancing the interests of the trade mark proprietor with those of other economic operators.

281.

Interflora do not suggest that M & S has offered a mere imitation of its services, nor do they contend that the Trade Marks have been tarnished. I have already noted that *Interflora*’s dilution claim cannot succeed unless *Interflora* establish an adverse effect on the origin function of the Trade Marks. It follows that, if *Interflora* fail to establish an adverse effect on the functions of the Trade Marks under Article 5(1)(a)/Article 9(1)(a), they can only succeed under Article 5(2)/Article 9(1)(c) if they can establish that the present case is an exception to the general rule stated by the Court of Justice.

Case law of other Member States concerning keyword advertising

282.

I was referred by counsel to a number of decisions of courts of other Member States of the EU concerning keyword advertising. In chronological order they are as follows:

i)

Die BergSpechte Outdoor Reisen und Alpenschule Edi Koblmüller GmbH v Guni, Oberster Gerichtshof, 21 June 2010 [2011] GRUR Int 173. This was the national sequel to the ruling by the CJEU discussed above.

ii)

CNRRH v Google France SARL, Cour de Cassation, 13 July 2010. Again this was the national sequel to the ruling by the CJEU discussed above.

iii)

Billedbutikken Odense ApS x Pixelpartner by Anette v Andersen, So-og Handelsretten (Danish Maritime and Commercial Court), 17 November 2010.

iv)

Tempur Benelux BV v The Energy + Company BV, Rechtsbank's-Gravenhage (District Court of the Hague), 20 December 2010.

v)

BANANABAY II, Bundesgerichtshof, 13 January 2011. Again this was the national sequel to the ruling by the CJEU discussed above.

vi)

Kappazeta SPA v Geosec SRL, Ordinary Court of Bologna, 24 May 2011.

vii)

Tempur Benelux BV v Medicomfort BV, Gerechtshof's-Gravenhage (Court of Appeal of The Hague), 22 November 2011.

viii)

Professional Computer Associés France v Suza International France, Cour de Cassation, 29 November 2011.

ix)

Maherlo Iberica SL v Clazados Fernando Garcia, Juzgado de lo Mercantil No 9 de Madrid (Commercial Court No 9 of Madrid), 22 December 2011.

x)

Prescan BV v Privatescan BV, Rechtsbank's-Gravenhage, 22 August 2012. xi) Auto IES v Google, Cour de Cassation, 25 August 2012.

xii)

Antura AB v CANEA Partner Group AB, Hovrätten för Västra Sverige (Court of Appeal for Western Sweden), 28 August 2012.

xiii)

Hechaime v Protagoras SARL, Tribunal de Grande Instance de Paris (Paris High Court), 22 November 2012.

xiv)

Flos SpA v Lightsten SRL, Tribunale de Milano (Court of Milan), 23 November 2012.

xv)

Elkskling AB v Kundkraft Sverige AB, Marknadsdomstolen (Swedish Market Court), 11 December 2012.

xvi)

MOST-Pralinen, Bundesgerichtshof, 13 December 2012.

xvii)

Groupe SEB Nederland BV v Philips Consumer Lifestyle BV, Rechtsbank's Gravenhage, 23 January 2013.

xviii)

Cobrason v Solutions, Cour de Cassation, 29 January 2013.

283.

Counsel for M & S submitted that these decisions established that there was “a clear consensus for upholding the legitimacy of keyword advertising as a ‘general rule’”. Counsel for Interflora submitted that they established no such thing. Who is right about this depends on what is meant by “as a ‘general rule’”. If counsel for M & S merely meant to say that there is a clear consensus that keyword advertising using a competitor’s trade mark is not inherently or inevitably objectionable from a trade mark perspective, then I would accept that. If counsel for M & S meant to say that there is a clear consensus that keyword advertising is not an infringement other than in exceptional circumstances, then I do not accept that. Thus in some of the cases listed above the trade mark proprietor succeeded against the advertiser, while in others it did not, depending on the facts of the case and the court’s assessment of them. It suffices to refer to the following examples.

284.

In *Die BergSpechte* the Oberster Gerichtshof upheld the claimant’s claim for an interim injunction under both Article 5(1)(a) and Article 5(1)(b) of the Directive. The court found that there was both an adverse effect on the origin function and a likelihood of confusion. The normally informed and reasonably attentive internet user would not realise that the defendants’ advertisements came from a provider that was not connected to the claimant. On the contrary, the user was likely to think that there was a connection because the search terms were highly distinctive and the descriptions of the services advertised did not suggest otherwise. The defendants should have prevented the risk of confusion by appropriate design of the advertisements, such as by including a disclaimer: see [10]-[11].

285.

By contrast, in *BANANABAY II* and *MOST-Pralinen* the Bundesgerichtshof held that there was no adverse effect on the origin function where the advertisement appeared in a clearly separated part of the SERP and where the advertisement itself did not contain either the trade mark or any reference to the proprietor of the trade mark or the product or services offered under the trade mark. Counsel for Interflora submitted that the Bundesgerichtshof had applied a presumption that there was no infringement in such circumstances, and that that was contrary to the rulings of the CJEU. It is not clear to me that the Bundesgerichtshof did apply such a presumption, which I agree would be contrary to the rulings of the CJEU. An alternative reading of the judgments is that the Bundesgerichtshof has concluded that internet users in Germany are well aware that advertisements, including advertisements by competitors to the proprietors of trade marks used as search terms, appear in the demarcated sections of the SERP because the advertisers have paid Google to display them. That being so, the key question is whether the content of the advertisement implies some affiliation with the trade mark proprietor. In that regard, I note that in *MOST-Pralinen* the defendant had bid on the generic keyword “pralinen” with the default option of broad match and no negative match for “most”, with the result that the defendant’s advertisement was displayed in response to searches for “MOST pralinen”. The advertisement itself made no reference to MOST or its products, and it advertised other products as well as pralines.

286.

In CNRRH the Cour de Cassation upheld Google France's appeal but dismissed the advertiser's appeal. So far as the claim against the advertiser was concerned, the court held that there was an adverse effect on the origin function. The offending advertisement was so vague about the origin of the products or services in question that the normally informed and reasonably attentive internet user was unable to ascertain whether the advertiser was a competitor of the trade mark proprietor or economically connected to the proprietor. There was a similar outcome in *Professional Computer Associés France v Suza International France*. By contrast, in *Auto IES* the Cour de Cassation dismissed an appeal by the trade mark proprietor against a finding by the Cour d'Appel that there was no adverse effect on the origin function because the advertisements were sufficiently clear, viewed in the context of the SERP, to enable the average internet user to determine the goods and services to which they referred were not from the trade mark proprietor or an economically connected undertaking. In *Cobrason* the Cour de Cassation upheld an appeal by the defendant, but the claim was for unfair competition under Article 1382 of the French Civil Code and for misleading advertising under Article L. 121-1 of the French Consumer Code, not for trade mark infringement.

287.

The Dutch cases also include a decision favourable to the trade mark proprietor (*Tempur v Energy+*) and decisions favourable to the advertiser (*Tempur v Medicomfort* and *SEB v Philips*). In *Prescan v Privatescan* the trade mark proprietor successfully enforced a settlement agreement in respect of identical signs, but failed to prove a likelihood of confusion with regard to a similar sign.

Assessment

General points

288.

The starting point for assessing *Interflora's* claims in the present case is that, as is common ground, keyword advertising is not inherently or inevitably objectionable from a trade mark perspective. On the contrary, the case law of the CJEU in this field recognises that, as a general rule, keyword advertising promotes competition: see in particular *Google France* at [69] and *Interflora (CJEU)* at [58]. The question is whether, on the specific facts of the present case, *Interflora* have established that *M & S* has infringed the Trade Marks.

289.

Next, as is again common ground, I must consider *M & S's* advertisements in context from the perspective of the reasonably well-informed and reasonably observant internet user, initially as at 6 May 2008. As discussed above, it follows that I must discount the possibility of confusion on the part of ill-informed or unobservant internet users. As counsel for *Interflora* submitted, it also follows that I must be careful not to consider the issues in this case from my own perspective, namely that of an experienced and technically literate internet user who knows precisely how Google AdWords operates and is aware of the issues. The average reasonably well-informed and reasonably observant internet user is not particularly technically literate, does not know precisely how AdWords operates and is not aware of the issues.

290.

More specifically, counsel for *Interflora* submitted that the evidence showed that many internet users in the UK do not appreciate the distinction between the natural search results and the paid advertisements on Google's SERPs. In my view, this is something that is likely to have changed over time. As the Ofcom reports show, as a

general proposition, internet literacy has steadily increased over the last five years. Counsel for M & S submitted, and I agree, that many internet users learn by doing. In general, I consider that internet users are more likely to be aware both that there is a distinction and the broad nature of the distinction now than they were in May 2008. Considering all the evidence, however, I conclude that, even now, a significant proportion of internet users in the UK do not appreciate that, unlike the natural search results, the advertisements appear on the SERP because the advertisers have paid for the advertisements to be triggered by a keyword consisting of or related to the search term entered by the user.

291.

Next, counsel for Interflora submitted that, regardless of the burden of proof, the evidence should be assessed in accordance with Lord Mansfield's dictum in *Blatch v Archer* (1774) 1 Cowp 63 at 65 which was cited by Lord Bingham of Cornhill in *Fairchild v Glenhaven Financial Services Ltd* [2002] UKHL 22, [2003] 1 AC 32 at [13]:

"It is certainly a maxim that all evidence is to be weighed according to the proof which it was in the power of one side to have produced, and in the power of the other to have contradicted."

I accept this submission.

292.

Interflora made two attempts to adduce direct evidence as to consumer reaction to M & S's keyword advertising. First, Interflora attempted to adduce witness statements from witnesses selected from the respondents to two pilot surveys. The Court of Appeal rejected this on the ground that the evidence was of no real value: *Interflora* (CA I). Secondly, Interflora attempted to adduce witness statements from 13 witnesses identified from IBU's own customer records and from a questionnaire as having seen M & S's advertisements after having searched for "interflora". Again, the Court of Appeal rejected this on the ground that the evidence was of no real value: *Interflora* (CA II).

293.

M & S made no attempt to adduce any direct evidence of consumer reaction to its keyword advertising. As counsel for Interflora pointed out, this is despite the fact that M & S was well placed to do so. M & S has records of all the customers who have purchased flowers from its website. As discussed above, M & S regularly conducts consumer surveys seeking better to understand its customers' behaviour. As Mr Bond agreed, it would have been possible for M & S to ask a statistically representative sample of customers who purchased flowers from its website whether they had done so after searching Google for "interflora" (or one of the variant terms), and if so, why. So far as the evidence goes, M & S did not do so. Thus M & S had made no attempt to prove that customers who search for, say, "interflora.co.uk" (and thus are clearly looking for the Interflora website), but click through from one of M & S's advertisements and end up ordering flowers from M & S, do so because they have been persuaded by the advertisement to order flowers from what they appreciate is a competitive service. M & S's failure to adduce such evidence does not mean that it should be inferred that the evidence would have assisted Interflora; but it does mean that M & S cannot rely upon such evidence to rebut the conclusions which Interflora say should be drawn from the evidence which is before the court.

Article 5(1)(a)/Article 9(1)(a): effect on the origin function?

294.

As discussed above, the case law of the CJEU establishes that M & S's use of the Signs adversely affects the origin function of the Trade Marks if M & S's advertisements do not enable reasonably well-informed and reasonably observant internet users, or enable them only with difficulty, to ascertain whether M & S's flower delivery service originates from Interflora, or an undertaking economically connected with Interflora, or originates from a third party.

295.

Factors mentioned by the CJEU. The judgment of the CJEU in *Interflora* (CJEU) indicates that there are three particular factors that I should consider in assessing this. The first is whether the reasonably well-informed and reasonably observant internet user is deemed to be aware, on the basis of their general knowledge of the market, that M & S's flower delivery service is not part of the Interflora network, but is in competition with it. As stated above, I am not satisfied that this was generally known in May 2008. Nor am I satisfied that it is generally known now.

296.

The second factor is whether M & S's advertisements enable the reasonably wellinformed and reasonably observant internet user to tell that M & S's flower delivery service is not part of the Interflora network. M & S contends that, viewed in the context of the SERP, its advertisements are obviously those of a competitor and thus indicate that its service is not part of the Interflora network. I do not accept this. There is nothing in any of M & S's advertisements in issue to inform the reader that M & S's flower delivery service is not part of the Interflora network.

297.

The third factor is the nature of the Interflora network. As noted above, the Court of Justice expressed the view that the nature of the Interflora network may make it particularly difficult for the reasonably well-informed and reasonably observant internet user to determine, in the absence of any indication in the advertisement, whether M & S's service was part of the network or not. I agree with this. As explained above, it is a feature of the Interflora network that members trade under their own names. In addition, as discussed above, Interflora has commercial tie-ups with several large retailers. This makes it all the more plausible that there should be a connection between M & S's flower delivery service and the Interflora network.

298.

In addition to these three factors, I must consider the other matters relied on by the parties. Some of these have already been addressed in my review of the factual background. The remaining matters are as follows.

299.

Matters relied upon by Interflora. First, Interflora contend that M & S has achieved much better results by bidding on Interflora-related keywords than it has by bidding on other brands as keywords. I have already dealt with one aspect of this contention, and concluded that M & S has had much more success with Interflora-related keywords than with keywords like "dfs" and "laithwaites" (see paragraphs 129-132 above). Counsel for Interflora submitted that this called for an explanation, and that the only credible explanation was that the difference lay in the nature of the brands: because Interflora signified a network, whereas the other brands did not, consumers were more likely to believe that there was a connection between M & S and the brand that the consumers had searched for. As I have already said, I did not find the alternative explanations offered by M & S's witnesses persuasive. In my view Interflora's explanation is more persuasive.

300.

In addition, counsel for Interflora submitted that the evidence showed that the only competitive brand keywords which approached the performance of the Interflora-related terms were combination or long tail keywords consisting of the name of a high street retailer which directly competed with M & S together with the generic term for the product e.g. "john lewis flowers". Even then, he submitted that the combination keywords were only really successful in areas where the M & S product was perceived as directly substitutable for the competitor's (e.g. "[brand] cakes", "[brand] party food", etc). In other sectors, the combination keywords were not so successful. I accept this analysis of the evidence. I do not think this adds much to Interflora's case, but what it does indicate is that there is nothing unique about the flower sector apart from the presence of Interflora.

301.

Secondly, Interflora rely upon the analysis of Hitwise's data conducted by Mr Pandya which I have mentioned above. Mr Pandya identified a subgroup of consumers within its sample (referred to as "Segment A") who searched for Interflora-related terms on Google UK, clicked on a paid advertisement and then visited the M & S website provided that they did so within the same session (the end of a session being marked by 30 minutes of inactivity). The analysis was carried out on a quarterly basis, and the size of Segment A varied between about 4,400 and about 8,800 consumers.

302.

Mr Pandya then compared the proportion of those in Segment A who visited Interflora after visiting M & S with the proportion of all visitors to the M & S website in its sample who did so. He was able to report statistically significant results for six quarters, namely Q1 2009, Q2 2009, Q3 2009, Q4 2009, Q1 2010 and Q1 2011. He found that people in Segment A were between 44 (Q1 2011) and 106 (Q2 2009) times more likely to visit Interflora after M & S than the average visitor to M & S. Thus in Q2 2009, 16% of Segment A did so, whereas on 0.15% of all visitors did so. Mr Pandya also compared the proportion of Segment A who visited Interflora after visiting M & S with the proportion of all visitors to the flowers section of M & S website in Hitwise's sample who did so. In this case he was able to report statistically significant results for four quarters, namely Q3 2009, Q4 2009, Q1 2010 and Q1 2011. He found that people in Segment A were between 7.3 (Q1 2011) and 10.9 (Q3 2009) times more likely to visit Interflora after M & S than the average visitor to the M & S flowers section. In my view it is the latter figures which are more relevant for present purposes. In addition, Mr Pandya compared the proportion of Segment A who visited Interflora after visiting M & S with the proportion of all visitors to 20 other flowers websites in the sample who did so. In this case he was able to report statistically significant results for three quarters, namely Q4 2009, Q1 2010 and Q1 2011. He found that people in Segment A were between 1.4 (Q1 2011) and 2.8 (Q1 2010) times more likely to visit Interflora after M & S than the average visitor to the other flowers websites.

303.

A number of criticisms were put to Mr Pandya in cross-examination, but in my judgment none of them undermined his analysis. The main point which counsel for M & S relied on in his closing submissions was that Mr Pandya accepted that he was unable to determine what consumers' thought processes were, all he could report was their observed behaviour. As counsel for Interflora submitted, however, the fact that Mr Pandya was properly cautious about interpreting the data does not prevent the court from doing so.

304.

Mr Pandya's analysis shows that consumers who searched for Interflora, clicked on an advertisement and then visited the M & S website were an order of magnitude more likely to visit Interflora's website after visiting the M & S website than the average visitor to the flowers section of the M & S

website. Interflora's interpretation of this consists of two propositions. The first is that a significant number of consumers in Segment A decided after they had clicked through to the M & S website that it was not where they wanted to be and went to the Interflora website instead. The second is that the reason for this change of mind was that those consumers had clicked through from the M & S advertisement because they assumed from the appearance of the advertisement in response to their search that M & S was part of the Interflora network, but they realised that that was not the case when they clicked through to the M & S website and saw no reference to Interflora.

305.

I do not think that M & S seriously challenges Interflora's first proposition, but M & S vigorously disputes that the second proposition follows from the first. As counsel for Interflora pointed out, however, M & S has not risen to the challenge of providing an alternative explanation of the data. In my judgment Interflora's interpretation of the data is persuasive and I accept it.

306.

The second proposition involves an acceptance by Interflora that consumers who were initially confused by the M & S advertisement ceased to be confused after they had clicked through to the M & S website. Counsel for Interflora submitted that this did not detract from Interflora's case for two reasons. First, if there was initial confusion, it was probable that some consumers would remain confused after clicking through. Secondly, and in any event, such initial interest confusion was sufficient to establish Interflora's case under Article 5(1)(a)/Article 9(1)(a). So far as the latter point is concerned, I understood him to be relying on my decision in *Och-Ziff Management Europe Ltd v OCH Capital Ltd* [\[2010\] EWHC 2599 \(Ch\)](#), [\[2011\] ETMR 1](#), although he did not cite it. In that case I held at [79]-[101] that initial interest confusion could be relied upon to establish a likelihood of confusion under Article 5(1)(b)/Article 9(1)(b). The implicit submission was that initial interest confusion is equally relevant to show an adverse effect on the origin function of the trade mark for the purposes of Article 5(1)(a)/Article 9(1)(a). I accept both of these submissions.

307.

Thirdly, Interflora rely upon other Hitwise reports which IBU obtained in the ordinary course of business, in particular a Hitwise Custom Report for IBU based on data for the week ending 24 October 2009. A table of the top 20 upstream websites to (i.e. websites visited immediately before) the Interflora UK website showed [www.google.uk](#) and [www.google.com](#) first and second, with 38.14% and 6.05% of upstream clicks respectively. The M & S website was in third place with 3.7%. The next flower site was Flowers Direct in ninth place with 1.12% and the third flower site was Serenata Flowers in thirteenth place with 0.81%. By comparison, the top 20 upstream websites to the M & S website did not include Interflora. In my view, this evidence is consistent with Mr Pandya's analysis, but adds little to it.

308.

Fourthly, Interflora rely on the fact that M & S has given disclosure from its customer records of six instances of possible confusion. M & S adduced evidence from Ms Del Gesso which was designed to show that M & S has a very large number of customer records on its databases and thus the instances of possible confusion represent a tiny fraction of these records. As Ms Del Gesso accepted, however, M & S's flower business forms a small proportion of M & S's overall business, only some of M & S databases are relevant and not all of the records on those databases are relevant. Counsel for Interflora calculated that there were likely to be around 21,000 records from flower-purchasing customers, but Ms De Gesso was unable to say how many there actually were. In any event, it is well established that the absence or small scale of evidence of confusion is not determinative, since

confusion rarely manifests itself. As for the six instances themselves, Ms Del Gesso refused to accept that any of them demonstrated confusion on the part of the consumer. In my judgment all six suggest that the consumer was under the impression that M & S either was or might be part of the Interflora network. On the other hand, only two appear to have arisen out of placing an order online and thus to be potentially referable to the advertisements the subject of the present claim. Overall, I consider this evidence provides some support for Interflora's case, in that it does suggest that at least some consumers think that M & S is part of the Interflora network, but if it stood on its own I would not regard it as sufficient to establish that M & S's advertisements have an adverse effect on the origin function.

309.

Fifthly, Interflora rely on the fact that the growth in M & S's flower business since May 2008 is roughly equal to the decline in Interflora's revenue over the same period. I accept that that is so, but I do not accept the conclusion which counsel for Interflora sought to derive from this. He submitted that this showed that there had been no organic growth in M & S's business and that all that had happened was that M & S had traded off Interflora's reputation and goodwill. In my view this simply does not follow. The submission assumes that the only reason for consumers to switch from Interflora to M & S is that they are confused, but I do not accept that as I shall explain below. Counsel for Interflora also pointed to evidence suggesting that there was a difference between the performance of M & S's online flower business and that of the rest of its flower business, but again I do not find this persuasive of Interflora's case.

310.

Sixthly, Interflora point out that (with the exception of Ms Del Gesso) M & S's witnesses accepted that consumers searching for "interflora" were looking for Interflora (i.e. they were not using it as a generic term). M & S contends that consumers who clicked on M & S's advertisements had changed their mind. Counsel for M & S submitted there was no evidential basis for this contention. As I have already commented, it is correct that M & S has not adduced any direct evidence of consumers' reactions to its advertisements. This does not mean that I cannot make my own assessment, however. As I have explained, I am required to consider the impact of M & S's advertisements viewed in the context of the SERPs on reasonably wellinformed and reasonably observant internet users. The evidence in this case enables me to put myself in the position of the reasonably well-informed and reasonably observant internet user. I have no doubt that the majority of consumers who click on M & S's advertisements do so because they have been persuaded to take their custom to M & S and not because they believe that M & S is part of the Interflora network. That does not exclude the possibility that a significant proportion of consumers do believe that there is a connection, however.

311.

Matters relied on by M & S. First, counsel for M & S submitted that Interflora was "a brand like any other". I do not agree with this. Interflora is rather different to most trade marks, because it signifies a network of businesses which also operate under their own brand names. Furthermore, the prominence given to the Interflora brand name varies from member to member.

312.

More specifically, counsel for M & S relied upon certain answers given by Mr Priest and Mrs Bampton in cross-examination as showing that the absence of Interflora branding was sufficient to signify that transactions undertaken outside the Interflora network by florists who were members of Interflora were unconnected with the Interflora network. I do not consider that the position is so clear-cut. A customer who walks into a florist who is an Interflora member to order a local delivery of a bouquet of

flowers may well notice the Interflora and Mercury Man trade marks displayed at the premises, and take comfort from the fact that the florist is an Interflora member even though the customer is not making use of the network on that occasion. Furthermore, as discussed above, the florist may wrap the bouquet in Interflora-branded packaging (strictly unlicensed use, but tolerated by IBU) and use an Interflora-branded delivery van to deliver it (licensed use), which may lead the recipient to believe that the bouquet is an Interflora delivery. Neither the customer nor the recipient is materially misled, because the florist is in fact a member of Interflora. Conversely, a customer can place an order for delivery via the network without seeing Interflora branding, in particular by telephone to a local florist who is a member.

313.

Secondly, counsel for M & S relied on the fact that the Interflora network and the Flowers Direct network were presented and promoted to consumers as competing operations, a situation which has largely continued since Flowers Direct was acquired by IBU in May 2012. That in itself does not strike me as significant.

314.

More specifically, counsel relied on the fact that Flowers Direct had bid on “interflora” as a keyword, with the result that a competitive offering to Interflora was advertised to consumers. He submitted that this showed that the absence of Interflora branding was sufficient to indicate to consumers that Flowers Direct was unconnected with Interflora. There are three problems with this submission, however. The first is that, as discussed above, the evidence does not establish that Flowers Direct has bid on “interflora” since May 2012 at a time when it was not selling Interflora-branded flowers. The second is that, in any event, since May 2012 Flowers Direct has been owned by IBU. For both these reasons, if consumers seeing Flowers Direct’s advertisements triggered by searches for “interflora” believed that Flowers Direct was connected to Interflora, they were correct and had not been misled. Thirdly, in so far as counsel was relying upon bidding which took place prior to May 2012, this is something that Interflora took action against. Furthermore, it is far from clear from the evidence how extensively Flowers Direct engaged in this prior to the Tomlin order or after the acquisition of Flowers Direct by the Flying Brands group.

315.

Thirdly, and most importantly to my mind, counsel for M & S pointed out that, both prior to and since the Google change of policy on 5 May 2008, many advertisers have bid on generic terms such as “flowers” as keywords, with the result that searches for such terms have resulted in advertisements being displayed to the users containing what counsel described as “a miscellany of alternative branded offerings”. Furthermore, searches for combinations of a brand name and such a generic term, for example “asda flowers”, produced the same result. Counsel submitted that it would be clear to consumers that they were being presented with alternatives, and that the position was no different where the advertiser bid on the brand name solus after 5 May 2008.

316.

There are two aspects to this submission. The first concerns general consumer awareness of the phenomenon of keyword advertising, and in particular of the distinction between the paid advertisements and the natural search results on the SERP. I do not doubt that, as at 6 May 2008, the majority of internet users were aware of this distinction, or that, since then, the proportion of internet users who are aware of it has steadily increased. For the reasons given above, however, I have concluded that even now a significant proportion of internet users in the UK do not appreciate the distinction. The second aspect concerns the impact of Google’s policy change. As I have already noted,

this was not publicised to consumers. Thus consumers searching for “interflora” on 6 May 2008 and seeing advertisements for M & S’s flowery delivery service which they would not have seen the day before did not know that this was happening because (a) Google had changed its policy with regards to search terms containing trade marks and (b) M & S was taking advantage of the new policy. No doubt, many consumers worked out for themselves that they were being presented with advertisements by competitors to the brand they had searched for despite not being told this. Furthermore, I am confident that nowadays the majority of consumers appreciate this. But I consider that a significant proportion do not.

317.

For completeness I would add that, as counsel for Interflora pointed out, since January 2012 consumers searching for “interflora” will not have been presented with a miscellany of competitive advertisements in the golden box, due to IBU’s brand defence strategy.

318.

Conclusion. Taking into account the factors mentioned by the CJEU, the factors relied upon by Interflora and the factors relied upon by M & S, the conclusion I have reached is that, as at 6 May 2008, the M & S advertisements which are the subject of Interflora’s claim did not enable reasonably well-informed and reasonably attentive internet users, or enabled them only with difficulty, to ascertain whether the service referred to in the advertisements originated from the proprietor of the Trade Marks, or an undertaking economically connected with it, or originated from a third party. On the contrary, as at 6 May 2008, a significant proportion of the consumers who searched for “interflora” and the other Signs, and then clicked on M & S’s advertisements displayed in response to those searches, were led to believe, incorrectly, that M & S’s flower delivery service was part of the Interflora network. Thus M & S’s use of the Signs had an adverse effect on the origin function of the Trade Marks. Furthermore, I conclude that this is still the case even now. It follows that M & S has infringed the Trade Marks under Article 5(1)(a) of the Directive and Article 9(1)(a) of the Regulation.

319.

I can deal with the remaining heads of Interflora’s claim much more shortly. For this purpose, I shall assume that there is no adverse effect on the origin function of the Trade Marks.

Article 5(1)(a)/Article 9(1)(a): effect on the investment function?

320.

For the reasons discussed above, I consider that, in order to succeed, Interflora must demonstrate that M & S’s keyword advertising has had an adverse effect on the reputation of the Trade Marks, such as damage to Interflora’s image. I am not satisfied that there is any evidence of this.

Article 5(2)/Article 9(1)(c): dilution

321. For the reasons discussed above, I consider that Interflora cannot succeed in its dilution claim if there is no adverse effect on the origin function of the Trade Marks.

Article 5(2)/Article 9(1)(c): unfair advantage and due cause

322.

Counsel for Interflora argued that M & S’s use of the Signs took unfair advantage of the distinctive character and repute of the Trade Marks and was without due cause because M & S had deliberately targeted Interflora and Interflora were unable to fight back. It would be both costly and pointless for IBU to bid on “marks and spencer”. While IBU could bid on “marks and spencer flowers”, this would

be unlikely to be cost effective, since there are far fewer searches for “marks and spencer flowers” than for “interflora”.

323.

I am not persuaded by this argument. All it amounts to is that M & S is in a different market position to Interflora because it is a general retailer selling a wide variety of goods and services whereas Interflora is a specialist in flower delivery. I cannot see that this is sufficient to deprive M & S of due cause for its keyword advertising.

Comparative advertising?

324.

One of the major themes of counsel for M & S’s closing submissions was that what M & S had been engaged in was targeted advertising directed to consumers who were interested in ordering flowers to be delivered, that there was nothing either new or wrong about targeted advertising, that on the contrary it promoted competition and that, accordingly, Interflora’s claim must fail. I accept that targeted advertising is not a new phenomenon, but the delivery of targeted advertising in response to internet searches for search terms consisting of, or approximating to, trade marks, was new to this country on 6 May 2008. I also accept that there is nothing inherently or inevitably objectionable about targeted advertising, whether on the internet or anywhere else. Whether the targeted advertising the subject of the present claim is lawful depends on whether it complies with the criteria laid down by the CJEU, which I have endeavoured to apply.

325.

As counsel’s submission recognises, what M & S is seeking to do is to present consumers who have manifested an interest in ordering flowers to be delivered by searching for Interflora with an alternative to Interflora’s service, and at least in that sense to present a comparison. Nevertheless, M & S has not attempted to defend Interflora’s claim by contending that its advertising is comparative advertising which complies with the conditions laid down in Article 4 of the Misleading and Comparative Advertising Directive: compare O2 v Hutchison. When I asked counsel for M & S why not, he replied that M & S’s advertising was not comparative advertising within the meaning of that Directive. Given the breadth of the definition of comparative advertising, given the way in which it has been interpreted by the CJEU (see Case C-112/99 Toshiba Europe GmbH v Katun Germany GmbH [2001] ECR I-7945 at [28]-[31], Case C-44/01 Pippig Augenoptik GmbH & Co KG v Hartlauer Handelsgesellschaft mbH [2003] ECR I-3095 at [34]-[37], Case C-381/05 De Landtsheer Emmanuel SA v Comité Interprofessionnel du Vin de Champagne [2007] ECR I-3115 at [14]-[21], O2 v Hutchison at [41]-[44] and L’Oréal v Bellure at [52]) and given that at least one court in another Member State has held that keyword advertising is comparative advertising (see Tempur v Energy + at [4.3]), I have doubts as to whether that is correct. Given that M & S has not invoked this defence, however, it is not necessary for me to reach any conclusion on this point. Still less is it necessary for me to consider whether the advertising does comply with each of the conditions laid down in Article 4 of the Misleading and Comparative Advertising

Directive.

Conclusion

326. For the reasons given above, I conclude that M & S has infringed the Trade Marks under Article 5(1)(a) of the Directive and Article 9(1)(a) of the Regulation.