

Luzzatto & Luzzatto Patent Attorneys

Recognizing consumer savvy in Israel – use of competitor marks online

Is the online use of a third-party mark to link through to competitor products lawful? Case history in Israel to date shows an increasing leniency towards this activity – Oren Mandler and Kfir Luzzatto analyze the reasons why

The Internet and the search engines that have turned it into a usable database of information raise questions regarding the use of competitors' trademarks, fair competition and passing off. Such issues were discussed in a 2006 ruling of the Tel Aviv District Court, which addressed the right of a merchant to use a competitor's trademark as a keyword in a pay-per-click advertisement (*Matimli Ltd v Crazy Line Ltd* (HP 000506/06, July 31 2006)).

In a novel approach the court acknowledged that trademark laws must evolve in the light of a changing reality and technological advances.

A straightforward reading of the law (the Trademarks Ordinance, new version, Paragraph 1 (5732-1972)) and of the definition of 'infringement' therein, shows that it encompasses the use of a trademark for the purpose of advertisement.

The law does not clarify the meaning of the word 'use', but the court ruling provided an interpretation of the term 'infringement': "Infringement' means the use by a person not entitled thereto ... of a registered mark in advertising goods belonging to the class in respect of which the mark is registered, or goods of the same description."

In principle, therefore, any use of a registered trademark in advertising constitutes infringement, but the definition is both broad and narrow. It is narrow because the legislature requires that the trademark be registered and so, if the trademark used in an advertisement is similar but not identical to the registered trademark, it would not constitute infringement.

This is in contrast to other uses of trademarks, for purposes other than advertising, where use of the same or similar trademark constitutes infringement.

And the definition is broad because in principle any use of the trademark in advertising goods of the class for which the trademark is registered, or of goods of the same description, constitutes infringement.

The case law existing before the above-mentioned ruling had already narrowed the provision of the law.

In one particular case, the Supreme Court found that the use of a registered trademark in comparative advertising is lawful as long as the advertisement does not contain misrepresentations of the product covered by the trademark, and where this use is "reasonably needed" (eg, *Thorn EMI Applicance v Electro Noa* (HP 854/88) and *Gillette Company v Amir Marketing* (HP 5115/97)).

The tests used by the courts in that respect relied on a clear correlation between the trademark and the goods it distinguished - and the fact that the permissible use of the trademark did not obscure, and at times even enhanced, the difference between competing products.

However, in the *Matimli* ruling

discussed here the advertisement did not make reference in any way to the allegedly infringed trademark, and the advertised products were linked to the trademark through a process hidden to the potential customer.

In this situation the potential customer seeks product A, which is the product for which the trademark has been registered, but instead he is presented with an advertisement for product B, which is identical or similar to product A.

On the face of it, this use should have been considered an infringement, as argued by the plaintiffs.

Google's role

In the case under discussion, the search engine was Google, which provides pay-per-click services through the Google AdWords system. When a user searches a keyword in Google the system presents him with 'sponsored links'. In this way, the sponsored link, which is the advertisement, is presented to the target audience which looks for specific products included in the

As long as there is no actual use of the competitor's trademark in the advertisement itself, no infringement or dilution of the mark takes place. The same applies to the Internet if the merchant uses the trademark solely as a keyword and the sponsored link does not mention it

system. In the *Matimli Case* considered by the court, an Israeli chain of fashion shops that specializes in large sizes used the trademarks of its competitor as keywords in its Google AdWords advertisement. The facts were not disputed. The lawsuit was filed against Google and Google's client, on the basis that the use made by them of the plaintiff's trademark was an infringement and diluted the mark. It also included additional claims of commercial torts such as passing off, unfair competition and unfair enrichment.

The court analyzed the case and its consequences and, in the end, rejected the claim in its entirety. Notably, since the plaintiff's competitor was found not to have infringed the trademark rights of the plaintiff, Google's part in the dispute was never discussed.

The ruling on internet advertising

The court set forth a number of important rules in respect of online advertising. Firstly, it ruled that a person who searches the Internet is aware of the fact that the results of the search will include not only the desired information, (ie, the actual information he is seeking), but also many additional results comprising irrelevant information.

Although this fact is known to internet users, this was the first time that a court established it as a basic assumption.

Once it is determined that the user receives a large amount of information, part or most of which is often irrelevant, the court ruled that a search engine must be viewed in a way similar to an 'information mall'.

The user who accesses this mall knows that he will pass by some of the 'shops' (the links) that do not interest him, but he will walk into some of them because that is the reason why he used the keywords to begin with, and he will walk into some others because, for whatever reason, they have raised his interest.

As a result of the above, and since we are dealing with a service used by a huge number of users, the service is inherently a place for advertisements. Search engines decide which advertisements will be allowed on their premises and in which way, and of course they will determine the terms and conditions under which they will allow their users to 'hang' the advertisements on their premises. If we were to take away the commercial aspect of advertising, a substantial part of the motivation to develop and improve search engines would also be removed.



Kfir Luzzatto
Senior partner
kfirl@luzzatto.co.il

Kfir Luzzatto was born in Italy and educated in both Italy and Israel where he received a PhD in chemical engineering.

Mr Luzzatto received a number of academic awards, including the Landau Award for Research. He has taught university courses on patents and technology, and is the author of numerous technical, scientific and professional articles.



Oren Mandler
Advocate
orenm@luzzatto.co.il

Oren Mandler was born and educated in Haifa, Israel. He studied law and economics at the Haifa University and joined the Israeli Bar in 2000. Mr Mandler practised in various areas of law after working in the District Attorney's Office in Jerusalem and in the private sector. He joined Luzzatto & Luzzatto in 2003, where he is active in patent and trademark opposition cases, as well as in trademark prosecution.

To explain its ruling, the court gave the example of a shop owner in a mall who hangs an advertisement on the escalator leading to his competitor's shop. In such a situation no one could argue that the advertisement is unlawful.

The court reasoned that we should also relate to an advertisement on the Internet in the same way. To address the relevant audience it is extremely logical to approach the competitor's clients. We are dealing with free competition and therefore, as long as there is no actual use of the competitor's trademark in the advertisement itself, no infringement or dilution of the mark takes place.

The same applies to the Internet if the merchant uses the trademark solely as a keyword and the sponsored link does not mention it.

Caution – early days

The *Matimli* ruling is the first in this broad field, but because it was rendered by a lower court, and not by the Supreme Court, it should be relied upon with caution since this is likely not to be the last word on the subject.

However, since its publication in July 2006 no contradictory ruling has been rendered (though we should take into account that in this specific field the number of cases is very small).

The novel aspect of this ruling is that it looks at the law through the framework of the technological reality and establishes that, given internet and search engine technologies, the consumer has become more sophisticated.

The ultimate purpose of the law is to protect the consumer, to avoid a situation in which he wished to purchase product A and, by mistake, ended up purchasing product B because he was misled into believing that he was purchasing a different product.

However, the court ruled that a consumer who is at least minimally familiar with search engines would be able to understand the advertisement and determine whether the website he had reached was the right one – because he knows beforehand that some of the information that the search engine will return will be irrelevant to his enquiry.

Also novel is that the court stated that the need to maintain competition and the free access to information anywhere is an important value to be balanced against the need to protect intellectual property even if the result is, as in this case, that an advantage is given to the one who uses a third-party registered trademark. **WTR**