

Argos Limited v Argos Systems Inc

Court of Appeal of England and Wales - 9 October 2018

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This Court of Appeal (CoA) decision of 9 October 2018 follows the High Court's rejection of claims brought by UK retailer Argos Limited (Argos) last year¹ against US-based software manufacturer, Argos Systems Inc ("ASI"). By virtue of ASI's participation in the Google AdSense program, UK visitors to ASI's website were shown adverts for Argos when they arrived, and ASI were able to generate significant revenue from such visitors. Argos had claimed that ASI's use of the argos.com domain name, in combination with the display of Google AdSense adverts, amounted to passing-off and infringement of two of its ARGOS marks under Articles 9(1)(a) and 9(1)(c) of Regulation 207/2009 (the Regulation).



The basis of the appeal

Argos appealed the High Court decision on the basis of Article 9(1)(c) of the Regulation, which gives similar marks with a reputation additional protection provided that unfair advantage is taken, or detriment is caused to the distinctive character or repute of the earlier mark without due cause. No likelihood of confusion need be shown, only a 'link' so that the sign calls the trademark to the mind of the average consumer.

ASI accepted that Argos's EU Trade Mark (EUTM) had a reputation in the UK and Argos relied on one form of injury only – that unfair advantage had been taken of its mark's distinctive character or repute. The questions to be considered by the CoA were narrowed from those at first instance, namely:

- Did ASI's use of the sign give rise to a 'link' with Argos's trademark?
- Did ASI's use of the sign take unfair advantage of the distinctive character or repute of the trademark? and;
- Was ASI's use of the sign without due cause?

However, before these questions could be considered, the CoA had to decide if ASI had targeted consumers in the UK with its website, so as to afford the Courts of England and Wales the appropriate jurisdiction.

Targeting

At first instance, the judge concluded that visits to ASI's website from UK consumers were overwhelmingly the product of mistake and found that on an objective assessment, targeting had not taken place.

However, the CoA considered the High Court's approach to be overly complex as a result of the detailed consideration of who the average consumer would think to be responsible for the ads (when this should be a question of fact), and the analysis of the number of UK visitors who would have regarded the site as being directed at them.

The CoA considered the approach regarding targeting in light of the intervening decision of *Merck*.² The CoA reiterated that targeting is to be considered objectively, but where the objective position is finely balanced, evidence of subjective intention to target consumers in the UK may be relevant. In this case, Floyd LJ who gave the appeal judgment considered targeting had taken place in relation to some of the adverts, stating:³ "...it is clear that ASI was providing a billboard service which included ads of interest to UK consumers. To the extent that it contained such ads it was targeted at the UK, but not otherwise."

Establishing a link

The relevant section of the public must establish a link between a sign and the mark for infringement to be made out, although the public need not necessarily be confused. The requirement for a link arose from *Adidas-Solomon*⁴ and later *Intel*,⁵ which established that in order to show such a link, it is sufficient that the sign calls the trademark to the mind of the average consumer.

The High Court's conclusion that there was no link between the ARGOS sign and ASI's use of the domain was based on the fact that consumers arrived at ASI's website having incorrectly guessed Argos's website address. The High Court then went on to consider

that if a link did nonetheless exist, it would be broken by the consumer leaving ASI's website once they realised they were not in the right place.

The CoA did not agree that either of these factors would be a basis to bar the formation of a link in the average consumer's mind. Indeed, the CoA considered that the links in both *Adidas-Solomon* and *Intel* could be described as a result of pure guess work or supposition. Furthermore, the CoA stated that advantage is taken by virtue of the download of the adverts to the visitor's computer even if the visitor then leaves, and so this should not change the conclusion that a link was present.

The CoA held that a link was present on the basis that internet traffic arrived at ASI's website on the strength of Argos' reputation, with the ARGOS mark in mind and from this ASI earned a fee from Google. ASI were benefitting from an opportunity which arose only because the internet traffic arrived at the site on the strength of Argos' reputation, which for the CoA was sufficient for the necessary link to exist, despite the fact that users immediately realised that they were in the wrong place.

Taking of unfair advantage

The *L'Oréal*⁶ case referred to by the CoA states that unfair advantage can arise where a party is riding on the coat-tails of a mark with a reputation. On a literal reading of the *L'Oréal* case, any advantage gained by a third party in relation to a mark with a reputation could be unfair. However, the CoA followed the now established rationale in *Whirlpool*,⁷ that there must be an added factor for conduct to be unfair, mere commercial advantage being insufficient.

In finding that ASI's conduct was not unfair, the CoA cited reasons including that (i) traffic was taken to ASI's website as a result of its international availability, rather than as a result of ASI seeking such visitors, and (ii) that ASI's use allowed Argos to earn additional revenue while not causing visitors to click on competitor adverts or causing business to be diverted away from Argos.

Lessons

The fact that an infringer's website is available in the UK will not be enough to conclude they are targeting UK consumers. Where a case is finely balanced, the subjective intention of the alleged infringer can assist and so disclosure of emails and other documents could be relevant to the outcome on this point.

With regard to unfair advantage, even though ASI's use of ARGOS in conjunction with the Google AdSense program did alter consumers behaviour, this was not considered to be taking unfair advantage of the reputation of Argos's marks. Moreover, the CoA clarified that ASI were not obliged to take the most burdensome route available to redirect the traffic, and the fact that alternatives to AdSense such as simply linking away from ASI's page existed, did not automatically make the use of the AdSense route unfair. Equally, the CoA considered that ASI's financial optimisation of the opportunity did not render the conduct unfair.

Where technology can add a layer of difficulty in establishing how a trademark has been used, practitioners should be cautious about over complex analysis. For example, in this case the CoA stepped back and decided that who the average consumer would think was targeting adverts (ie, was this Google or ASI) was not determinative in relation to targeting.

Practical tips

In the CoA decision Floyd LJ stated that the fact that there was an arguable case at all (as between a US corporation selling software in the Americas and a UK-based consumer retailer trading mainly in the UK) is "a consequence of the developments in the European law of trademarks and of the revolution in commerce and advertising brought about by the internet".⁸ Later adding "Targeting is not an independent doctrine of trademark law. It is, in essence, a jurisdictional requirement".⁹

These quotes illustrate the challenges the courts face in grappling with certain practical and technological issues in name use cases, and the complex interface between trademark law, jurisdiction and technology. That means that the outcome of cases such as this can be extremely difficult to predict – the CoA overturned two key aspects of the first instance decision but still found in favour of ASI. It would not have been a surprise had the CoA also overturned the decision on fairness.

All of that means great care should be taken in analysing how third-party trademarks are used in advertising, particularly where there is a jurisdictional element, even if simply by way of residual website use.

Consideration should be given to the exclusion of certain domains from the AdSense program where you do not wish your adverts to appear on particular sites, and of course to ensure that business names are registered as domains as early as possible.

Footnotes

1. *Argos Ltd v Argos Systems Inc* [2017] EWHC 231 (Ch).
2. [2017] EWCA Civ 1834.
3. *Argos Ltd v Argos Systems Inc* [2018] EWCA Civ 2211 at paragraph 73.

4. Adidas-Salomon AG ECJ 23 Oct 2003.
5. Case C-252/07 Intel [2009] RPC 15.
6. [2010] Bus LR 303.
7. [2009] EWCA Civ 753.
8. *Argos Ltd v Argos Systems Inc* [2018] EWCA Civ 2211 Paragraph 1.
9. *Argos Ltd v Argos Systems Inc* [2018] EWCA Civ 2211 Paragraph 48.

Authors

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