



TABS™ Update Technology And Brands

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When is VODKAT not VODKA?

Producers of goods that fall within a clearly defined class of goods should take note of a recent judgment delivered by the High Court in England. While the judgment is not binding on an Irish court, it would be of persuasive value.

Diageo North America Inc. and Diageo Great Britain Limited (“Diageo”) are the manufacturers of SMIRNOFF which is reportedly the best selling brand of vodka in the UK. In the year ending 30th June 2007, over 20 million litres of SMIRNOFF vodka was sold in the UK alone, generating more than £90 million in revenue and accounting for approximately 40% of the UK vodka market by volume. Diageo issued legal proceedings against Intercontinental Brands Limited and others (“Inter Brands”) claiming that they were passing off their product VODKAT (a mixture of vodka and fermented alcohol, with 22% of alcohol by volume) as vodka. The High Court accepted that vodka was a clearly defined class of goods (denoting spirit drinks that had a minimum of 37.5% alcohol by volume). As a class of goods, the Court accepted that vodka had sufficient reputation to give rise to a protectable goodwill. On the issue of misrepresentation, the Court accepted that there was substantial confusion. It found that VODKAT was marketed and packaged in a manner that misrepresented to the public that VODKAT is vodka, instead of a drink containing vodka. It also believed that an additional section of the public was likely to have been deceived into believing that the product was a weaker version of vodka. Consequently, it granted an injunction preventing Inter Brands from using the name VODKAT without making it clear that the product was not vodka.

The lesson for other companies is that they should not use a description or term which misrepresents to the public that their products fall within a clearly defined class of goods, when in fact they do not. Otherwise there will be legal (not to mention financial) consequences. Seek legal advice if in doubt as to whether you infringe the intellectual property rights of a third party or indeed, if you believe that your intellectual property rights are being infringed by a competitor. The time to act is now!

High Court refers questions to CJ

In an action instituted by the organisation which collects royalties on behalf of recording companies against the State, the High Court has decided that a number of questions will have to be referred to the Court of Justice of the European Union (“CJ”) for determination before the case can continue.

Phonographic Performance Ireland Limited (“PPI”) instituted legal proceedings against the State claiming that Section 97(1) of the Copyright and Related Rights Act 2000 (which exempts hotels from having to pay fees for playing music in its rooms) is contrary to EU law. With there being about 50,000 hotel bedrooms in Ireland, it has been reported that, as a consequence of this exemption, PPI loses €2.6 million on an annual basis.

Earlier this month, the High Court indicated that it was necessary to refer a number of questions in the case to the CJ such as whether a hotel operator is a user of copyright music by providing television and radios in their rooms. If they are a user, should the hotel operator pay royalties even though royalties have already been paid by television or radio operators or is the hotel operator exempt on the basis that the music is for private use.

Watch this space for further updates on the case.



Google's AdWords Service does not infringe trade marks!

Search engines that sell as well as companies that purchase keywords (or adwords in Google's case) should take note of last week's long-awaited judgment from the Court of Justice of the European Union ("CJ").

Search engines operate by selling advertising links to search terms ("keywords"). These can vary from generic and descriptive terms to trade marks. Companies bid on the keywords and pay the search engine according to the number of clicks their "sponsored link" receives. When the sale of keywords involves only generic terms, the practice is not controversial. However, problems arise when the rights to trade marks as keywords are sold. The issue therefore was whether the sale and purchase of such keywords amounts to trade mark infringement.

In three separate cases referred to the CJ by the French Cour de Cassation, Google sold keywords comprising the trade marks of Louis Vuitton Malletier; Viaticum; and Mr. Thonet to third parties which, when searched for on Google, triggered the display of sponsored links. These links were to websites offering competing goods/services. Questions were referred to the CJ relating to the liability of (a) Google and (b) the advertiser.

The CJ stated that if an advertiser purchases a keyword which is identical to the trade mark of another, then the advertiser is using the trade mark in the course of trade for commercial activity. This is different to that of the search engine (in this case, Google) who does not itself "use" the keywords. The CJ stated that merely creating the technical conditions necessary for the use of a trade mark *"and being paid for that service does not mean that the party offering the service itself uses"* the trade mark. Therefore, Google is not using the trade mark in accordance with Trade Mark Directive No. 89/104.

In relation to the essential function of the trade mark (namely the ability to identify the origin of the goods/services), the CJ stated that this may be adversely effected if the sponsored link advertisement does not enable *"normally informed and reasonably attentive internet users or enables them only with difficulty"* to ascertain whether the goods/services referred to by the advertisement originates from the brand owner, or someone connected to them, or from a third party. If a third party's advertisement suggests that there is an economic link between them and the brand owner, the conclusion must be that there is an adverse effect on the function of the trade mark. Even if the advertisement does not suggest the existence of an economic link, if it is vague to *"such an extent on the origin of the goods/services that normally informed and reasonably attentive internet users are unable to determine, on the basis of the advertising link and the commercial message....whether the advertiser is a third party...or, on the contrary, economically linked to"* the brand owner, the conclusion must be that there is an adverse effect on the function of the trade mark.

In relation to the advertising function of the trade mark (namely the ability to use the trade mark in sales promotion or as an instrument of commercial strategy), the CJ noted that a brand owner can register its own trade marks as keywords in order to have its advertisement appear under the heading "sponsored links". However, in such a case it would have to pay a high price per click in order to ensure that its advertisement appears before those of third parties which have also selected its trade mark as a keyword. However, notwithstanding this, the CJ noted that brand owner's home page would also appear in the list of natural results of the search and so would be visible to internet users regardless of the keyword advertising. Accordingly, the CJ did not consider that using a brand owner's trade mark as a keyword would have an adverse effect on the advertising function of the trade mark.



On the issue of whether Google could rely on the defence under the E-Commerce Directive No. 2000/31, the CJ concluded that Google's AdWords service falls within the definition of "information society service" under the E-Commerce Directive as it is provided "at a distance, by means of electronic equipment for the processing and storage of data at the individual request of a recipient of services and normally in return for remuneration". However, it noted that the defence is only available if "the activity of the information society service provider is of a mere technical, automatic and passive nature, which implies that that service provider has neither knowledge of nor control over the information which is transmitted or stored". Therefore a service provider cannot be liable if it has not played an active role which would give it knowledge of or control over the data stored. It can only be liable if, having obtained knowledge of the unlawful nature of the data or of the advertiser's activity, it failed to act expeditiously to remove or disable access to the data concerned.

It is clear from the above decision that although brand owners cannot prevent search engines such as Google selling their trade marks as keywords to third parties, infringement will arise if the trade mark is used in a sponsored link in a manner in which an internet user cannot identify the origin of the advertised goods/services. Therefore, care should be taken by companies in how they use a third party's trade marks, otherwise they may be held liable for trade mark infringement.

And Finally....

- **Publications**

Maureen Daly, Partner and Head of the Technology And Brands Unit was one of the legal experts quoted in an article entitled "IP Protection Knowing what's important" in the January/February edition of Enterprise Ireland's publication, "Technology Ireland". The article examined how businesses who fail to realise the value of their intellectual property rights are gambling with their future.

- **Conferences**

On 18th February 2009, Maureen Daly was a speaker on the 3rd International Intellectual Property Conference for Ireland which took place in the Davenport Hotel, Dublin. In the session entitled "Alternative Dispute Resolution", Maureen examined the issue of litigating an intellectual property dispute throughout Europe and how Alternative Dispute Resolution can be used as a means to swiftly and cost-effectively resolve intellectual property conflicts.

On 27th April 2010, Maureen Daly will lecture on "The Law of Trade Marks and Passing Off" on the Law Society of Ireland's Professional Practice Course (Part Two) at Blackhall Place, Dublin 7, Ireland. The lecture will be attended by trainee solicitors who have an interest in intellectual property law.

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