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**Online Keyword Advertising and Trademark Rights within the  
European Union Framework**

Master's Thesis

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While writing this thesis, I used ChatGPT to refine my written content, such as shortening sentences and eliminating redundancies. The AI tool also assisted me in identifying synonyms for key terms to avoid repeating exact phrases. However, the analytical content of the thesis belongs to me.

# INTRODUCTION

Keyword advertising plays an essential role in the realm of digital marketing in the era of the Internet of Things (IoT). As the world is moving towards online business settings, it is evident that big or small companies could afford to ignore the digital market. The change has enabled businesses of all sizes to come close to their customers from all over the globe. Within this framework, many experts insist that using appropriate keywords marks a prerequisite for every marketer. To do this, they could be sufficiently heard by their target market, enabling them to promote their products or services. Keywords make it easy for a business to increase its online visibility and foster better customer interaction.

The Google search engine ranks as a significant tool for worldwide digital marketing and information retrieval; this has particularly predisposed Europe to high competition, which translates into an advertising hot spot. In such a digital market, using their competitors' famous names as keywords for advertisements raises complex legal issues. On the one side, there is the protection of his business reputation, the holder of the trademark, and his right to the name. On the other hand, competition and consumer options are preserved. These issues are of significant concern to trademark owners and legal professionals alike.

In this regard, it is an issue that the European Court of Justice (ECJ) and the other European judicial institutions have tried in vain to answer while attempting to strike a balance between promoting healthy competition and maintaining commercial integrity. This means that using trademarks and famous names as keywords in advertising on search engines does not violate the rights of competition - in this case, not misleading customers. However, the implementation of such a rule has shown some ambiguities, as observed by benchmark cases, such as in the *Interflora* dispute or the major retailer *Marks & Spencer*.<sup>1</sup>

The thesis will, therefore, focus on the importance of keywords in internet marketing and advertisement within the European Union. Learning how the ECJ still impacts European Trademark laws in the digital era will be interesting. It will critically assess the problems of enforcing these legal standards evolving under the influence of internet technology for national courts, with a particular focus on the pivotal *Interflora*.<sup>2</sup> Case.

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<sup>1</sup> Case C-323/09 *Interflora Inc v Marks & Spencer plc* [2011] ECR I-08625

<sup>2</sup> *Ibid.*

Moreover, this thesis investigates the interaction between keyword advertising and trademark rights within the EU legal framework. It explores how keyword advertising affects trademark owners' rights and challenges maintaining fair competition and consumer choices. The research starts with three critical questions the legal academic debate addresses regarding using trademarks as keywords. They are referring to the most essential parts of the First Directive of the European Union.<sup>3</sup> Harmonizing laws in the field among its Member States. This thesis, therefore, answers the questions below:

1. What are the legal liabilities of Internet Service Providers (ISPs) when the competitors' trademarks are used for the keywords for the competitors' online advertisements? This can assess the extent to which ISPs become facilitators of trademark infringement and then measure legal liabilities toward search engines and advertisers.

2. Does using a competitor's trademarked brand name as a 'keyword' in advertisements amount to an infringement of trademark rights, and how does the ECJ interpret and balance such against the backdrop of fostering competition and ensuring commercial integrity? It is a fundamental question since it looks into the legally required consideration of fair trade and the protection of business from reputation and interests, along with the development and protection of competition and consumer choice. This thesis tries to address the changing attitude of ECJ on keyword advertising and its effect on trademark law in the various jurisdictions of Member States of the EU to keep a balance between the two—healthy competition and commercial integrity.

3. How do national courts of the European Union apply ECJ's legal principles in cases relating to keyword advertisement, and what difficulties do these national courts encounter in reconciling ECJ's principles with the dynamic nature of Internet technology? Given this, the following research question forms the base over which the practical application of EU trademark laws in the digital domain by national courts needs to be understood, focusing primarily on the challenges these courts face because of changes brought about by technology in online advertisement. This will critically discuss these areas with the fundamental case law in mind and, most specifically, the *Interflora* case, shining a light on how decisions of the national courts and

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<sup>3</sup> Directive (EU) 2015/2436 of the European Parliament and the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks, [2015] Official Journal of the European Union, L 336/11 <<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015L2436&from=LV>> accessed 30 March 2024

how the law is read have changed in light of trademark protection vis-à-vis online keyword advertisement.

At the core of it, will advertisers' use of keywords constitute a use of the trademark that might give rise to liability for infringement? However, according to rulings by the ECJ, Google's use of trademarks as keywords did not violate the trademark's rights. These decisions are elaborated on in Chapter 3 of the thesis. The court has decided it is an infringement because the trademark owner did not select the trademark as a keyword.<sup>4</sup> Links or advertisers can only be added by third-party advertisers if they are allowed by the trademark owner. That view of the matter becomes fortified when we consider the rational, educated, and web-savvy internet user to be an average user whose confusion threshold would be relatively high. The court would have to ensure, if need be, by imposing proper safeguards. Making this clear distinction, the line that the mark, as being used by them, is capable of distinguishing their goods will be blurred and, therefore, can be interpreted in favor of the competing marks.

The debate is further extended regarding the liability to Internet Service Providers (ISPs) who might act as conduits for infringement or facilitating it. If MSN is selling banner ads of Samsung appearing every time one searches on other brands of phones, what would the likes of iPhone or other rival phone-making companies do when they want their ads to show every time one wants to search about Samsung or Nokia? What would this mean if iPhone decided to prosecute for violating its trademark? The study is intended to dissect the legal responsibilities of search engines, advertisers, or both if they make such keyword-based banner advertisements or paid placement.

This is, in fact, the rationale at the root of this thesis, thinking in the sense that modern business models and globalization have moved on quickly beyond existing legal frameworks. That breath points to a need for clear regulatory guidelines to address allegations of trademark infringement in light of e-commerce. It suggests there may be potential infringement of trademarks in the process, and a contributor to the possibility is the different parties—trademark owners, advertisers, and online advertising platform operators. In policy development and litigation, it is, therefore, essential that each party's interest be fully considered.

The thesis states that ISPs must verify all cases about advertising content and intellectual property complaints. Their failure to deal with allegations of trademark infringement at its

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<sup>4</sup> Case C-323/09 *Interflora Inc v Marks & Spencer plc* [2011] ECR I-08625

extremities on their platforms should lead to their liability for contributing to such violations. Trademark policy should be a part of the legislative standards, involving notification and take-down processes to manage these issues effectively.

This thesis will outline the complex issues that have dogged courts and argue that only by introducing a new legal framework will the intricacies of keyword-related trademark disputes be resolved without global acceptance. It still gives problems, such as who would be an “ignorant internet user,” the likelihood of confusion, and telling them apart, among others. The adverse effect of only leaving local laws in place would be worse, as the domestic courts will be left without universal and adaptable solutions. Most of the effort so far in dealing with these questions pertains primarily to recommendations to ISPs, market players, and industry leaders: an appeal to cooperate and steer across the emerging landscape.

The thesis employs a qualitative research approach, analyzing legal texts, ECJ case law, and national cases to show the effects of keyword advertising on trademark rights. This discussion has evolved with the Interflora dispute.<sup>5</sup> Which highlights the ongoing legal debates about the legal framework within digital advertising.

The research looks for an open question: the use of trademarks within the digital space, which, in the recent past—nay, causes now—a lot of debates within the national courts in both the United States and Europe. The thesis focuses on the challenge presented to trademarks online, specifically the disparity between conventional trademark laws and the speed at which the internet is developing. The controversy surrounding Google AdWords emerged further, becoming one of the centers of debate regarding the use of trademarks and online practice. Since 2004, Google has been flooded with lawsuits from companies, and even trademark holders have a fear of their businesses, especially allowing its customers or users to bid on their competitor’s trademark as keywords. Several organizations have accused Google of violating laws connected to trademarks, including big brands.

Keyword advertising has outstripped the existing legal frameworks, highlighting the urgent need for laws addressing e-commerce and trademark infringement concerns. This thesis presents findings based on an analysis of EU trademark laws and relevant case law, identifying three main stakeholders in keyword advertising-related trademark infringement cases: the advertisers, the trademark owners, and the online advertising platform operators. It argues for the importance of

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<sup>5</sup> *Ibid.*

considering the interests of all these parties in policy formation, licensing agreements, or when pursuing legal action for infringement.

Finally, EU Directives, ECJ case law, and decisions of national courts are primary sources of this thesis. Secondary sources include legal journals, scholarly articles, and expert commentaries debating the more expansive view offered by the changing legal background. This review will attempt to bridge the gap between the theoretical legal principles of e-commerce and their practical application within the context of a much bigger and ever-evolving global digital commerce arena.

Keywords: Keyword Advertising, Trademark Rights, European Court of Justice, Digital Marketing, Internet Service Providers

# CHAPTER I. KEY CONCEPTS AND TECHNOLOGICAL PERSPECTIVE IN DIGITAL SEARCH AND ADVERTISING

## 1.1. Differentiating Between Searchers and Potential Customers in Digital Marketing Strategies

That is, differentiating between the searcher and the possible customer is the name of the game in the digital marketing world; for that matter, it is essential to tailor the advertising strategies appropriately. The searcher is starting his journey on the net to get information. A person is likely to throw a question into a search engine, satisfy their ever-thirsty curiosity, find some specific data, or solve a task. His task may need to be outlined; he is seemingly just traveling through the vast digital space out of curiosity or in the course of research. The essence of being a searcher lies in pursuing information without a predetermined conclusion or action.<sup>6</sup>

On the other hand, a potential customer, though similar to a searcher in that he uses the internet for inquiries, navigates with a different purpose bordering on a commercial transaction. This is a user with a want or need who embarks on an online search, possibly fulfilling the latter through purchasing. His journey is characterized by intention. This, however, ensures browsing is converted to buying at all points but shows more willingness towards making a financial commitment. From the intention to purchase, the difference between a searcher and a potential customer is plain curiosity.

The factors for this evolution can be many, right from the sponsored searches to turn a searcher into a potential customer. Sponsored searches should connect the user's query with relevant matching advertisements to select or guide into turning into customers. The strategy was simple: these advertisements had to capture users' attention when they turned receptive to relevant information. Sponsored search, on the other hand, enables the advertiser to offer solutions, ensuring an alignment with the user's search intent while subtly guiding the searcher to consider purchasing the generic inquiry, thus turning it into a potential sale.<sup>7</sup>

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<sup>6</sup> Miriam Farber and Snunith Shoham, 'Users, end-users, and end-user searchers of online information: a historical overview' (2002) *Online Information Review: The International Journal of Digital Information, Research and Use*, Volume 26, Issue 2, 94

<sup>7</sup> Shaohan Cai, Minjoon Jun, 'Internet users' perceptions of online service quality: a comparison of online buyers and information searchers' (2003) *Managing service quality: An International Journal*, Volume 13, Issue 6, 510

The World Wide Web is one great ocean of information people plunge into with different purposes. A searcher goes about his digital chase by inputting queries into search engines, examining pages, and sometimes even checking results on his screen. Unlike the visitors with a passive agenda, the searchers will look for information posted by their curiosity, need, or goal. They are not always on a goal-directed journey, but they signal the presence of a search for knowledge or solutions.<sup>8</sup>

In a consumer's journey in this digital era, some critical points include transforming from a searcher to a potential customer. A potential customer or simply a "prospect" means someone who, while searching for goods, shows readiness or inclination to purchase those goods. This transformation from just a seeker of information into a potential buyer is not always open but is crucial. Most probably, during one of the instances when they are online conducting research, the unconscious purchase inclination is likely to bump into a product or service of interest. This subtle shift in intent separates a potential customer from a casual browser.

However, each potential client is a searcher; only some searchers can be considered potential customers. This transformation is underwritten by the concept of sponsored searches—an online marketing initiative to appeal to evolving searchers. Following searchers with carefully crafted ads that resonate with their queries, they can be nudged closer to visitors and finally convince them to be potential customers. Sponsored search is an art; the organization needs to create an ad that seems, by all accounts, to merge with the searcher's journey so that the purchase proposition is more like an organic discovery than a forced decision.<sup>9</sup>

The digital marketplace is a labyrinth of different dynamics where terminologies like 'customer' and 'consumer' are used interchangeably, yet they express different roles in the commerce ecosystem. A customer has been recognized as an entity predisposed to a transaction. They are, in fact, at a juncture where, through persuasive communication and the correct set of offerings, their potential interest may get translated into a purchase. Customers are representatives of a general segment of the market, characterized by showiness with business by buying products, subscribing to newsletters, or any other type of interaction.

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<sup>8</sup> Miriam Farber and Snunith Shoham, 'Users, end-users, and end-user searchers of online information: a historical overview' (2002) *Online Information Review: The International Journal of Digital Information, Research and Use*, Volume 26, Issue 2, 97

<sup>9</sup> Shaohan Cai, Minjoon Jun, 'Internet users' perceptions of online service quality: a comparison of online buyers and information searchers' (2003) *Managing service quality: An International Journal*, Volume 13, Issue 6, 513

The purchase act is the line of demarcation between customer and consumer. The consumer shifts from decision-making into actually making up their mind to acquire goods or services that will satisfy needs or wants. The relationship with the product or service transcends mere interest, entering the realm of ownership and usage.

The other fundamental concept, which is at the crux of the consumer journey, is that of promoted search acting as a bridge between customers and searched products or services. What this means, then, is that these businesses can reach out directly to those close to making a purchase decision via targeted advertising and strategic positioning within the search engine results. Of importance will be the role that promoted searches can facilitate in transforming a customer into a consumer, one that looks to derive satisfaction through the actual purchase of goods or services.

## **1.2. Search Term, Keyword, and Keyphrase**

The search term is described as a “query”: the string of text placed into a search field by a user. That is a pure reflection of either their information need or the interest prevailing at the moment. Search terms are unpredictable, reflecting the gamut of thoughts, questions, and topics that might lead a person to the Internet in search of information. Most often, it is a phrase or set of words expressing the searcher’s intent to different levels of specificity.

On the other hand, keywords are right there to bridge this interaction between the searcher’s query and those making the content or advertising, looking to take their attention. The advertiser and the content creator choose the keywords to pinpoint what is strategic to the relevance of the content being offered or products and anticipate such to align with what is being used during a search by the target audience. A keyword is not an ad at all. Instead, it is a term carefully chosen as part of an overall marketing strategy, designed to trigger the display of particular ads in response to matching search terms.<sup>10</sup>

Therefore, keyword selection is an art and science that requires in-depth knowledge of the target audience’s language and search behaviors and depends on analyzing keyword performance metrics. This is where a good number of tools would come in, which play an instrumental role in

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<sup>10</sup> C.J. Van Rijsbergen, D.J. Harper, M.F. Porter, ‘The selection of good search terms’ (1981) *Information Processing and Management*, Volume 17, Issue 2, 82

researching and determining the relevant keywords that could be effective enough to drive the required traffic with the conversions. This means that what is looked for in this process is a choice of keywords that would come as close as possible to the kind of search terms potential customers would likely use so that their ads appear high up in search engine results.

The search term and keyword exist in a dynamic and reciprocal relationship. Often, the search term reflects the needs and interest generated by the users at the very moment they did this search, and this keyword is how the advertiser and content creator will have anticipated and responded to those needs and interests. The search engines' algorithms use relevance and quality to determine if the search term bears keywords directed by an advertiser. Then, they establish the relevance and quality of the matched case, after which it would display a sponsored ad accompanying organic search results.

A keyword is a single word representing the main idea or topic of a specific web page, advertisement, or piece of content. This is the distilled concept that a searcher is likely to input at a search engine in his need to get information about products or services. This is the basis of SEO and digital advertisement: keywords become the first signals the search engines receive, indicating how relevant a web page will be toward any query. These keywords are “implanted” among different elements of a page: its titles, meta description, and headings, even in the body of the content itself, to optimize the page and score the best possible ranking in search engine results. This increases the website's visibility to the users on the search engine result page (SERP) whenever the users search for that given term.

Keyphrases, however, mean combining two or more words, forming a more accurate search statement than when a single keyword is used. Keyphrases are closer representations of how a user would express their search query. Both single words (keywords) and phrases (key phrases) may be referred to as “key terms.”<sup>11</sup> They mirror the context and intention within the search query, describing what users look for more precisely and comprehensively than the search engine. The key phrases will allow more specific and nuanced optimization strategies; they open the doors to serving an incredibly detailed search intent and user need.

A keyphrase connotes a multi-word lexeme (e.g., computer science engineering, hard disk), whereas a keyword is a single-word term (e.g., computer, disk). Using single words as index terms can sometimes lead to misunderstanding. For example, in phrases like —hot dog||, the constituent

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<sup>11</sup> Sifatullah Siddiqi, Aditi Sharan, 'Keyword and Keyphrase Extraction Techniques: A Literature Review' (2015) International Journal of Computer Applications, Volume 109, No 2, 18

single words do not have their regular meanings and are thus quite misleading if used as individual indexing terms. Also, they may be too general, e.g., the words “junior” and “college” are not specific enough to distinguish “junior college” from “college junior.” Also, when selected from a controlled vocabulary, keyphrases reduce the problems associated with synonymy and polysemy in natural language.<sup>12</sup>

The strategic use of key phrases in content and digital advertising campaigns taps into the modern search engines' in-built natural language processing abilities. This will better position the content—being that it is more conversational and the nature of specific queries that keyphrases represent—to reflect search queries that seem to indicate they are further along in their decision process or closer to purchasing.

The keywords and key phrases are at the center of the strategy development. The strategy builds within it the kind of keywords that allow the content to be centered between the general themes, attractive to the broad audience, and the type of keywords help make the focus on the narrower topics of some particular query and intent. This means discovering the content for an audience at the very beginning of their information gathering and one whose intention is clear and pointing to acting on the gathered information.

### **1.3. The Convergence of Traditional and Digital Marketing Strategies in Business**

Broadly, business involves all commerce activities or operations that target the endowment of offered goods or services in return for some value. It is run in some particular industry or market, and by business, it is targeted to reach out to a defined audience segment for the offerings. The mission and vision statement describes a company, the kind of products or services it offers, its position in the market, and strategies for growth and sustainability. It gets involved in the production, distribution, marketing, and sales functions, among others, to meet objectives.

The business scope is not confined to advertising but starts at the research and development level and extends to production, supply chain, customer services, and post-sale support. Advertising is only one marketing route a company will use to communicate its value propositions

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<sup>12</sup> *Ibid.*, 18

to the customer. However, several other strategies underpin the company's marketing strategy. Online advertising is deliberate messages on third-party websites, including search engines and directories, available through Internet access.<sup>13</sup>

On the contrary, an advertiser is just a person focusing on marketing goods, services, or brands through a paid channel. A company could be an advertiser, but more nuanced, the term would be to the party in question, which is directly involved in advertising or commission activities related to advertising. It could be the small or big businesses, sole proprietorships to multinational corporations, possibly even in the non-commercial sector, such as schools, nonprofits, or educational institutions that want to be able to get their message or cause out.

In partner programs in e-commerce, the website owner or merchant who uses affiliate marketing strategies most often represents an advertiser. In this, the advertiser directly affords the affiliate concerning directing traffic or sales to its site from many forms of paid advertisement or promotional content. The advertiser uses these partnerships to reach further, tapping into the audience of the affiliates for lead generation, sales, or any other action desired. A business is an entity or a person that can advertise purposely for financial gain. Always remember, an Advertiser is only sometimes a Business.

An advertiser is a business or person who pays for space to advertise to promote products or services. Its role represents the message of the potential customer, which influences their purchasing behavior and can even make or break a brand through well-placed advertisements. This fact has allowed the modern-day digital world to offer various platforms that advertisers use to place and circulate their marketing messages. This translates to anything starting from content creation in advertising to selecting effective distribution platforms to reach the furthest possible audience.

In digital advertising, bidders are the firms or persons willing to buy the space for the advertisement on search engines and, in turn, participate in auctioning. An advertising auction on search engines is related to the sponsored search result, which is the most essential tool in digital advertising. The ad position is determined through a competition between bidders on particular keywords who stipulate the highest amount they will pay per click (PPC) on an ad. As the auction is in real time, the price bid by the advertiser and the ad's quality score, which comes from the ad's relevance and experience on the landing page, will decide the ad placement. Thus, the bidder does

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<sup>13</sup> Louisa Ha, 'Online Advertising Research in Advertising Journals: A Review' (2008) *Journal of Current Issues & Research in Advertising*, Volume 30, Issue 1, 31

not only market looking for a room for his ads but also acts as a strategist and competitive candidate navigating the difficulties of the search engine algorithms to secure the best visibility for his ads.

Indeed, the dual nature of search engines at the frontier between high-tech tools and commercial models makes modern use of the internet a compelling study in modern internet use and digital marketing practice. Realizing that—a realization that is comprehensible—leads to a cornerstone within the evolution of search engines and their place within the larger digital ecosystem: search engines have become the front door that users take into the large swathes of information online and one of the most profitable forums for digital advertising.

In a few words, search engines are nothing more than technological miracles designed to organize, index, and display information available over the internet, packed within the bounds of user questions. It can search billions of websites using sophisticated algorithms: the methods implemented are crawling and indexing to add information to their databases, which cover the enormous amount of content on the net. The technology involves searching input terms or questions and presenting perused lists of web pages, images, videos, and other media types that meet the search criteria. According to this approach, another aspect of technology that has been there is the one that facilitates access to information of relevance and accuracy, which would serve the user's needs in an informative way.<sup>14</sup>

On the other hand, the business of search engines unfolds a monetized structure supported mainly by digital advertising. This model benefits to a large extent from the reach of the developed engines and details of how to reach search behavior on the part of users to deposit targeted advertising. It is an ad and paid search advertising. Businesses get to put their ads front and center in search results for particular keywords to buy visibility in front of would-be customers. This symbiotic relationship thus imparts a commercial orientation to search engines. It would make them a virtually online market where visibility is up for sale and attention in terms of users fetching rich dividends.<sup>15</sup>

The technology perspective at the intersection with business perspectives instills dynamic tension and innovation. On the other part, search engines apply their algorithmic tweaking to lay perfection in the accuracy of the search engine and relevance of the results further to reinforce the

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<sup>14</sup> Candy Schwartz, 'Web search engines' (1998) *Journal of the American Society for Information Science*, Volume 49, Issue 11, 977

<sup>15</sup> *Ibid.*, 981

user experience. Such commitment towards technological advancement ensures the indispensability of search engines as tools when navigating the internet.

However, from a business point of view, it ensures that this shift towards generating revenues from advertising keeps the integrity of the search results intact. Thus, the success of a search engine in commerce would be related to the technological domain and the potential of engaging and retaining advertisers, whereby the user would not be affected. It is one of the most critical balancing acts between the engine's credibility as a reliable information source and an attractive medium for advertisement.

Traditional advertisement includes a variety of video, audio, images, and text, each designed to convey a marketing message powerfully. Ads can come in various forms, including captivating video advertisements, solid audio jingles, dynamic banner images, or powerful written content. Flexible in presentation, it allows the marketer to find wisely how to express the value proposition of their product or service, catching the emotional and rational consideration of the audience.

At the base, traditional advertising is intended to get the consumer to do something related to spending money—buying something, registering for a service, or associating with a brand somehow. This is spread across, from social media and websites to television and radio, to ensure it reaches whoever from the public. Traditional advertisement is created in a manner that is appealing, creative, relevant, and has value to its audience.

Sponsored search results are defined as advertising appearing in Search Engine Result Pages (SERPs). These are paid placements, where advertisers bid on keywords relevant to their products or services to have their ads shown alongside or above organic search results for those terms. Sponsored results are usually very distinct from organic listings and are marked with a tag like “Ad” or “Sponsored,” meant to look blended into the search experience.<sup>16</sup>

These ads are very targeted. Appearing on specific search queries, they meet the user right at the moment of his expressed interest, giving him a solution or an answer to his immediate need. This context-sensitive location makes sponsored search results highly effective for driving traffic and, hence, conversions from users already interested in related products or services.

One of the main differences between traditional ads and sponsored search results is the approach that underlines consumer engagement. On the one hand, traditional ads try to build

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<sup>16</sup> Bernard J. Jansen and Tracy Mullen, ‘Sponsored search: an overview of the concept, history, and technology’ (2008) *International Journal of Electronic Business*, Volume 6, No. 2, 124

demand through creative stories and presentations, whereas sponsored search results are searched for by active users and leverage existing demand. This difference underscores each ad's complementary roles in a digital marketing plan.<sup>17</sup>

Traditional ads play critical roles in brand building and demand generation, casting a wide net and attracting a diversified audience. Sponsored search results, however, are meant to see and then convert this interest to the point of maximum relevance. Thus, advertisers guide the marketing communication process from awareness and consideration to the decision and action stage, effectively leveraging both in synergy.

#### **1.4. The Role of Search Engines in Digital Advertising Auctions: Tools and Auctioneers**

Search engines occupy a particularly unique place in the digital advertising landscape, both as platforms for advertising auctions and sometimes even as auctioneers themselves. The dual roles that search engines play in hosting advertising auctions underpin the functionality of how paid search ads are served to users.

Search engines, therefore, act as auction tools and provide the technological framework for executing paid search auctions. This includes intricate algorithms and systems that assist in bidding, where advertisers compete against each other for ad placement over particular keywords. These tools and algorithms enable the software to assist in both the management of bids and the evaluation of ad relevance, as well as in selecting the ad to show to users based on their search query. The neutral platforms are the search engines; in this way, they provide the necessary infrastructure for advertisers' auctioning process.

Beyond serving as mere platforms, search engines can also act as auctioneers. So, they proactively manage the auction process with self-set rules and predetermined bid requirements and decide which ads to show in a particular search term of specific bid amounts and quality scores. This is more of a role of the auctioneer being a manager, and the search engine will overlay its policies and algorithms to ensure that the bidding process is fair to all parties. It would entail

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<sup>17</sup> Song Yao, Carl F. Mela, 'A Dynamic Model of Sponsored Search Advertising' (2011) *Marketing Science*, Volume 30, Issue 3, 457

evaluating ads for conformity with advertising guidelines, quality of ads, the amount of a bid, and two other factors, such as how relevant a search inquiry is to an advertisement.<sup>18</sup>

Maximum Cost-Per-Click is the highest limit an advertiser is prepared to pay for a single click on his advertisement. Essentially, it is a cost-capped bidding mechanism through which an advertiser may protect his advertising expense to ensure that each click's cost does not exceed his set budgetary limits. Set at the ad or campaign level, it serves as the ceiling for bids. This signals the highest amount an advertiser is ready to pay for a user clicking on his ad. This will aid advertisers in managing their ad spending effectively while competing for ad slots. An advertiser's actual cost per click could be less than Max CPC if he determines the competitive environment and auction dynamics.<sup>19</sup>

On the other hand, a Keyphrase Bid speaks to a finer, more granular point of exact amounts of money that an advertiser has bid for his advertisement placement in association with some particular keyphrases or keywords. This bid represents the value it will show to the advertiser; the ad is shown to users searching for that exact key phrase, showing how relevant the advertiser finds these queries to be and what he thinks the potential return on investment could be. Key phrase bidding helps define the place in terms of search around a particular ad, how often it will appear, and the ad's visibility for specific searches. Thus, it affects direct engagement.

The "Rank" refers to the hierarchical order or precedence an ad is assigned in a paid search auction. This position depends on factors like relevance to the search query, quality score (a metric of how excellent and pertinent the ad is in general), and the amount bid on the keyword. "Rank" essentially represents the quality assessment that establishes which advertisement takes precedence over another competitive advertisement, prompted by the same search query. This high-quality ranking will result in the likelihood of the ad ranking high or even taking a good position if it exceeds the competitive threshold of the auction.<sup>20</sup>

"Position" would be the actual spot or location where an ad appears on a search result page. This is a physical translation of rank development from an auction, which would translate a qualitative assessment into a concrete placement. The most coveted spot is numbered, and the position which gets the best is Position 1. The ad position bears directly on visibility and, thus, the

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<sup>18</sup> Tao Qin, Wei Chen, and Tie-Yan Liu, 'Sponsored Search Auctions: Recent Advances and Future Directions' (2015) ACM Transactions on Intelligent Systems and Technology, Volume 5, Issue 4, 3

<sup>19</sup> *Ibid.*, 14

<sup>20</sup> Mark Glick, Greg Richards, Margarita Sapozhnikov, and Paul Seabright, 'How Does Ranking Affect User Choice in Online Search?' (2014) Springer Link, Volume 45, 105

ad's potential click-through rate (CTR). Generally, more "seen and clicked by users" ads are in higher positions.<sup>21</sup>

## 1.5. Keyword Advertising

Search engines work through a very sophisticated procedure of organizing the colossal information provided over the Internet into presentable formats for users. This starts from crawling, where autonomous bots are dispatched through the web to acquire and retrieve information from the web pages. This information is then indexed, meaning it's organized and stored to allow efficient retrieval.

Search engine functioning involves one crucial part: the algorithms used to rank the relevance of web pages and their contents to user queries. These algorithms allow the search results to appear in a particular order depending on the site's usability, keyword presence, and quality of the links.

The search engine scans its indexed data with algorithms to pick and display the most relevant results whenever a user submits a query. This streamlined operation allows the user to find appropriate information quickly and efficiently.

Keyword advertising<sup>22</sup> It is one of the critical approaches in the digital marketing arena. They pointed to the vital roles the platforms would play in aligning business marketing models with changing dynamics in which customers are involved in the online landscape. This enables search engine queries to promote products or services directly to users, showing intent—an element considered one of the cornerstones of electronic marketing.

The keyword advertising mechanism is based on a mutual contract between the advertiser and search engine operators. They competitively bid for some particular keywords or phrases that are relevant to the services that have been offered. This is mainly done to ensure the ad comes up with or above search results when such terms are queried. This, therefore, can be strategic placement; hence, it increases the visibility of the ads because the content is made to match the user's search

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<sup>21</sup> Kinshuk Jerath, Liye Ma, Young-Hoon Park, Kannan Srinivasan, 'A "Position Paradox" in Sponsored Search Auctions' (2011) *Marketing Science*, Volume 30, Issue 4, 615

<sup>22</sup> This is a form of advertising on the internet, in which a business pays to have an advertisement or a link to a website appear on someone's computer screen when they use a particular word or phrase to search for information on the internet, Cambridge Business English Dictionary,

<<https://dictionary.cambridge.org/dictionary/english/keyword-advertising>> accessed 30 March 2024

intention and thus get engaged more quickly through the clicks. The deployment approaches, therefore, revolve around three primary methodologies:

1. **Competing Brand Keywords:** Advertisers may bid on selected keywords for competing brand products to draw attention from users of similar products or services.
2. **Indirect Use:** Using related keywords with competitors indirectly, through absence in the ad context, or not writing clearly, directly reverts the ad to the competitor.
3. **Generic keywords:** These refer to generally used, nonspecific brand keywords that target a wider audience; they are based on general search terms relevant to industries or product categories.

While the keyword advertisement offers the shortest and fastest connection route with the target consumers, its approach comes with an obstacle: bidding-related misuse. Companies can be very aggressive, to the point, for example, that they use it to bid on a competitor's brand name as a keyword to siphon the customer base from them. This method is relatively successful in capturing the right target, though a bit delicately poised not to fall into an ethical trap and for the dilution of the brand.

It is so effective; thus, it could point them to that target market precisely as a military sniper would keyword advertisements. This serves as a cash cow for search engines and is necessary for any business looking to fine-tune visibility on the web. As such, it demands a strategic approach, balancing competitive advantage with brand integrity and consumer trust.

Broad Match is the default for most search engine advertising platforms. It gives you unmatched flexibility in how the ads get matched to user queries. This way, it has a reach that is in some way the widest: it links ads to every search query, containing all the keywords precisely as defined by the advertiser.<sup>23</sup>

In broad matching, every related phrase in the search queries that makes any similarity to the entered keywords, including lots of synonyms and associated words and many misspellings, will equally trigger the ad. This broad spectrum matching ensures the ad appears in response to an extensive array of diverse user searches, hence letting the ad reach way beyond the closes of exact and phrase match types.<sup>24</sup>

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<sup>23</sup> Wilfred Amaldoss, Kinshuk Jerath, Amin Sayedi, 'Keyword Management Costs and "Broad Match" in Sponsored Search Advertising' (2016) *Marketing Science*, Volume 25, Issue 2, 265

<sup>24</sup> *Ibid.*, 266

For example, under the keyword “organic coffee,” an advertiser’s ads could appear for natural coffee brands, “buy organic coffee online,” “organic espresso beans,” or for queries like “best organic coffee,” and much more. This shows how broad the broad match can be adaptable for many user intentions raised with the initial product.

The preceding example demonstrates that broad matches can be prohibitively expensive at times. However, their potential for good is also noteworthy due to their extensive range of diverse varieties. Google claims that up to 20% of its monthly inquiries are unique, which indicates that the query in question was executed for the first time. A broad match refers to the situation in which an advertiser includes a keyword in an ad group without any formatting around the word.<sup>25</sup> For the broad match, ads are entered into the search results whenever users enter a query containing terms that have a similar meaning to the keyword. However, they are different in spelling and grammatical forms or concepts. This approach ensures that the advertiser obtains maximal exposure to potential customers across the broad spectrum of search behavior.

Digital advertising with phrase matching is a nuanced attempt to target search queries. In this way, it can target users whose search intent is almost similar to the product or service offered in the advertisement. This matching option balances the reach of the broad match keywords and the precision of the exact match keywords. That way, the ad can show when searches contain the same phrase or some close variations of the phrase that an advertiser may have specified, with extra words possibly coming before or after the core selected phrase.

One crucial element in phrase match settings is the order or sequence of those words within the advertiser’s chosen phrase. This specificity level ensures the ads get displayed for users with clear intentions about what the advertisers offer. For example, if you run an ad campaign based on the phrase match keyword “organic coffee beans,” ads will be shown for searches like “buy organic coffee beans online” or “best organic coffee beans,” but not for “beans organic for coffee.” This level of control enables advertisers to fine-tune their reach, so the ad is shown in searches and is more likely to convert because it matches the intent.

The phrase match will cover close variants: searches that include misspellings, searches that are formed in the singular or plural form, abbreviations, and even some synonyms that may not, however, change the meaning of the search. However, introducing some irrelevant words within

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<sup>25</sup> Brad Geddes, *Advanced Google AdWords* (3rd edn, John Wiley & Sons Inc., Indianapolis, Indiana, 2014) 37

the phrase or making significant changes in word order may avoid ad display, leaving it open for focus and budget on the most relevant queries for the campaign.

Most advertisers who utilize phrase match believe that search query order matters for intent. For instance, if the advertiser wishes his advertising not to appear when people search for “hostel Tallinn,” they might place them on “Tallinn hostels.” When a user adds terms before or after the advertisement, it can display phrases like “best Tallinn hostels” or “Tallinn hostels close to the city center.”<sup>26</sup>

This specificity granted by phrase match makes the ad reach the intended audience more precisely. Accordingly, it contributes to optimizing advertising spend and increases the chance of involving interested users. Therefore, an advertiser can achieve a balance of relevance and go into their campaign through phrase-match keywords, increasing click-through.

Broad match modifiers empower advertisers to refine search queries that contain any keyword critical to the campaign’s intent, boosting the click-through and conversion rate by drawing traffic more in line with the ad's target. Through these plus signs before the keyword, the search engine is configured to ensure it displays its ads only when users include these must-have terms in their search.<sup>27</sup>

For example, changing the keyword from “organic coffee” to “+organic coffee” in the broad match modifier would ensure that the search done is something like “buy organic coffee” or “organic coffee near me.” Still, it would exclude irrelevant searches like “organic tea” or “coffee flavors.” This must-word in the campaign will highlight the point, ensuring the ad will display only when this must-word appears in the search query.

In a generic sense, this is a broad match modifier, which acts as a sort of strategic filter to trim the wide-keyword match from broad match keywords to be able to zero in more precisely on the user queries that are directly relevant to the ad’s content. For instance, the modified keyword phrase “+organic coffee” would have triggered the ad to show “best organic coffee online” or even “organic coffee beans,” but it won’t bring up results for searches like “organic coffee cake” or “best tea.” This way, he assures the ad gets to users whose search intent is tightly related to the

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<sup>26</sup> *Ibid.*, 40

<sup>27</sup> Wilfred Amaldoss, Kinshuk Jerath, Amin Sayedi, ‘Keyword Management Costs and “Broad Match” in Sponsored Search Advertising’ (2016) *Marketing Science*, Volume 25, Issue 2, 269

product or service offer, thus optimizing ad spend and improving campaign performance. These are the words that matter.<sup>28</sup>

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<sup>28</sup> *Ibid.*, 38

## CHAPTER II. TRADEMARKS AND KEYWORD ADVERTISING

### 2.1. Evolution and Significance of Trademark Law

The concept of a “trademark” is a foundational element in understanding the rationale behind trademark protection and its overarching goals. Trademark law's development is not attributed to a singular historical event or idea but to progressive adaptations to address market participants' evolving needs. These adjustments frequently result from navigating the intricate balance of competing interests, which occasionally culminate in legal disputes.

Given the interests in conflict, trademark law emerged as a judicial system intervention of great relevance for strengthening and protecting rights. Against this backdrop, this legal framework arose out of the need to safeguard symbols that denote ownership from unauthorized use by others or an entity seeking benefit from established goodwill at the expense of others without the authority to do so. However, despite its obvious importance, a coherent and systematic strategy for effective governance still needs to be present.<sup>29</sup>

Trademarks have been used since the earliest days, probably at least since the existence of trade or commerce. Still, they have achieved notorious importance as a legal right deserving protection only during later commercial development. The context identifies the importance of trademarks in the world economy, from national to international markets.

### 2.2. Understanding Trademarks

Multiple definitions of trademarks have been suggested. Nonetheless, within the current legal context, we will apply the definition provided in the TMD, which is open to broad interpretations.<sup>30</sup> According to Article 2 thereof:

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<sup>29</sup> Wolfgang Sakulin, *Trademark protection and freedom of expression: an inquiry into the conflict between trademark rights and freedom of expression under European, German, and Dutch law*, (Ph.D. thesis, University of Amsterdam 2010) 35 <<http://dare.uva.nl/document/2/75293>> accessed 30 March 2024

<sup>30</sup> Directive No. 2008/95/EC of the European Parliament and the Council of 22 October 2008 to Approximate the Laws of the Member States Relating to Trade Marks (Codified Version), [2008] <<https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:299:0025:0033:en:PDF>> accessed 30 March 2024

*A trademark may consist of any sign capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods, or their packaging, provided such signs distinguish the goods or services of one undertaking from those of other undertakings.*

According to the given definition, a mark must meet two criteria to be eligible for protection through registration. First, it needs to be a sign that can differentiate the goods or services of one business from those of another, as previously described. However, it's important to mention that this definition is under review. With the anticipated reform of the TMD, there's a proposal to remove the necessity for a sign to be represented graphically. Instead, it would be enough for a mark to be depicted in a manner that allows identification. Further details regarding those two conditions are provided below.

### **2.2.1. An indication is required**

The term “sign,” when used to refer to an element of a legally protected trademark, is typically interpreted broadly, considering the ongoing evolution of international trade. Therefore, the provision in Article 2 should be regarded merely as illustrative and not as an exhaustive enumeration of signs that may merit protection. Although not exclusively, a sign ought to have the capacity for visual perception. A trademark may still apply to a sign that cannot be perceived visually, including sounds and smells.

Notwithstanding the seemingly broad scope of the term “sign” interpretation, it does not necessarily imply that any identification method can be considered a legally protected trademark. For instance, an individual may not approach the registration of a trademark for the form of a product to prevent others from utilizing that form. At most, the shape constitutes a characteristic of the corresponding product and cannot function as a sign. Furthermore, permitting this practice would impose intolerable limitations on the unrestricted competition by prohibiting rivals from introducing products featuring an identical form. Furthermore, such a provision would violate the fundamental tenets of trademark legislation by granting proprietors more authority than is strictly

required to prevent consumer confusion.<sup>31</sup> Infringement claims against rival products would be rendered nearly defenseless, as any purported confusion would be predicated on similarities.

### **2.2.2. Capable of Differentiating the Services or Products of Distinguishable Entities**

The primary purpose of protection under a trademark is to reduce the degree of confusion among consumers so that apparent differences can be made between a business's products and service offers and those belonging to their rival firms. Examining the core characteristics of trademarks helps uncover how effectively the same plays this role, marking the origin of goods and services for consumers. The European Court of Justice (ECJ) placed particular emphasis on the fact that a trademark has the essential function of being a sign to the consumer that the product bearing it comes from the same undertaking as other products so that he may identify its origin and not confuse it with the origin of products manufactured elsewhere.

This, therefore, means that for a trademark to protect the product or service effectively, it must stand as a beacon of origin. This, the court also emphasized in the case concerning the use of "Elvis" on merchandise, where they found that the name did not act to protect the products from those of competitors and hence failed the distinguishing mark required for protection under trademark. The European Court of Justice elucidated that consumers purchasing items with the mark were influenced primarily by the name's fame rather than its ability to indicate the origin of the products. In other words, the visibility of a name doesn't automatically confer distinctiveness; thus, the name "Elvis" did not meet the criteria to be considered a "keyword" in this context.<sup>32</sup>

The ECJ's analysis suggests that "distinctiveness" refers to or suggests the source of goods or services, underscoring the significance of identifying the trade source.<sup>33</sup> In the Hoffman-La-Roche case, the European Court of Justice clarified that a trademark's defining feature is its ability to assure consumers of the product's origin. This assurance builds consumer trust and loyalty, offering the trademark holder a competitive advantage.

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<sup>31</sup> M. Handler and R. Burrell, *Australian Trade Mark Law* (Oxford University Press, 2010) 389

<sup>32</sup> Elvis Presley Trademarks, 'Reports of Patent, Design, and Trade Mark Cases' (1997) Volume 114, Issue 13, 543–562 <<https://doi.org/10.1093/rpc/1997rpc543>> accessed 30 March 2024

<sup>33</sup> P. Torremans and J. Holyoak, *Intellectual Property Law* (4th edn, Oxford University Press 2005) 374

The ECJ described this “guarantee of origin” as the consumer’s or end user’s confidence that a product bearing a trademark has not been tampered with or altered by an unauthorized third party at any point before purchase in a way that could compromise the product’s original condition.”<sup>34</sup>

As a result of ECJ case law, trademarks enable their proprietors to assure consumers that the products or services bearing the mark are authentic from them. Furthermore, they guarantee unrestricted and unrestricted competition with competitors. The competitive advantage for trademark owners lies in the capacity to identify the origin of particular products or services. The European Court of Justice has stated that this benefit would diminish if legal protections did not safeguard trademark owners’ goods and services in a manner that enables them to capitalize on the advantages linked to their trademarks. The Court acknowledges that trademarks are critical to EU law’s expansion of free competition because they “ensure that all the products conveyed have been manufactured under the supervision of a single entity that is accountable for their quality.”<sup>35</sup> Under the principles of unrestricted commerce, trademark proprietors are additionally permitted to ratify products or services from other sources as their own, provided that said products or services meet their criteria.

### **2.3. Development of Trademarks**

Offering a brief history of trademarks fulfills dual objectives: it illuminates the development of the legal frameworks that regulate them and reveals the sociological underpinnings of these symbols, taking into account their features, extent, and importance of the roles they perform.<sup>36</sup>

The precise origins of trademark usage could be more apparent, as the practice appears to have coexisted with the inception of commerce.<sup>37</sup> There are indications that marks were utilized to identify pottery and determine livestock ownership as early as five millennia ago.<sup>38</sup>

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<sup>34</sup> Case 102/77 *Hoffmann-La Roche & Co. AG v Centrafarm Vertriebsgesellschaft Pharmazeutischer Erzeugnisse mbH*. [1978] Landgericht Freiburg (Germany) para 7

<sup>35</sup> Case C-39/97 *Canon Kabushiki Kaisha v. Metro-Goldwyn-Mayer* [1998] ECR I-5507, para 28; and C-10/89 *CNL-SUCAL v. HAG* [1990] ECR I-3711, paras 13 - 14

<sup>36</sup> Jamil Ammar, *Think Consumer: The Enforcement of the Trade Mark Quality Guarantee Revisited, a Legal and Economic Analysis* (Newcastle, United Kingdom, Cambridge Scholars Publishing 2011) 8

<sup>37</sup> R. Merges et al., *Intellectual Property in the New Technological Age* (3rd edn, Aspen Law & Business 2003) 529

<sup>38</sup> S. Diamond, ‘The Historical Development of Trademarks’ (1983) *Trademark Reporter* 73, 223, B. Paster, ‘Trademarks-Their Early History’ (1969) *Compiler Publications* 551

With the expansion of international commerce, manufacturers increasingly recognized the significance of trademarks. They incorporated them into their products to serve as indicators of origin, even though they lacked legal recognition then.<sup>39</sup>

During the Middle Ages, establishing guilds of artisans increased the significance attributed to trademarks. A crucial catalyst for this advancement was the local legislation mandating that guild members affix labels to their merchandise to facilitate the detection of those responsible for producing faulty items. Even with the implementation of these regulations at the local and national levels, trademarks still needed to afford protection to individual product manufacturers. They merely functioned as a quality guarantee for privileged classes.<sup>40</sup>

Early in the 19th century, the emergence of the Industrial Revolution and the ascent of the entrepreneurial class stimulated global trade through the expansion of manufacturing and inventive endeavors, which in turn required the expansion of trade distribution channels.<sup>41</sup>

These developments compelled rivals to employ advertising strategies to secure their products' best market share and competitive advantage. Thus, trademarks began to acquire the heightened significance they possess as identifiers for specific product origins and manufacturers.<sup>42</sup> Furthermore, there was an increased demand for safeguarding trademarks.<sup>43</sup> Antitrust infringement disputes increased as anticipated due to their significance and potential financial benefits; this led to judicial interventions, which in turn strengthened the courts' role in trademark law enforcement. In the second half of the 19th century, a need arose to streamline trademark regulations to enhance the regime's consistency and reliability.<sup>44</sup>

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<sup>39</sup> Frank Schechter, 'The Rational Basis of Trademark Protection' (1970) 60 Trademark Rep., 814

<sup>40</sup> R. Bone, 'Enforcement Costs and Trademark Puzzles' (2004) Virginia Law Review 90, 2100

<sup>41</sup> D. Landes et al., *The Invention of Enterprise: Entrepreneurship from Ancient Mesopotamia to Modern Times* (Princeton University Press 2012) 84

<sup>42</sup> S. Diamond, 'The Historical Development of Trademarks' (1983) 73 Trademark Rep., 238

<sup>43</sup> D. Long, 'Unitorial Marks and the Global Economy' (2002) J. Marshall Review Intellectual Property Law 191

<sup>44</sup> Bentley et al., *Trade Marks and Brands an Interdisciplinary Critique* (2nd edn, Cambridge Publication 2010) 43

## 2.4. The Impact of Online Keyword Advertising on Trademark Rights and Market Competition

The significant role of the Internet and e-commerce in facilitating sales opportunities cannot be overstated, as evidenced by the proliferation of commercial organizations that have expanded their operations to the digital realm through website development.

Morcom notes, “The Internet has become an indispensable component of business operations.” Numerous merchants employ an online website as their exclusive or primary “front” for their products or services. We conduct banking, shopping, vacation, home reservations, and even dispose of unwanted second-hand products online.<sup>45</sup>

Critically resulting from these developments is the emergence of online keyword advertising. Hence, it is crucial to analyze the technical aspects of AdWords services, including their fundamental characteristics and potential implications for trademark rights. This undertaking invariably requires an examination of the extent and characteristics of the safeguards that proprietors of trademarks ought to be granted in situations involving keyword advertising.

Overcoming the temptation to capitalize on recent economic prospects can be challenging, particularly in a predominantly laissez-faire society that persistently exploits opportunities that are perceived as such. E-commerce enterprises can reach a diverse consumer base spanning extensive geographical areas via the Internet, accessing immeasurable opportunities to promote their products more quickly and at a lower expense.<sup>46</sup> Organizations can engage in direct customer transactions, bypassing intermediaries and the additional fees they typically impose on vendors and purchasers. This results in increased sales and decreased expenses.

Therefore, the Internet enables concurrent transactions involving indistinguishable goods and services on virtual and physical markets.<sup>47</sup> Yet, this wealth of information brings its challenges. While having access to vast amounts of data is beneficial, it often leaves people overwhelmed, making it hard for them to identify what's relevant and what's not. To navigate this information

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<sup>45</sup> Christopher Morcom, Ashley Roughton, Thomas St. Quintin, *The Modern Law of Trade Marks* (2nd edn, Ohio Butterworths Publishing 2005) 371

<sup>46</sup> P. Soto-Acosta and A. Meroño-Cerdan, ‘Evaluating Internet Technologies Business Effectiveness, Telematics and Informatics’ (2009) 26 (2) 211

<sup>47</sup> B. Urrutia, ‘Internet and Its Effects on Competition’ (2000) The Universidad Internacional Menendez Pelayo Barcelona, 3

overload, individuals turn to internet service providers, especially Google, seeking their help to find the information that matters quickly.

“Our ability to research, manage, and process knowledge for the benefit of society, culture, and the economy is vastly enhanced by ISPs.”<sup>48</sup> Reduced search time and effort, access to current information, comparing prices, and “better matching” with producers are especially advantageous to consumers.<sup>49</sup>

Consequently, “Google” has become a widely acknowledged verb synonymous with searching for relevant information online. Search engines like Google compile extensive online content databases, organizing them in a search-friendly manner using sophisticated algorithms. This process ensures that users can easily access and sift through the vast amount of data available on the internet.<sup>50</sup> Due to this advantage, consumers utilize the Internet to conduct product and service searches, which may ultimately lead to their purchase. This underscores the significant contribution that ISPs make in facilitating electronic commerce.<sup>51</sup> They facilitate the process of accessing valuable information from the Internet.

Regrettably, despite the substantial volumes of traffic, websites, and revenue generated, the Internet's economic benefits remain partially untapped. This is attributable to several factors, including organizations' capacity to safeguard their trademarks.<sup>52</sup>

Numerous business entities in the modern era of commerce possess enormous portfolios of intellectual property that must be safeguarded and enforced.<sup>53</sup> Organizations that can redirect suitable volumes of consumer traffic to their web pages are more likely to gain advantages when a search is performed.<sup>54</sup> When users enter a query, Google employs advanced algorithms to sift through and arrange internet information based on how closely it aligns with the entered term. This process significantly reduces users' time and effort to find the necessary information.<sup>55</sup>

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<sup>48</sup> A. Spink and M. Zimmer, *Web Search, Multidisciplinary Perspectives* (Springer 2008) 119

<sup>49</sup> J. Bughin et al., *High Tech Practice, the Impact of Internet Technologies: Search* (McKensey&Company 2011) 22

<sup>50</sup> K. Perset, 'The Economic and Social Role of Internet Intermediaries' (2010) OECD Series, 12

<sup>51</sup> J. Darrow and G. Ferrera, 'The Search Engine Advertising Market: Lucrative Space or Trademark Liability?' (2009) *Texas Intellectual Property Law Journal* 17, 226

<sup>52</sup> S. Kopp and T. Suter, 'Trademark Strategies Online: Implications for Intellectual Property Protection' (2000) *Journal of Public Policy and Marketing* 19(1) 119

<sup>53</sup> H. Coble, *Internet Domain Name Trademark Protection: Congressional Hearing* (DIANE Publishing 2000) 84

<sup>54</sup> D. Hawkins et al., *Consumer Behaviour, Building Marketing Strategy* (Tata McGraw-Hill 2010) 605

<sup>55</sup> D. Meale, 'The Online Advertising Free-Riding Free for All' (2008) *Journal of Intellectual Property Law and Practice* 3(12) 782

The reason for using trademarks as search keywords is the involvement of third-party providers in offering services related to these trademarks. For example, a business specializing in repairing or selling accessories for Samsung products could be seen as such a provider. Typically, these businesses want their ads to appear in search engine queries whenever someone searches for “Samsung.” Similarly, other economic actors sell or distribute authentic merchandise, like second-hand items, including price comparisons and product evaluations.

When a user searches for “Galaxy,” referring to Samsung’s renowned line of smartphones, the search engine might display not only Samsung-related content but also listings for competing devices. This often happens because competitors have purchased the keyword “Galaxy” for advertising purposes. Procuring keywords linked to trademarks typically doesn’t necessitate permission or a license from the trademark holders, nor does it require a direct commercial relationship with the keyword. Internet service providers generate ads that closely match the search query, offering alternatives that are as relevant and valuable to the consumer as the original search results.<sup>56</sup>

Google’s projections suggest that its search services can reach about 80% of internet users, significantly enhancing and streamlining commercial activities online.<sup>57</sup> Keyword advertisements provide traders with considerable autonomy and authority in overseeing their enterprises.<sup>58</sup> Additionally, a significant degree of transparency is present, as it is possible to discern which advertisements have garnered the most views and, consequently, the most likely to attract consumers.

Even with these benefits, it is equally evident that keyword service providers could infringe upon the rights of trademark proprietors by permitting merchants to purchase trademarks as keywords. A trademark enjoys significant consumer appeal and can be an indispensable asset for a specific business. It would be highly objectionable for third parties to engage in illicit trademark use, even for a lawful purpose.<sup>59</sup>

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<sup>56</sup> Ashley Tan, ‘Google AdWords: Trademark. Infringer or Trade Liberalizer?’ (2010) 16 Michigan Telecommunication Technology Law Review 473, 477

<sup>57</sup> G. Jones, ‘The Advantages and Disadvantages of Google Adwords, Online Article in Blog’ (16.01.2012) <<https://www.grahamjones.co.uk/2012/articles/internet-marketing-articles/the-advantages-and-disadvantages-of-google-adwords.html>> accessed 30 March 2024

<sup>58</sup> Subha Subramanian, ‘Inside Adwords; more flexible targeting on the Google display network’ (*Google Adwords blog*, 29 June 2012) <<https://adwords.googleblog.com/2012/06/more-flexible-targeting-on-google.html>> accessed 30 March 2024

<sup>59</sup> Phillips, ‘Google and the Law’ (2013) Information Technology and Law Series, Volume 22, 44

Through their function as certifications of quality and source, trademarks guarantee the impartiality of product information. Trademark proprietors can oversee the production process of their goods and ensure that those available for purchase are indeed their own. In turn, consumers are assured that products bearing the mark will consistently meet their standards of quality and appearance.<sup>60</sup>

Landes and Posner argue that trademarks contribute to “economic efficiency” by reducing the “search costs” that consumers incur. By recognizing the mark, consumers can have confidence that the product originates from a reputable source and possesses a recognized quality.<sup>61</sup>

Alternatively, an easily recognizable mark functions as an abstract form of information within a free market system, augmenting consumer consciousness, facilitating communication with manufacturers, and instilling confidence regarding the quality of the product.<sup>62</sup> Therefore, consistently using trademarked keywords in advertising leads to consumer confusion regarding the source, increasing search time and effort. This approach reduces the trademark's intended functionality and makes it unreliable as a communication medium between manufacturers and consumers.

Besides their roles in indicating origin and quality, trademarks also function as marketing instruments. This requires significant investment in terms of time, effort, and financial resources from trademark owners to build and convey a distinctive identity for the mark and its related products or services.<sup>63</sup>

By establishing a mental association between their products and the trademarks through advertising, trademark proprietors can safeguard the uniqueness of their designs.<sup>64</sup>

As highlighted earlier, trademarks have faced scrutiny for granting their owners potentially indefinite exclusive rights, leading to illegal monopolies and the power to prevent others from using their marks. Despite the intense criticism, it's crucial to recognize that trademarks would largely fail to achieve their primary objectives without these monopolies.<sup>65</sup> The word “monopoly”

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<sup>60</sup> Horwitz, ‘Conflicting Marks: Embracing the Consequences of the European Community and Its Unitary Trademark Regime’ (2001) 18 *Arizona J Intl & Comparative Law* 249

<sup>61</sup> Landes and Posner, ‘The Economics of Trademark Law’ (1988) 78 *Trademark Rep.*, 267

<sup>62</sup> Dogan and Lemley, ‘Trademarks and Consumer Search Costs on the Internet’ (2004) *Houston Law Review*, Volume 41, 777

<sup>63</sup> Kitchin et al., *Kerly’s Law of Trade Marks and Trade Names* (Sweet&Maxwell Publishing 2005) 9

<sup>64</sup> Frank I. Schechter, ‘The Rational Basis of Trademark Protection’ (1927) 40 (6) *Harvard Law Review* 829 <<https://doi.org/10.2307/1330367>> accessed 30 March 2024

<sup>65</sup> Maniatis S. and Sanders A.K. ‘A Consumer Trade Mark: Protection Based on Origin and Quality’ (1993) *EIPR Journal*, Issue November 411

is often viewed negatively because it suggests undue influence and control; hence, it's wise to pause and carefully reflect on its exact meaning and implications.<sup>66</sup>

Furthermore, industrial property rights owners are not awarded monopolies but exclusive rights to use their trademarks. Passengers possess sole authority over the capacity of their trademarks to ensure excellence, thus securing clients.<sup>67</sup> Hence, the essential goal within the upcoming dialogue is to find a middle ground between the principles of free trade and the legitimate rights of trademark owners.<sup>68</sup>

The European Court of Justice states that fostering “undistorted competition” is the primary policy goal of the Trademark Directive (TMD). This perspective has steered the ECJ's approach to interpreting European trademark legislation, consistently ensuring that protection is provided in alignment with this policy goal. It harmonizes the necessity for safeguarding trademarks with the imperative that their application does not obstruct free competition.<sup>69</sup>

In line with its core principle, the European Union aims to create a single market across its member states, marked by reducing barriers to the free flow of trade and the exchange of goods and services, even those controlled by private sectors.<sup>70</sup>

Free competition benefits consumers, which provides some justification for advertisements that assist them in comparing and selecting rival products, so long as precautions are taken to avoid misleading them. However, it is indisputable that by comparing competing products, these advertisements enable lesser-known rivals to profit unrestrictedly from the well-established reputation of trademark owners. Undoubtedly, the imperative to advance competition in the digital realm supports the notion that freedom of information and trade should take precedence over trademark rights. This is due to the practicality of the tactics utilized to gain access to consumers while they conduct online product and service searches.

Regardless of the circumstances, using keywords associated with trademarks in online advertising violates trademark rights and free competition principles; therefore, further

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<sup>66</sup> C. Pickering, *Trade Marks in Theory and Practice* (Hart Publishing 1998) 75

<sup>67</sup> H. Ullrich, 'Patents and Know-How, Free Trade, Interenterprise Cooperation and Competition within the Internal European Market' (1992) 23, 603

<sup>68</sup> A. Machnicka, 'Trademark Licensing Agreements in Light of the Ec Competition Rules' (2008) *Anuario Facultad de Derecho – Universidad de Alcalá* 192

<sup>69</sup> R. Knaak, 'Trade Mark Protection and Undistorted Competition' (2009) *Max Planck Institute for Intellectual Property and Competition Law*, No. 11&12, 5

<sup>70</sup> Consolidated Version of the Treaty Establishing the European Economic Community (Eec Treaty) [1997] (97/C 340 /03), A Preamble

investigation is required to determine the most effective way to reconcile these competing interests.

The selection of keywords is not assessed to ascertain whether it constitutes an infringement of a trademark.<sup>71</sup> Upon receiving a petition alleging infringement from the trademark proprietor, Google may initiate an investigation. Following discovery of an infringement in an inquiry, Google removes the trademark from the infringing advertisement or the keyword that produced it. Regrettably, Google's algorithms may persist in identifying and depicting the infringed mark, thereby placing the onus on the mark's proprietor to directly communicate with the advertiser and request that they cease utilizing the mark on their website. Consequently, the proprietors of such marks are ultimately liable for preventing their use in keyword advertising.<sup>72</sup>

Undoubtedly, online keyword advertising services provide businesses with an immense advantage; they can gauge their performance by monitoring consumer traffic, determining the number of visitors who viewed their advertisements, and even tracking the conversion rate of those who made a purchase. This starkly contrasts traditional advertising methods, which primarily rely on the number of customers acquired for performance evaluation.<sup>73</sup>

Utilizing information supplied by ISPs regarding customers' online activities enables businesses to generate highly effective advertisements capable of attracting a substantial customer base and generating significant sales. This provides flexibility in keyword design for businesses.

Customers may be lured to the products of unidentified market entrants, who may even take clients who would have otherwise patronized proprietors of well-known trademarks.<sup>74</sup>

While trademark owners have good reason to be apprehensive, consumers benefit from keyword advertising because it enables them to access more targeted businesses. This includes access to more products and services, complementary and alternative offerings details, and price variations that facilitate comparisons and more informed purchasing decisions.<sup>75</sup>

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<sup>71</sup> Ashley Tan, 'Google AdWords: Trademark. Infringer or Trade Liberalizer?' (2010) 16 Michigan Telecommunication Technology Law Review 473, 477

<sup>72</sup> *Ibid.*, 481

<sup>73</sup> W. Hung, 'Limiting Initial Interest Confusion Claims in Keyword Advertising' (2012) Berkeley Technology Law Journal 27, 647

<sup>74</sup> D. Iwanow, 'Adwords Plays If You Can't Beat Them Trademark Them' (2011) Search Engine Journal, 131

<sup>75</sup> R. Taubner, 'Google Adwords and Canadian Trademark Law' (2009) Canadian Journal of Law and Technology 7, 289

Consequently, keyword advertising benefits consumers from increased quality and reduced prices.<sup>76</sup> Even though trademarks can be regarded as a company's most valuable assets, especially when they have gained significant recognition among consumers, their proprietors are obligated to oppose any illicit third-party usage.<sup>77</sup> Given the critical role that trademarks play in marketing, the commercial reputation of their proprietors is compromised when keyword searches return advertisements from rival companies, thereby generating revenue for internet service providers.<sup>78</sup>

Typically, trademarks entice consumers; however, this effect is diminished when their utilization in keyword searches results in comparisons between marked products and those of competitors. Consumers are inclined to seek out alternative products from competitors that bear the same mark, which undermines the brand's unique qualities and may ultimately lead to a severance of consumer loyalty. Therefore, rivals gain an unjust advantage by benefiting from trademark proprietors' notoriety. This phenomenon has been labeled "ambush marketing."<sup>79</sup> or, as defined by Duthie, "the illicit exploitation of another's reputation or visibility."<sup>80</sup>

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<sup>76</sup> Kurt Saunders, 'Confusion Is the Key: A Trademark Law Analysis of the Keyword Banner Advertising' (2002) *Fordham Law Review*, 71(2) 545

<sup>77</sup> Phillips K., 'Google and the Law' (2013) *Information Technology and Law Series*, Volume 22, 44

<sup>78</sup> Sheas Gregory, 'Trademarks and Keyword Banner Advertising' (2002) *Southern California Law Review*, Volume 75, 529

<sup>79</sup> A. Louw, *Ambush Marketing & the Mega-Event Monopoly: How Laws Are Abused to Protect Commercial Rights to Major Sporting Events* (Springer Science & Business Media 2012) 94

<sup>80</sup> M. Duthie, 'It's Just Not Cricket: Ambushing the Ambushers in South Africa' (2003) *Freehills Patent & Trade Mark Attorneys* 171

# CHAPTER III. TRADEMARK PROTECTION AND THE DIGITAL MARKETPLACE: NAVIGATING THE COMPLEXITIES OF EUROPEAN UNION LAW

## 3.1. European Union Trademark Directive and Its Harmonization Efforts

This chapter aims to investigate the Trademarks Directive 2015/2436, which took effect on March 23, 2016. This Directive seeks to harmonize trademark systems across the European Union member states. It repealed the Commission Regulation concerning the fees paid to the Office for Harmonization in the Internal Market for Trademarks and Designs. It also modified the Council Regulation concerning the EU trademark and Commission Regulation and applied the Council Regulation on the EU trademark. These changes mark significant revisions within the EU's trademark laws.

The chapter also examines the impact of the *Interflora vs. Marks & Spencer* case on the development of the EU trademark law. This case focused on the unauthorized use of third-party trademarks in Google AdWords for keyword advertising.

The discussion extends to the ECJ's rationale in determining that sponsored ads, which appear due to the activation by a protected trademark of another party, could violate the trademark holder's rights. This violation occurs if the ad does not enable users to clearly understand that the advertised products or services are not associated with the trademark owner. The thesis further explores dilution, imitation, and competing products.

Lastly, Directive 2015/2436, passed by the European Parliament and the Council of the EU on December 16, 2015, and commonly referred to as "TMD," is analyzed to provide two forms of trademark protection within the EU.

Article 10(2)(a)<sup>81</sup> Stipulates:

*“Without prejudice to the rights of proprietors acquired before the filing date or the priority date of the registered trademark, the proprietor of that registered trademark shall be entitled to prevent all third parties not having his consent from using in the course of trade, about goods or*

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<sup>81</sup> Directive (EU) 2015/2436 of the European Parliament and the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks, [2015] Official Journal of the European Union, L 336/11, Sec. 3, Art. 10, para 2 <<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015L2436&from=LV>> accessed 30 March 2024

*services, any sign where:(a) the sign is identical with the trade mark and is used about goods or services which are identical with those for which the trade mark is registered,*” that the trademark owner possesses the authority to prevent unauthorized third-party use if they employ a mark identical to the trademark for promoting goods or services that are the same as those for which the trademark is registered. Article 10(2)(b)<sup>82</sup> states that the trademark owner has the right to forbid a third party from using a sign that is identical or similar to the trademark when used for goods that are either in competition or identical/similar, especially if such use could likely confuse the general public. This specifically pertains to the likelihood of association between the third party’s sign and the trademark itself. Secondly, Article 10(2)(c)<sup>83</sup> states that the owner of a registered trademark may prohibit unauthorized third parties from using in commerce any sign that is identical or similar to that trademark to promote services or products that are not comparable to those for which the trademark is registered. This is applicable even if the services or products in question are not similar to those for which the trademark is registered, provided that the latter has established a reputation in the Member State, and permitting such use without justification would be unjust. Despite the detailed limitations on trademark protection specified in articles 10(2)(a) and 10(2)(b) of the TMD, the European Court of Justice took into account the roles that trademarks play.

### **3.2. The Role of Trademarks in the Digital Age: European Court of Justice’s Interpretations**

Under articles 10(2)(a) and 10(2)(b) of the TMD, trademark owners are empowered to regulate how their trademarks and their applications are communicated, including the capability to distinguish and identify their products or services in the market. However, for the protection under articles 10(2)(a) and 10(2)(b) to apply, the contested use of a similar sign must be capable of misleading consumers.

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<sup>82</sup> *Ibid.*, (b) the sign is identical with, or similar to, the trademark and is used about goods or services which are identical with, or similar to, the goods or services for which the trademark is registered if there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark

<sup>83</sup> *Ibid.*, (c) the sign is identical with or similar to, the trademark irrespective of whether it is used about goods or services which are identical with, similar to, or not similar to, those for which the trademark is registered, where the latter has a reputation in the Member State and where the use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the reputation of the trade mark.

When we talk about Article 10(2)(a), as noted by Senftleben M.,<sup>84</sup> Such a legal presumption should not lead courts to overlook the fundamental requirement to examine evidence indicating that the disputed use could lead to confusion. Following the European Court of Justice (ECJ) case law, simply using a trademark registered to someone else by a third party does not inherently cause confusion among consumers. The Arsenal case presented to the ECJ serves as an example of such a situation.<sup>85</sup> In this instance, the accused party sold products identical to those protected under the plaintiff's trademark, using a mark that was the same as the plaintiff's registered one. Nonetheless, the defendant displayed a notice informing consumers that the products on offer were not officially endorsed, aiming to clarify that the origin of the goods should not confuse the buyers. Despite these efforts, the ECJ determined that such actions could still constitute a breach of Article 10(2)(a) if they potentially impair any functions associated with the registered trademark. Consequently, the ECJ's interpretation of the Trademark Directive safeguards registered trademarks against third-party uses that might still confuse, even if not for trademark purposes.<sup>86</sup>

Similarly, in the case mentioned, the ECJ found that such usage detracts from the primary objectives of a registered trademark. This is because it's likely to mislead future buyers, who may not fully grasp the defendant's disclaimer about the potential commercial link between the products and the trademark. During this decision, the ECJ first alluded to a functional interpretation of trademark protection, highlighting how trademark use can impact its recognized purposes. This indicates that the court would eventually determine that there are additional functions that merit protection. Furthermore, the European Court of Justice followed suit in the L'Oreal.<sup>87</sup> Decision by extending the protection of trademarks by assuming that article 10(2)(a) safeguards not only the trademark's fundamental purpose—which is to indicate to consumers the source of the goods or services in question—but also other purposes, particularly those related to communication, investment, advertising, and ensuring the quality of the goods or services in question.

Finally, the ECJ established that:

*“where the advert, while not suggesting the existence of an economic connection, is vague to such an extent on the origin indication of the goods or services at issue, that normally informed and reasonably attentive internet users are unable to determine, based on the advertising*

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<sup>84</sup> Senftleben M., 'Keyword Advertising in Europe - How the Internet Challenges Recent Expansion of EU Trademark Protection' (2011) Connecticut Journal of International Law, Volume 27, 42

<sup>85</sup> Case C-206/01 *Arsenal Football Club plc v. Matthew Reed* [2002] ECR I-10273

<sup>86</sup> Lionel Bently, Jennifer Davis, and Jane C. Ginsburg, *Trade Marks, and Brands: An Interdisciplinary Critique* (Cambridge University Press 2008) 82

<sup>87</sup> Case C-487/07 *L'Oreal SA v Bellure NV* [2009] ECR I-5185, para 58

*connection and the commercial message attached to it, whether the advertiser is a third party vis-a-vis the proprietor of the trade mark or, on the contrary, economically linked to that proprietor.”*

In *Interflora*,<sup>88</sup> The ECJ applied the precedent set in the *L'Oreal* case regarding the defendant, Marks & Spencer, which advertised its flower delivery services using the keyword “INTERFLORA,” which belonged to a competitor. The European Court of Justice determined that using the trademarked keyword “INTERFLORA” in the flower delivery service provided by the defendant is prone to confusion by implying a connection or association with *Interflora*’s commercial chain. The Court determined that “the advertisement in question does not provide sufficient information to ascertain whether M&S is a third party regarding the trademark owner or, conversely, whether it has an economic or commercial connection to that owner.”<sup>89</sup> As a result, it is hypothesized that the mark's initial purpose as a trademark would be negatively impacted.

To commence, it is common knowledge among internet users that when they enter a trademarked keyword, the website belonging to the trademark holder will be displayed in organic search results and sponsored links. In such situations, it is unlikely that a reasonably informed and vigilant Internet user would examine more than one of the results returned in response to a particular keyword, which would subsequently direct them to the websites of service providers financially affiliated with the trademark owner.

Hence, it is imperative to contemplate the potential for confusion among the average consumer regarding sponsored links, particularly when a trademark is not mentioned in the advertisement text or on the advertiser’s website. Trademark owners may encounter more significant challenges when addressing this matter, given that their products are distributed via varied distribution networks involving multiple authorized distributors. Additionally, it is plausible that a subset of website visitors who enter a trademarked keyword are solely interested in discovering rival websites of the trademark holder. In such cases, hyperlinks leading to such websites would not confuse this demographic of internet users.<sup>90</sup> This assumption may be deemed more persuasive about the claim that consumers invariably exhibit diminished interest in advertisements due to previous adverse encounters with them, specifically those that impede the consumer’s direct purchase of a product.

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<sup>88</sup> Case C-323/09 *Interflora Inc v Marks & Spencer plc* [2011] ECR I-08625

<sup>89</sup> *Ibid.*, para 49

<sup>90</sup> Ashley Tan, ‘Google AdWords: Trademark. Infringer or Trade Liberalizer?’ (2010) 16 Michigan Telecommunication Technology Law Review 473, 499

### 3.3. Assessing the Impact of Keyword Advertising on Trademark Protection

In light of this, the ECJ's decision in the INTERFLORA case may be deemed invalid, as it fails to account for the diverse ways different internet users perceive search engines. Another debatable aspect pertains to the absence of a reasonable test established by the ECJ, which could determine whether and to what extent internet users were confused. Establishing whether the goods or services referenced in the advertisement are authentic from the trademark owner, have a substantial economic connection to it, or originate from a third party is not entirely transparent regarding the burden of proof. This may potentially result in an overly low standard of evidence.

This would manifest in evidence and be contrasted with the problematic American doctrine of initial interest confusion. As a result, distracting an internet user could confuse; however, this is an impractical assumption considering the level of awareness exhibited by the average internet user.

In light of the ECJ's decision in the Interflora case, it is possible to conclude that intentionally stocking two competing products on the same shelf constitutes trademark infringement in the physical world today. Furthermore, it should be mentioned that when customers inquire about a specific shoe brand, a sales associate will direct them to a shelf containing shoes of alternative brands. Consequently, despite requesting a particular brand, the consumer would inevitably come across footwear from competitors. Conversely, the mere placement of these products next to one another on store shelves does not imply that the producers of said products are economically connected in the eyes of the average consumer.<sup>91</sup>

Therefore, there is no requirement to establish any potential confusion; the reasoning of the ECJ suggests that even a minor distraction of the user's focus undermines the function of the trademark's origin indication. Persisting with this judicial stance could negatively affect how web search engines operate. When internet users use a search engine to look up a trademarked keyword, they might find a broad selection of websites and pages linked to the trademarked item or service besides the trademark owner's site.<sup>92</sup>

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<sup>91</sup> Andrew Murray, *Information Technology Law: The Law and Society, Brand identities, Search Engines, And Secondary Markets* (3rd edn, Oxford Press 2016) 486-488

<sup>92</sup> Zweihorn Z., 'Searching for Confusion, The initial interest confusion doctrine and misapplication to search engine sponsored links' (2006) *Cornell Law Review*, Volume 91, Issue 6, 1367

When a consumer ends up on a competitor's website instead of the trademark owner's site, it's not necessarily because they needed clarification. Instead, it's because they chose to click on a search result that led them to the competitor's website. Moreover, ads and websites must avoid misusing the trademark, as this would cross the boundaries of fair trademark use.

Should a sponsored link inadvertently direct a user or consumer to a site they did not intend to visit, it's essential to make them aware of this mistake before they proceed further. This way, the consumer or user is informed that the site they are visiting might not be the one they initially sought. In such scenarios, the user or customer has the straightforward option to hit the "back" button, a method well-understood by all internet users, to return to their search results. This practice means that a competitor might gain increased traffic through keyword advertising, which could be seen as gaining an unfair edge. This point will be elaborated upon further. Consequently, the likelihood of users getting confused or adversely affecting the functionality of the web search engine is minimized, as rectifying a mistaken click is neither costly nor time-consuming. Additionally, links to competitor websites are unlikely to confuse users. When consumers and internet users conduct an online search, they anticipate seeing results on various websites from which they can decide whether or not to click.<sup>93</sup> Suppose a competitor's page and the associated sponsored link are in a space reserved exclusively for sponsored links. In that case, confusion should be avoided if they do not use a misleading format.<sup>94</sup>

Furthermore, users will likely perceive organic search results as more relevant than sponsored sections. A survey bolstered by eye-tracking research indicated that internet users and consumers typically examine organic search outcomes before focusing on the advertisements.<sup>95</sup> This research suggests that consumers and internet users are inclined to believe that the most pertinent results will appear at the top of the organic search listings, given that these websites have earned their high placement through their relevance without needing payment in the ranking system.

There are still opposing views to the Court's perspective that must be considered to fully understand the critical stance adopted by the ECJ. Supporters of this viewpoint contend that confusion will come from any presence at all of a third party's websites and links on a search engine result page. However, in comparison to the physical world, only to a certain extent. The

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<sup>93</sup> Charles McManis, David J. Friedman, *Intellectual Property and Unfair Competition in a Nutshell* (7th edn, West Academic 2012) 176-177

<sup>94</sup> Charles Gielen, 'On AdWords and metatags: trademark law implications in the Benelux and the rest of Europe' 374

<sup>95</sup> Winnie Hung, 'Limiting Initial Interest Confusion Claims in Keyword Advertising' (2012) *Berkeley Technology Law Journal*, Volume 27, Article 16, 667

fact that uncertainty can arise even at a subconscious level deserves no less consideration. Some academics claim that this is comparable to the kind of bewilderment that a consumer or internet user could have while using a search engine. Taking the argument a bit further, it could be stated that a consumer should have the option to compare products side by side directly, but only if they choose to do so when they enter their search terms. In light of this, it is argued that actionable injury resulting from the above uncertainty should be allowed regardless of the consumer's awareness during the search.

Given the concerns regarding the trademark's advertising function, any third-party usage preventing the right holder from using his mark to successfully educate consumers and win them over in a fair competition would hurt him.<sup>96</sup>

The so-called advertising function is violated when a third party consistently uses a registered trademark in a way that hurts and negatively impacts the mark holder's use of such mark regarding sales promotions and competition as well as a commercial strategy instrument.<sup>97</sup> Using a term identical to an already-existing trademark, particularly in the ad word service, does not impair the trademark's ability to advertise, as the European Court of Justice has previously echoed in its rulings. In line with the European Court of Justice's stance in favor of this critical viewpoint, the use in question does not deny the trademark owner the ability to use the exact property to inform and persuade consumers in a fair competition successfully.

The highest court decided that the simple fact that a mark holder paid more per click while employing sponsored links, even when his competitors paid less, did not violate the protected mark's advertising function. Despite selecting the same term for their advertisements, this still occurs.<sup>98</sup> The court provided the fundamental reasoning behind its ruling, which states that mark holders' websites will always appear first in the organic search results when users input their keywords, regardless of where their sites and links appear in the sponsored ranking.<sup>99</sup>

The following grounds raise doubts about the European Apex Court's position: First of all, it is possible for the owner of a trademark to not have a personal website. In this case, a third party

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<sup>96</sup> Joined Cases C-236/08 to C-238/08 *Google France SARL v Louis Vuitton Malletier SA* [2010] ECR I-02413, para 91

<sup>97</sup> *Ibid.*, para 92

<sup>98</sup> Case C-323/09 *Interflora Inc v Marks & Spencer plc* [2011] ECR I-08625, para 56

<sup>99</sup> Stefan Kulk, 'Search Engines Searching for Trouble? Comparing Search Engine Operator Responsibility for Competitive Keyword Advertising Under EU and US Trademark Law' (July 2011) 65

profits from their trademark expenses by using the mark for advertising and marketing. Abuses the mark's advertising role, from which the owner should receive the only advantage.<sup>100</sup>

Secondly, each party with the right to utilize these marks should consider how they should be arranged in the organic results' display ranking. A website being first in natural results may not be a natural occurrence. It is important to remember that this rating results from site developers' efforts in search engine optimization.<sup>101</sup> Trademarks with well-known reputations, whose names are sure to surface on multiple websites, are a typical example. For example, if you search for "Nike," you can see many websites. As a result, the right holder's position in the organic search results is impacted. This is because sports teams and retailers that may have paid more than Nike in the display ranking may also have the term Nike listed. Naturally, it costs money to have a recently registered mark appear among the top results in any search result (keep in mind that since keywords are typically descriptive terms, there is a good chance that these words are already on a website where they are mentioned and used).

Furthermore, if achieving a high ranking in an organic search result was a given for all trademark holders, why should any trademark owner employ the search engine's AdWords service? Attempting to respond to this query raises another concern about the role of trademark advertising. Trademark holders typically engage in trademark (Keyword) bidding during search engine auctions to prevent their rivals' trademarks from ranking higher than theirs, even in their unpaid query results.<sup>102</sup> If trademark owners take this action, they can be able to educate potential customers about their goods and services. Given these details, if competitors were the only ones prohibited from using the terms for their trademarks, many trademark right holders would prefer to select a different phrase during search engine bidding.<sup>103</sup> It is essential to evaluate whether the Apex court's strategy categorically rejects recognizing the influence of any indirect advertising on e-commerce.

The European Court of Justice stated that a trademark can only function as an investment asset when its owner employs it to establish or uphold a reputation capable of drawing in, influencing, and retaining customers.<sup>104</sup> This suggests that a trademark's advertising and investment roles are

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<sup>100</sup> Ardi Kolah, *Guru in a Bottle, Essential Law for Marketers* (2nd edn, Kogan Page Ltd 2013) 102

<sup>101</sup> Van Couvering E., 'New media? The Political Economy of Internet Search Engines (2004) The Communication Technology Policy section 2004 Conference of the International Association of Media & Communications Researchers, 18

<sup>102</sup> Aleasha J. Boling, 'Confusion, or Mere Diversion? Rosetta Stone v. Google's Impact on Expanding Initial Interest Confusion to Trademark Use in Search Engine Sponsored Ads' (2014) *Indiana Law Review*, Volume 47, No 1, 286

<sup>103</sup> Hugh C Hansen, 'Intellectual Property Law, and Policy' (2013) *Oxford & Portland*, Volume 12, 437

<sup>104</sup> Case C-323/09 *Interflora Inc v Marks & Spencer plc* [2011] ECR I-08625, para 60

closely linked. However, it's important to clarify that besides advertisements, other marketing tactics may also be employed alongside trademark use for investment purposes.

Indeed, suppose a trademark with legal protection already enjoys a strong reputation within its sector. In that case, its investment function will suffer if competitors utilize the mark in a manner that adversely affects its reputation.<sup>105</sup>

However, in this scenario, the Trademark Directive (TMD), which deals with dilution concerns, is relevant under Article 10(2)(c). As per the European Court of Justice's understanding, there is no adverse effect on the investment function if a competitor utilizes a registered mark in a manner consistent with its trademark function, supplementing the indication of origin, and if the sole outcome of such usage is to compel the trademark owner to continually adjust their efforts to establish and maintain a reputation that can attract and retain consumers.<sup>106</sup>

Hence, if consumers opt for alternative products instead of those of the trademark holder because competitors utilize the trademark, the investment function of the trademark stays unaltered. The delineation of both functions is complicated by the conflict between the abovementioned concept and the trademark's advertising role. According to the ECJ, competitors' use of a registered brand in advertisements like AdWords services should not be restricted because there is no need to enhance advertising or fear of losing business.

There are various considerations regarding using protected trademarks and keywords. The European Union (EU) Trademark Laws adopted the Anti-Dilution principle in Art. 10 (2) (c) of the Trademark Directive. Without prejudice to the rights of proprietors acquired before the filing date or the priority date of the registered trademark, the proprietor of that registered trademark shall be entitled to prevent all third parties not having his consent from using in the course of trade, about goods or services, any sign where (c)the sign is identical with or similar to, the trademark irrespective of whether it is used about goods or services which are identical with, similar to, or not similar to, those for which the trademark is registered, where the latter has a reputation in the Member State and where the use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the reputation of the trade mark.<sup>107</sup> Customers and

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<sup>105</sup> *Ibid.*, para 63

<sup>106</sup> *Ibid.*, para 64

<sup>107</sup> Directive (EU) 2015/2436 of the European Parliament and the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks, [2015] Official Journal of the European Union, L 336/11, Sec. 3, Art. 10, para 2 <<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015L2436&from=LV>> accessed 30 March 2024

potential customers develop a psychological and subjective association with one of the marks, thereby diminishing the persuasive power of the original mark. The mentioned provision prohibits the unjustified use of any senior mark in a manner that could cause harm or enable unjust benefit.

The General Court in the *Intel v. CPM* case provided two interpretations of harm to a trademark's distinctiveness, character, and reputation.<sup>108</sup> (1) Blurring refers to the special connection between goods or services and the owner of a protected trademark, which harms the trademark's distinctiveness. In the *Interflora* case, the Advocate General further explained it as the utilization of a sign that resembles a well-known trademark in a manner that diminishes the trademark's capacity to differentiate between goods and services. After the blurring process, the trademark loses its ability to lead consumers to associate it with a business relationship between a particular commercial source of goods or services.<sup>109</sup> Therefore, the ability of a sign to act as a trademark—that is, the trademark's ability to be identified or distinguished—is at risk.”<sup>110</sup> (2) Tarnishment occurs when a product or service becomes associated with a negative meaning or adversely affects the image of a trademark. In the *Google France* case, the European Court of Justice clarified that instances involving the exploitation of a trademark's reputation, resulting in a distortion of its image or the characteristics it imparts to the identified product or service by a similar or identical sign, are encompassed within the concept of unfairly leveraging the distinctive character of a protected trademark, commonly referred to as free riding.<sup>111</sup>

Moreover, the court has inferred that:

*As regards the concept of 'taking unfair advantage of the distinctive character or the repute of the trademark,' 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, because of a transfer of the image of the mark or of the characteristics it projects to the goods identified by the identical or similar sign, there is apparent exploitation on the coat-tails of the mark with a reputation.*

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<sup>108</sup> Case C-252/07 *Intel Corporation Inc v CPM United Kingdom Ltd* [2008] ECR I-8823

<sup>109</sup> Case C-323/09 *Interflora Inc v Marks & Spencer plc* [2011] ECR I-08625, Opinion of Advocate General Jaaskinen, para 63

<sup>110</sup> *Ibid.*, para 80

<sup>111</sup> Case C-487/07 *L'Oréal SA v Bellure NV* [2009] ECR I-5185, para 41

*It follows that an advantage taken by a third party of the distinctive character or the reputation of the mark may be unfair, even if the use of the identical or similar sign is not detrimental either to the unique character or to the reputation of the mark or, more generally, to its proprietor.*<sup>112</sup>

Therefore, even in cases where there is no hardship or harm to the well-known mark, any advantage obtained by a third party through the use of a protected mark with a good reputation is always unfair.<sup>113</sup> Legal experts and academics, however, disagreed with the court's position, reasoning that establishing such lax standards for unfair advantage and free-riding would open a loophole that would make it hard to prove harm.<sup>114</sup> Critics argue that more proof is needed to demonstrate how free riding occurs and illustrate how legal resolutions enhance efficiency by considering transaction costs, misinformation, and other elements. Conversely, it's suggested that protecting a basic level of recognition, rather than allowing free riding, could justify compensating and rewarding someone who has invested effort and resources into creating and upkeeping a beautiful garden, especially when neighboring homeowners also gain from their properties being on a well-maintained street.<sup>115</sup>

Consequently, despite the well-known trademark's distinctiveness or reputation not being damaged, the defendant was barred from selling their products as alternatives to those of the trademark holder by accurately presenting them as comparable to the well-known trademark. It's important to note that the defendant's products were considered equivalent, not identical, to those of the famous trademark, which was used merely for comparison purposes. This resulted in the market and consumers being less informed about the defendant's product capabilities than they could have been.

The European Court of Justice's decision in the *Interflora* case exemplifies this controversial approach to trademark law. The Supreme Court argued that when many consumers search using the trademark and encounter a competitor's advertisement, they might be swayed to buy the competitor's products or services instead, jeopardizing the mark owner's investment in attracting customers.<sup>116</sup> This argument extends the discussions from the *L'Oreal* case, widening the notion of unfairly benefiting from a registered trademark's allure. It applies to cases where selecting a

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<sup>112</sup> *Ibid.*, para 41, 43

<sup>113</sup> Blythe Alice, 'Attempting to Define Unfair Advantage: An Evaluation of the Current Law in Light of the Recent European Decisions' (2012) Volume 34, No. 11, *European Intellectual Property Review* 759

<sup>114</sup> Senftleben M., 'Keyword Advertising in Europe - How the Internet Challenges Recent EU Trademark Protection Expansion' (2011) *Connecticut Journal of International Law*, 54

<sup>115</sup> Burrell, Robert, Gangjee D., 'Trademarks and freedom of expression - a call for caution' (2010) *International Review of Intellectual Property and Competition Law*, 41 (5), 544-569

<sup>116</sup> Case C-323/09 *Interflora Inc v Marks & Spencer plc* [2011] ECR I-08625

keyword similar or identical to a well-known trademark is the most strategic method for search engine optimization on platforms like Google. Consequently, even if the resulting advertisement doesn't explicitly use the word, mark, or logo, it remains prohibited to descriptively use famous trademarks to suggest a comparison between the defendant's products and those associated with the well-known trademark.<sup>117</sup>

The advertiser in the Interflora case benefits from using the Interflora trademark as a keyword. Marks & Spencer chose the phrase "Interflora" and made several other selections to draw customers away from their rival products. When selecting keywords, advertisers should consider the market recognition of the trademark, the Interflora brand's popularity, and customers' ability to associate it with a specific type of service—while keeping in mind that many customers associate those services exclusively with Interflora INC. For this reason, it's worthwhile to consider if the marketer's benefit from the campaign mentioned above requires regular certification as an unfair gain.

As a result, examining how prospective clients approach the phrase Interflora in terms of expertise is crucial. The first relates to how people associate a particular corporate corporation with the trademark term. These individuals type the word "Interflora" into a browser to find the website of the Interflora trademark owner. It is unlikely that a portion of potential customers who stumble upon the Marks & Spencer website will choose to use it for their purchase because they are committed to using the Interflora website and are not looking for any other options.<sup>118</sup> These customers are not probable Marks & Spencer customers; their only goal in using the search engine is to access Interflora's website.

Customers who choose a term that they most associate with flower sales firms as their keyword are included in the second group; however, they are not obligated to use a specific website or service that the keyword as a company offers. Although customers will probably be interested in rival offers, they search for this kind of service online for comparison using the trademarked keyword.<sup>119</sup>

Allowing competitors to suggest an alternative to the products offered by the most influential companies in the market is the ideal strategy for safeguarding competing viewpoints. In light of

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<sup>117</sup> Elisa Moro, 'Protection of reputed trademarks and keywords - looking for Ariadne's thread among flowers, perfumes, and bags' (2013) Volume 2, UCL Journal of Law and Jurisprudence 64-86

<sup>118</sup> *Ibid.*, 64-86

<sup>119</sup> Blythe Alice, 'Attempting to Define Unfair Advantage: An Evaluation of the Current Law in Light of the Recent European Decisions' (2012) Volume 34, No. 11, European Intellectual Property Review 759

the Interflora case, it was contended that the trademark's use with the defendant's assistance was to help clients recall the particular method by which Interflora operates in the UK as a florist network. To that end, advertisers use how their products are organized instead of leveraging the trademark's popularity. As a result, Interflora's use in this instance may be viewed as nothing more than the legitimate use of a trademark to market and provide the general public with services that are elegantly described.

Suppose the term "Interflora" refers to a florist network's operational strategy, and the trademark holder is so well-known in the market that the average user is unaware of other companies offering comparable services. In that case, it should be presumed that a variety of internet users are solely searching for service providers of this kind when they type the term "Interflora" into the website of the online search engine provider.

Considering the logic mentioned above, the ECJ should be aware of the lack of abstract identifiers for terms sometimes used by paid search engines. Because internet search engine algorithms address predictions regardless of meaning in any language and without considering context, this keyword has no significance in the reference structure utilized in advertising discourse.

As a result, the advertiser's genuine word is only prominent in the online user's mind.<sup>120</sup> It is inappropriate to exclude a locus where a user types the word Interflora into an online application, such as accepting a job offer. In this context, "Interflora" refers to a delegated Job hirer rather than a trademark or descriptor of the enterprise technique. When one realizes that some of these Protected Marks are just ordinary terms or that there are instances in which a word combination has been certified or widely used in a particular industry, this problem becomes much more troublesome. These protected marks have an associated unique quality there, indicating that they will simultaneously convey several meanings.<sup>121</sup> Moreover, the possibility of obtaining trademark certification for a diverse array of products and services across numerous legal systems could introduce additional complexities. When a customer inquires about a product named Bounty, it seems unlikely that any salesperson would encounter the dilemma of whether the customer is referring to paper towels or coconut-flavored chocolate bars.<sup>122</sup> Despite both products being

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<sup>120</sup> *Ibid.*, 760

<sup>121</sup> Wolfgang Sakulin, 'Trademark protection and freedom of expression: an inquiry into the conflict between trademark rights and freedom of expression under European, German, and Dutch law,' (Ph.D. thesis, University of Amsterdam 2010) 79 < <http://dare.uva.nl/document/2/75293> > accessed 30 March 2024

<sup>122</sup> Blythe Alice, 'Attempting to Define Unfair Advantage: An Evaluation of the Current Law in Light of the Recent European Decisions' (2012) Volume 34, No. 11, European Intellectual Property Review 761

protected under the same trademarked word, consumers rarely make abstract associations with trademarks. When they do, the context often makes the type of product clear. However, online search engines need this contextual understanding, which may restrict and hinder the process of organizing keywords for services like Google AdWords. It is increasingly important to highlight that a trademark's distinctiveness could suffer due to the connection between its use and the context in which it appears.<sup>123</sup>

The ECJ determined that third-party use of a potential trademark in keyword advertising harms the trademark's distinctive qualities if it contributes to transforming it into a common term. Using a term or mark resembling a well-known trademark in advertising materials is acceptable, provided there is no suggestion that these are substitutes for the original trademark owner's products or services. Moreover, the advertising content must not merely replicate the trademark owner's offerings and must avoid diluting, tarnishing, or adversely affecting the trademark's roles.

This rationale by the Court endorses the 'due cause' defense, indicating that employing a logo and name as search keywords might be allowed. Descriptive uses are defined as utilizing a trademark to inform or explain a specific service category to the public. Although, in rare situations, descriptive use could lead any trademarked word or phrase to become generic, it's believed there's a clear line between a trademark being used descriptively and becoming generic.<sup>124</sup> The trademark owner should be able to protect their trademark from becoming generic due to different marketing strategies. This protection could protect the delicate equilibrium between ensuring fair and open competition and safeguarding trademark rights. This principle is illustrated by how, through advertising, owners of potential trademarks are often used as reference points for the types of goods or services they provide, aiding them in building a recognized brand.<sup>125</sup> The shoppers only recognize the brands they are most familiar with, and eventually, they will even link the goods to the entire category of related goods or services.

A well-known trademark can become a generic term irrespective of competitors' strategies. When a keyword advertising campaign is initiated, such a trademark must already be a benchmark for a particular type of goods or services. Otherwise, competitor bids on these trademarked terms would be futile. Moreover, it seems unnecessary to indicate that the advertised goods or services

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<sup>123</sup> Rebecca Tushnet, 'Gone in Sixty Milliseconds: Trademark Law and Cognitive Science' (2008) Georgetown University Law Center 507

<sup>124</sup> William A. Finkelstein, James R. Sims III, *The Intellectual Property Handbook: A Practical Guide for Franchise* (Business and IP counsel, ABA 2005, Chapter 2) 50

<sup>125</sup> Deborah E. Bouchoux, *Intellectual Property: The Law of Trademarks, Copyrights, Patents, and Trade Secrets* (5th edn, Cengage Learning 2017) 28

are distinct from those of the trademark owner, as it's unlikely that a customer would be confused about the origin of goods upon clicking a keyword-triggered link. If there's no consumer confusion, no unfair advantage is taken. Interestingly, advertisements should imply that the promoted goods or services are comparable to those of the trademark owner, especially since ads are typically concise. It raises the question of why, if it's entirely legal to sell such goods, the owner of a lesser-known mark is barred from using a well-known mark to inform consumers about their products. Employing such associative tactics almost allows for the legitimate sale of popular product replicas.

In academic discussions, the most significant dilution of a trademark's strength happens when it becomes a generic term, thus making the owners of highly recognized brands victims of their success. Nonetheless, it's vital to acknowledge that using someone else's trademark specifically is essential for sustaining competition and informing consumers about alternatives prominent companies offer. Although advising consumers to use descriptive terms to find a range of competitor products is crucial, some products have become nearly synonymous with their categories. Changing consumer search habits to more neutral terms can be challenging. Assuming that recalling a category-specific general term will aid a customer's search is optimistic. It's beneficial for consumers who are uncertain about which products or services to choose; as long as they keep several relevant brands in consideration, they will likely make a choice.<sup>126</sup> In extreme situations, such as with the Jeep trademark mentioned earlier, consumers might not even realize that a name is a trademark and not a generic term. It could also be unrealistic to expect the average consumer to recognize the specific use of the Jeep trademark to describe its products. Furthermore, trademarks registered as word signs and made up of familiar language can blend in too well since they're often derived from existing words, despite the rule against registering descriptive or non-distinctive marks. This could lead to logos becoming overly dominant, which might not be ideal.

On the other hand, sometimes, a trademark's evolution into a descriptive term while retaining its whole meaning might benefit the trademark owner. This is because consumers might associate a particular brand with high-quality products. A significant part of the reason trademark owners invest in advertising is to cultivate this brand perception. The Mercedes trademark is a prime example, especially in the European Union, where it is synonymous with high-end quality in the automotive sector. This association is mainly due to Mercedes' long-standing reputation and

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<sup>126</sup> Klerman Daniel, 'Trademark Dilution, Search Costs, and Naked Licensing' (2006) Fordham Law Review, Volume 74, Issue 4, Article 7, 1765

marketing efforts. However, it's crucial for the trademark owner that this shift maintains the brand's positive connotation and its identity as an indicator of origin. Consequently, if this approach is used below the direction of the trademark manager of affairs, it may also be entirely beneficial.

# CHAPTER IV. THE DYNAMICS OF ONLINE KEYWORD ADVERTISING

## 4.1. Keyword Advertising and Its Impact on Trademark Law

This chapter addresses the problems of online advertisement and elaborates on the keyword advertisement issue. Keyword advertising is a complex problem that might cause trademark infringement and other intellectual property problems. We will explore the different types of keyword advertising on the net, check out keyword search protocols used by many search engines, and discuss how this can confuse consumers. Additionally, we will discuss how search engine advertising is measured.

It is well-known that search engines yield two types of search results upon entering a query. ‘Organic’ results—such listings based on a complex algorithm of entered keywords or phrases often found relevant by the search engine—will predominantly cover the search page. The algorithm then considers the frequency of site visits and the number of external sites linking back to the content, all to enhance the likelihood that a website will appear high in organic search results.<sup>127</sup> This mimics, in a way, users' natural web-surfing tendencies, while search engines adjust these listings in relevance through the help of web crawlers. It is also essential to understand that search engines protect their algorithm formula extensively from marketers who might manipulate it.

Search engines also show paid search results on top of organic listings. They usually are the ads appearing next to organic results, and there has been much litigation against search engines worldwide for paid results and how they might be misleading customers by having a similar layout to unbiased search results and mixing in paid ads.

This thesis demonstrates that keyword advertising within the digital platform has nuances and points out that search engines are walking on a tightrope in providing valuable organic search results versus earning revenues from paid advertisements. We further consider the effect of such advertising practices on trademark law and, even more, on the interest in protecting the consumer from confusion, highlighting the importance of the distinction between paid and organic results.

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<sup>127</sup> Ashley Tan, ‘Google AdWords: Trademark. Infringer or Trade Liberalizer?’ (2010) 16 Michigan Telecommunication Technology Law Review 473, 477

## 4.2. Google

Google ranks as the leading global search engine, favored by 80% of internet users worldwide. It stands out as an exceedingly effective advertising platform, drawing a vast audience to its search services. The term “Google” is derived from “googol,” which reflects Google’s ambition to structure the vast, almost boundless volume of data accessible on the internet.<sup>128</sup>

Founded in 1998, Google rapidly expanded into a major corporation within a decade, mainly through word-of-mouth. It has become so ubiquitous that “to Google, someone or something” is widely used to describe searching online for information on a person or topic. Google's mission, as envisioned by Page and Brin, was to organize the world's information and make it universally accessible. Google prides itself on providing services that are free, user-friendly, and capable of delivering pertinent search results in fractions of a second. The founders also emphasized transparency in their advertising model, ensuring users can distinguish between paid advertisements and organic search results.

### 4.2.1. Google Ad words

With millions of daily visits, these search engine sites offered vast potential for advertising opportunities. Pay-per-click (PPC) advertising was later acquired by Yahoo in 2003. Initially, PPC search engines attracted little interest due to the presence of ads, but they gained popularity in the late 2000s after Google launched its AdWords service. Google AdWords provides a platform for advertisers to reach potential customers through Google Inc. This platform enables advertisers to compete and display concise ads to web users. These ads are associated with the content of a page promoted on the Google search engine, chosen based on predefined keywords by the advertisers. To ensure easy navigation for users to affiliate sites, these pages are optimized to allow Google to pick and showcase their ads. When a user clicks on an ad to seek more information about the

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<sup>128</sup> Google’s official website, Company overview, <<https://about.google/>> accessed 30 March 2024

advertised content, the advertiser is charged. Furthermore, affiliate sites earn a share of the revenue generated from these advertisements.

The widespread adoption of internet searches and online shopping has significantly impacted commerce and changed consumer buying behavior. As of 2023, there are over 5.3 billion internet users worldwide, constituting around 68% of the world's population. This statistic underscores search engines' eagerness to promote their advertising services.<sup>129</sup>

AdWords is the advertising program offered by Google that triggers ads based on specific keywords. Essentially, it's Google's mechanism for online advertising, allowing advertisers to attract potential customers to their websites. Through AdWords, advertisers can leverage the vast number of daily Google searches. They can set up advertisements for their businesses to show above or beside Google's search outcomes, selecting keywords related to their products or services. When these keywords or related terms are searched for on Google, AdWords displays their ads, effectively using keywords not only in their website's meta tags but also in their Google ads. Google's algorithm detects these keywords during searches, allowing advertisers to display their ads alongside search results for targeted keywords, almost as if they have purchased the visibility for their ads about specific search queries.<sup>130</sup>

When a search is conducted on Google, advertisements labeled as "Ad" or "Sponsored" are prominently displayed in bold green, either above or sometimes next to the organic search results. As an example of this output for a search on "Asian dating site." In using Google AdWords, advertisers are given various format options for their ads. These ads usually include compelling and descriptive text accompanied by a hyperlink to the advertiser's webpage or website and the URL. The positioning of these sponsored links depends on several factors:

1. The choice of keywords by the advertisers;
2. How much the advertiser is prepared to spend for each click on the link that leads to their website during a search;
3. The number of times an ad is viewed over a certain period.

Google presents the most related results for each query. However, AdWords ensures that a business gains visibility even if it doesn't rank at the top of search results. AdWords facilitates the

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<sup>129</sup> Miniwatts Marketing Group, World Internet Users and 2023 Population Stats, <<http://www.internetworldstats.com/stats.htm>> accessed 30 March 2024

<sup>130</sup> Aleasha J. Boling, 'Confusion, or Mere Diversion? Rosetta Stone v. Google's Impact on Expanding Initial Interest Confusion to Trademark Use in Search Engine Sponsored Ads' (2014) *Indiana Law Review*, Volume 47, No 1, 282

appearance of ads on Google, potentially in front of numerous prospective customers who might visit the advertiser's website.

In straightforward language, Google AdWords effectively adjusts search outcomes to favor an advertiser's website above other listings. Advertisers buy keywords to link their website and AdWords ads with those specific terms.<sup>131</sup> Google monetizes advertisements by targeting keywords entered by users. When an advertiser buys a specific keyword from Google, they incur a cost each time their ad is clicked by someone searching for that keyword. Essentially, AdWords allows advertisers to acquire keywords pertinent to their business. When users query those keywords, these purchased keywords trigger the display of the advertiser's link as a "sponsored link" on Google, typically positioned to the right or above the organic search outcomes.<sup>132</sup>

For example, searching for mobile phones might result in a Nokia ad appearing in the sponsored link section of the search results page. To start, one must first set up an AdWords account, which involves paying a non-refundable activation fee before being able to create ads and choose keywords without additional cost. On Google, there are two main payment methods for an ad:

1. Pay-per-click: charges are incurred each time the ad is clicked.
2. Pay-per-thousand impressions: charges are applied each time the ad is viewed.

The account owner must set a maximum budget for these charges, which Google then uses to determine the ad's placement in the search results. The ad's position is decided based on its rank, with advertisers bidding for keywords, meaning the financial commitment of the account holder influences the ad's visibility.

AdWords' advantage for advertisers stems from Google's practice of allowing ads linked by keywords to supersede the usual ranking system for organic links. This gives sponsored links a more prominent position in search results, either beside or above organic results, potentially leading users to believe these ads are the most pertinent findings without a clear distinction between sponsored and organic links.

Scholars argue that in current trademark law, trademark owners' responsibility to safeguard their rights starts with registering the trademarks. The owner must vigilantly monitor the market,

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<sup>131</sup> Lazaros G. Grigoriadis, 'Comparing the Trademark Protections in Comparative and Keyword Advertising in the United States and European Union' (2014) *California Western International Law Journal*, Volume 44, No. 2, 149

<sup>132</sup> Stephanie Yu Lim, 'Can Google be Liable for Trademark Infringement? A Look at the "Trademark Use" Requirement as Applied to Google AdWords' (2007) 14(2) *UCLA Entertainment Law Review* 266

and indeed globally, for any infringements. While the internet has introduced new challenges in monitoring trademark infringements, the principles of the law remain unchanged.<sup>133</sup> This approach has led to considerable trademark issues because companies can buy generic keywords and their competitors' trademarks.

This situation has sparked extensive debate among academics, mainly as companies like Apple and Samsung utilize Google AdWords to bid on keywords, including trademarks, to generate relevant ads.<sup>134</sup> Until now, there hasn't been a consistent approach to determining the presence of trademark infringement in such scenarios. While courts in the U.S. and abroad have implemented various forms of the likelihood of confusion tests in these situations, none of the rulings effectively safeguard the interests at risk when trademarks are marketed as keywords online. The primary concern is not necessarily consumer confusion between products but rather the harm to the goodwill and value of a trademark when it is bought by another advertiser seeking to boost their brand's recognition.<sup>135</sup>

The inherently nebulous nature of the Internet, combined with the abstract concept of intellectual property rights,<sup>136</sup> Including trademarks makes Internet-based trademark infringement a particularly intricate and challenging legal issue. The difficulty often lies in meeting the criteria required for a successful trademark infringement claim, especially in cases involving third-party infringements where Online Service Providers (OSPs) are implicated in the actions of their users who infringe on trademarks.

The ability to leverage search engines to advertise products and services without incurring traditional advertising expenses has led trademark owners to voice concerns and initiate legal disputes over unfair competition and trademark infringement. While search engine operators maintain that keyword advertising is lawful and does not violate trademark owners' rights, trademark owners strongly disagree with these claims and the practice itself.<sup>137</sup>

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<sup>133</sup> Glen Emerson Morris, *Protecting Your Trademark on the Internet* (Advert. & Mktg. Rev. Nov. 2001) 3

<sup>134</sup> Richard J. Pinto et al., 'Recent Developments in Trademark and Copyright Law, in *Understanding Trademark Law and Copyright Developments For Online Content* 37' (2010) 39-40

<sup>135</sup> Fallon R. Scholl, 'Abandoning consumer confusion in keyword advertising Trademark infringement cases: proposal for a modified dilution analysis' (2013) 7 *Intell. Prop. L. Bull.*, 47

<sup>136</sup> Yee Fen Lim, *Cyber Space Law* (2nd edn, Oxford University Press 2007) 3

<sup>137</sup> Bartholomew Mark, 'Making a Mark in the Internet Economy: A Trademark Analysis of Search Engine Advertising' (2005) *Oklahoma Law Review* 364

In a time where businesses are broadening their trademark safeguards to include jingles, fragrances, and forms, it's impermissible for anyone to freely employ or inadvertently misuse any trademark in a way that deceives consumers.<sup>138</sup>

Keyword advertising is a legal and advantageous program that provides consumers with numerous choices when searching online for products or services. Yet, this advertising method is contentious because search engine operators permit advertisers to engage in the inequitable tactic of utilizing protected trademarks as keywords, thereby linking search outcomes to the advertisers' websites, even when there is no association between those websites and the trademarked goods or services.<sup>139</sup> Advertisers see significant advantages in this practice and capitalize on it extensively, while trademark owners voice concerns over unfair competition and violations. However, search engine proprietors tend to overlook allegations of trademark infringement due to the substantial revenue generated from keyword advertising.

### **4.3. Bing**

Bing Ads (formerly MSN AdCenter, or Microsoft AdCenter) operates as one of the extensive online advertising services on the Bing and Yahoo! search engines, using pay-per-click (PPC) advertising. By the end of June 2015, Bing had captured about one-third of the United States' online advertising market, making it a strong competitor to Google in internet advertising. Its market share for advertisements in the United States was 33%.<sup>140</sup>

MSN Ad Center, a system developed by Microsoft in response to the expansion of search marketing, facilitated the direct sale of pay-per-click (PPC) advertisements to advertisers.

The Yahoo-MSN partnership was rebranded in September of 2012, with the Search Alliance being branded as the Yahoo! Bing Network, and with that, Bing Ads consolidated as the unified advertising platform for the two search engines. This partnership leveraged Media Net to power both Yahoo! and MSN, streamlining their advertising operations.

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<sup>138</sup> Lindemann Jan, *The Economy of Brand* (Palgrave Macmillan Publication 2010, United Kingdom) 17

<sup>139</sup> Aitken Benjamin, 'Keyword-Linked Advertising Trademark Infringement and Google's Contributory Liability' (2005) *Duke Law & Technology Review*, No 21, 3

<sup>140</sup> Eli M. Noam, 'The International Media Concentration Collaboration, Who Owns the World's Media? Media Concentration and Ownership Around the World' (2016) Oxford University Press 550

In April 2015, adjustments were made to the Yahoo! Bing partnership, and Yahoo! Search started presenting search results from Bing across most of its desktop traffic. This, therefore, required bringing changes to the mobile search experience at Yahoo! so that it became more in line with the search functionality of Bing and more profound with their internal operations. The evolution of Bing Ads shows that the company is very much in step with the rapidly changing online advertising sector. Fostering a collaborative partnership with Yahoo! made Bing remain an impactor and strengthened its seat as a force to be reckoned with in internet advertising. Challenging search engine giants' dominion, it gave advertisers a great forum to reach customers via strong PPC campaigns.

Bing Ads uses criteria similar to Google AdWords to decide how often an ad is shown. It factors in the highest amount an advertiser is willing to pay per click and the ad's click-through rate. This approach encourages advertisers to craft compelling ads and target their placements to relevant search queries.

However, Bing Ads offers additional tools for advertisers to fine-tune their campaigns by targeting ads to particular demographic segments. This feature allows them to increase bids when someone from their chosen demographic views their ad.

No paid advertisements were displayed in the search results, as evidenced by the fact that ads aren't shown on the Bing network. This is due to its partnership with AOL, which enables most of Bing's ads to be displayed within AOL's search results and a portion on Yahoo.

Microsoft continues to showcase display ads, including those with graphics, videos, and mobile formats, across its wide range of platforms such as MSN, Outlook, Xbox, and Skype. However, these ads are no longer sold directly by Microsoft. Instead, AOL handles ad sales for Microsoft's top nine markets globally, including countries like Japan, the United States, France, Germany, the UK, Canada, and Brazil. Furthermore, AppNexus is set to programmatically manage display inventory distribution in several countries, including Belgium, Norway, Finland, Switzerland, the Netherlands, Ireland, Denmark, Austria, Sweden, and Portugal.

### 4.3.1. Paid versus Organic Results on Bing

Bing provides many functionalities that improve user interaction. The screen background is complete, beautiful, and dynamic, and Bing changes the background daily. Besides this, Bing offers more search results on a longer list of results per page, therefore enabling the user to search more efficiently. It also runs a rewards program through which users are awarded points for searches and interaction with ads, later redeemable in return for gift cards. This added incentive to reward users for their day-to-day activities on Bing aligns with the industry's best practices of incentivizing one's way to success. Furthermore, Bing allows users to customize their search experiences, including adjusting the search results and specifying the type of content they wish to see, all tailored to any preferred geographical location for the search outcomes.<sup>141</sup>

Bing provides a highly personalized search experience. First, the user can create searches that will pull up only that kind of content. Second, it enables them to focus the searches on specified geographical areas, ensuring the results are very particular. This shows that Bing's power becomes even more profound when integrated within the larger Microsoft ecosystem towards a consistently great search experience across devices and platforms.

Bing looks forward to introducing an alternative that delivers a different set of benefits and rewards for its users. By focusing on user-centric innovations, Bing will offer a search engine that is more empowered in terms of both looks and functionality.

## CONCLUSION

First of all, it should be mentioned that the ECJ implements the theory of an element of a trademark in a contradicting manner.<sup>142</sup> The current method of indicating origin needs to be reevaluated as it overlooks how trademarks are used in online search engines such as Google AdWords, thereby neglecting internet users' level of awareness and potential confusion. Understanding whether online consumers can readily identify advertisers connected to or within the trademark owner's network is essential to determine if there's an unjust advantage or detriment.

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<sup>141</sup> Bruce Clay, *Search Engine Optimization All-in-One For Dummies* (3rd edn, For Dummies, 2015) 29

<sup>142</sup> Joined Cases C-236/08 to C-238/08 *Google France SARL v Louis Vuitton Malletier SA* [2010] ECR I-02413

Therefore, the approach to trademark usage in a digital context should be more aligned with online consumer behavior. Consequently, this suggests that competitors of trademark owners should be granted more leeway in conducting their online advertising efforts. However, the ECJ fails to recognize the negative impact that keyword promotions have on the trademark's advertising and venture components.<sup>143</sup>

Additionally, the extent of protection offered to renowned brands within the EU legal system seems excessively wide-ranging. The complete prohibition of trademark use on the internet due to the fear of competitors falsely claiming that well-established trademarks possess a unique quality, coupled with unclear rules on assessing consumer confusion, can lead to a situation where holders of highly recognized trademarks monopolize common internet language. It is important to note that some phrases, while trademarked and famous, are not magical or comprised of unique terms; thus, imposing restrictions on using these words as keywords would, in most cases, harm consumers.

Furthermore, the ECJ's judgment that any benefit gained from utilizing a competitor's trademark inherently constitutes an unfair advantage overlooks the importance of search engines. If online consumers do not perceive the use of a trademark in competitor advertising as misleading or part of the trademark owner's network, such usage might not be considered problematic. Therefore, enforcing trademark law without limitations could counterproductively impair the internet's functionality for all parties involved.<sup>144</sup> Allowing business owners complete control over the use of their trademarks could threaten the Internet's core purpose of enabling free information flow. It could also decrease search engines' ability to process commercial information effectively.

Striking an equilibrium between consumers' right to information and trademark owners' interests under existing legislation presents challenges, as evidenced by the rulings of the ECJ. The prior analysis suggests adopting a paid search mechanism enabling the purchase of competitors' trademarks as keywords by other companies, provided it results in significant income for the trademark proprietors. This approach would create a framework for employing a competitor's trademark within sponsored search terms.<sup>145</sup>

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<sup>143</sup> C-324/09 *L'Oreal SA and Others v eBay International AG and Others* [2011] ECR I-6011

<sup>144</sup> Goldman Eric, 'Deregulating Relevancy in Internet trademark law' (2005) 54 *Emory L.J.*, 563, <<http://digitalcommons.law.scu.edu/cgi/viewcontent.cgi?article=1120&context=facpubs>> accessed 30 March 2024

<sup>145</sup> Pimentel Katie, 'Trademark Use as Keywords: A Comparative Look at Trademark Use as Keywords in Paid Search and Digital Public Performance Rights for Sound Recordings' (2009) 9J. *MARSHALL REV. INTELL. PROP.L.*, 553 <<http://repository.jmls.edu/cgi/viewcontent.cgi?article=1211&context=ripl>> accessed 30 March 2024

As a result, the authorizing model mandates that credit remittance structures use a rival's trademark as keywords in paid inquiry services, subject to the trademark holder's consent. Establishing organizations that supervise the licensing between trademark owners and licensees can be necessary to show the licenses.<sup>146</sup> The second aspect that needs to be considered is whether the trademark owner can choose the rate structure imposed on trademark usage. The structure of credit eminences might resemble how online search providers make money through catchphrase advertising. As a result, the sovereignties model could be set up as follows:

1. Percentage of the trademarked catchphrase's click-through rate;
2. A fixed fee for each click;
3. The fixed cost per thousand impressions;
4. Cover permit.

Due to the patented catchphrase's cost-per-click structure, the trademark owner would only get paid once a user hits the supported connection, activating the trademarked catchphrase. This model would mirror the trademark proprietor's cost for a registered slogan. As a result, the fee paid by the trademark owner would vary alongside the cost associated with a trademarked keyword.<sup>147</sup> Under the fixed cost-per-click model, advertisers would be charged a predetermined rate each time an internet user clicks on their ad. This kind of credit eminence structure provides trademark owners with a consistent flow of royalties because it disregards the cost of the keyword.

If a trademarked catchphrase is written into the web program, the sponsor would be charged a set amount each time the promotion is generated under the flat expense per impressions structure. Under this agreement, the trademark owner is entitled to compensation whenever a consumer searches for a particular keyword and encounters the trademark owner's sponsored link, even if the consumer navigates to a different website. Therefore, each instance where a trademark owner employs their trademark as a keyword to trigger ad displays will result in reimbursement.<sup>148</sup>

The blanket permission, constituting the other part of the proposed royalty framework, would offer an annual license to employ a trademark in keyword advertising and promotions. Such a model would be apt for smaller businesses that might need to realize their trademark is being

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<sup>146</sup> *Ibid.*, 577

<sup>147</sup> *Ibid.*, 554

<sup>148</sup> *Ibid.*, 556

utilized as a keyword. The royalty structure can be tailored in various ways to suit the needs of different trademark owners.

Another point to consider is whether trademarks in keyword advertising should be regarded as akin to comparative advertising. As per Article 2(c) of the DMCA, comparative advertising is “*any publicizing which expressly or by suggestion recognizes a competing brand or merchandise or administrations offered by a competitor.*” Given the recent ruling in the Belgian Electronic Sorting Technology case (BEST),<sup>149</sup> It is suggested that the terms “advertising” and “trademark registration” be used interchangeably. This directive concerns using trademarks in domain registrations and metatags in a website's metadata. It is part of the European Parliament's Directive 2006/114/EC, adopted on December 12, 2006, concerning comparative and misleading advertising.<sup>150</sup> Previous rulings by the European Court of Justice indicate that to encourage comparative advertising and protect registered trademarks, the proprietor of a protected trademark cannot forbid third parties from using a sign in their advertisements that are either identical or cannot be differentiated from their trademark, provided that it meets all the criteria established for the use in comparative advertising.<sup>151</sup>

The BEST case ruling leaves the question of whether suggesting alternative products through metatags in advertisements constitutes a form of comparison. Should the European Court of Justice choose to clarify this issue conclusively, using trademarked keywords in slogan advertising would fall outside the scope of trademark protection, as per the comparative advertising directive, making it solely a matter for comparative advertising law.

As a result, under the twofold ID rules, the ECJ ruled that the trademark holders had suffered losses due to the infringement of the advertising and venture parts of the property. These losses would be compensated for under the proposed authorizing model. In addition, applying the guidelines found in the Comparative Advertisement could strengthen the trademark holder's stance regarding the likelihood of confusion, deviating from a favorable position, and harming the unique qualities or reputation of the trademark. This approach would be particularly appreciated because the standards for permitting comparative advertising align with those specified in

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<sup>149</sup> Case C-657/11 *Belgian Electronic Sorting Technology NV v Bert Peelaers, Visys NV* [2013] ECR I-0000

<sup>150</sup> Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising (codified version) [2006] Official Journal of the European Union <<http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:376:0021:0027:EN:PDF>> accessed 30 March 2024

<sup>151</sup> Case C-533/06 *O2 Holdings Limited and O2 (UK) Limited v Hutchison 3G UK Limited* [2008] ECR I-4231, para 51

trademark legislation, with one notable distinction: the directive on comparative advertising does not tackle how references should manage the cost of insurance about other functions of trademarks.<sup>152</sup> As a result, the permission model might be modified to account for the trademark's expanding advertising potential with an influx of revenue. That being said, under these circumstances, it is still necessary to consider the idea of unfairly exploiting well-known trademarks' distinctive quality or reputation.

Building further on the foundational insights thus far laid out in the conclusion, it is critically important to reflect further on the future of the digital advertising landscape and its intersection with trademark law within the European Union. Online consumers have variable changing patterns of behavior, and fast technological advances create the need for a legal framework that is both reactive and adaptive to current challenges and robust and flexible to flow with future changes.

As mentioned before, the proposal for the licensing model highlights a new initiative that will streamline the interests of the trademark owners with the dynamism characterizing online advertising. This model is a paradigm shift toward more collaboration in the interest of both parties: the trademark proprietors and the advertisers. An organized and just remuneration regime through which the model recognizes the value of a trademark as a vital asset in the digital economy but avoids their employment to use keyword advertising at the cost of the distinctive character of the trademark or deceiving consumers.

Integrating ideas and principles of the comparative advertising debate into keyword advertising discourses marks a point of importance. In line with traditional views of competition and advertising in the digital age, it asks for a pleading legal framework to be more inclusive and reflective of innovative marketing practices that respect trademark rights. This underlines the necessity of explicit, concrete legal provisions that govern this advertisement type and are correctly fitted with the nuanced characteristics of the respective online marketing strategy.

Though speaking in perspective, it is impossible not to admit that the digital advertising ecosystem constantly changes rapidly due to technological innovation and the moving bar of customer expectations. It sets a massive tempo for evolvement in the industry. It has proposed that legal strategies and policies must be flexible since they must change and be ready for adjustment with every new advertising technology, platform, and methodology. Take, for example, the growing importance of artificial intelligence and machine learning in creating ever more

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<sup>152</sup> Roland Knaak, 'Metatags and keywords as comparative advertising' (2014) *Journal of Intellectual Property Law & Practice*, Volume 9, No. 9, 770

individualized advertising experiences—a development raising new challenges and opportunities for trademark law. The first will require constant dialogue and collaboration of legal experts with technologists, marketers, and policymakers.

This thesis has illustrated the confluence of keyword online advertising with trademark rights in the European Union as a complex tapestry of legal, commercial, and ethical considerations. To that is added a nuanced appreciation of the comparative advertising, proposed licensing model, and basis for future reform by the proposed licensing model. The path of the balanced, effective, and, above all, future-proof legal framework for the trademark protection regime in the digital age is still piercing. It takes constant vigilance, creativity, and cooperation on the part of all the actors to make sure that trademark law goes one step further: it does more than protect intellectual property rights and fosters, in particular, innovation and competition through trademark protection so that the consumer can trust the very fast-moving digital market.

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