

## Trademark Use and Liability of Referencing Service In Keyword Advertising – Google AdWords and Trademark Law

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*Cases C-236/08 to C-238/08 Google France SARL, Google Inc. v. Louis Vuitton Malletier SA (C.236/08) and Google France SARL v. Viaticum, Luteciel SARL (C-237/08) and Google France SARL v. Centre national de recherche en relations humaines (CNRRH) SARL, Pierre-Alexis Thonet, Bruno Raboin, Tiger SARL (C-238/08)*<sup>1</sup>

1. *The proprietor of a trade mark is entitled to prohibit an advertiser from advertising, on the basis of a keyword identical with that trade mark which that advertiser has, without the consent of the proprietor, selected in connection with an internet referencing service, goods or services identical with those for which that mark is registered, in the case where that advertisement does not enable an average internet user, or enables that user only with difficulty, to ascertain whether the goods or services referred to therein originate from the proprietor of the trade mark or an undertaking economically connected to it or, on the contrary, originate from a third party.*
2. *An internet referencing service provider which stores, as a keyword, a sign identical with a trade mark and organises the display of advertisements on the basis of that keyword does not use that sign within the meaning of Article 5(1) and (2) of Directive 89/104 or of Article 9(1) of Regulation No 40/94.*
3. *Article 14 of Directive 2000/31/EC must be interpreted as meaning that the rule laid down therein applies to an internet referencing service provider in the case where that service provider has not played an active role of such a kind as to give it knowledge of, or control over, the data stored. If it has not played such a role, that service provider cannot be held liable for the data which it has stored at the request of an advertiser, unless, having obtained knowledge of the unlawful nature of those data or of that advertiser's activities, it failed to act expeditiously to remove or to disable access to the data concerned (official headnotes abridged).*

### I. Facts

The Court of Justice's decision concerns two different sets of themes, which have a common overlap with respect to the issue of Google AdWords. The parties to the dispute were trademark holders (Louis Vuitton Malletier, Viaticum, Luteciel and CNRRH, in addition to Messrs. Thonet and Raboin) versus search engine operator Google. On the one hand, Google is a classical search engine, which upon the entry of search terms generates displayed hit lists

according to certain criteria determined by Google. Pages containing the entered search term are listed and linked in the hit list appearing below the search box. This pure search engine service is free of charge. On the other hand, Google offers a paid service with Google AdWords. This allows advertising customers to trigger advertisements when certain search terms

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1 Judgment of 23 March 2010.

(so-called “keywords”) are entered by the user. These advertisements, which are paid for according to a certain model and the order of which is determined according to the price paid by the advertising customer, the number of clicks containing these links and the quality of the advertisement as assessed by Google, appear on the right-hand side of the screen. The keywords supplied by the advertising customer can, for example, be generic in nature (e.g., vacation, trip, etc.) for tour operators. They can also contain trademark names, so that when a trademark is entered (e.g., Vuitton) advertisements triggered to this keyword appear. It is obviously therefore quite popular not only to use one’s own trademarks as keywords, but also to use others’ trademarks in order to lure users through ads in their own internet presence with offerings of imitations of trademarked products, for example.

The French appellate courts addressing these questions found Google’s conduct to constitute trademark infringement, or in any event, participation in trademark infringement. The court of last resort addressing the question, the Cour de cassation, suspended the proceedings and referred the matter to the Court of Justice for a preliminary reference.

There was thus a question regarding the use of trademarks pursuant to Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No. 40/94 when trademarks are used by a competitor as a keyword (Cases C-236/08 to C-238/08), and, furthermore, the question whether special circumstances arise when the advertising link leads to a page on which counterfeit goods are offered, as happened in the Louis Vuitton case (C-236/08). This purely trademark law aspect of the case must be understood together with the nearly identical parallel decisions in this respect “BergSpechte” (Question referred by Austrian Supreme Court, Case C-278/08) and “Bananabay” (Question referred by the FCJ, Case. C-91/09). There is also the question of potential liability or lack of liability on the part of Google pursuant to the precepts of Directive 2000/31 for trademark infringement possibly facilitated by the “AdWords” referencing service.

## II. Judgment

Pursuant to Article 5(1)(a) of Directive 89/104, or in the case of a community trademark, Article 9(1)(a) of Regulation No. 40/94, the trademark holder has the right to prevent others from using signs identical to the trademark without its consent where such use takes place in commercial activity, for goods or services which are identical to those for which the trademark is registered and the trademark’s functions are impaired or could be impaired.

The ECJ first decided that the use of a trademark name as a keyword constitutes use of a trademark in the context of commercial activity,<sup>2</sup> as the advertiser’s selection of keywords identical to the trademark has the object and effect of displaying an advertising link to its own website, which should lead to the use of the advertiser’s goods and services offering.<sup>3</sup>

The use also takes place in relation to goods and services, regardless of whether the keyword thereafter appears or not in the advertiser’s ad. In the view of the ECJ, Article 5(3) of Directive 89/104 and Article 9(2) of Regulation 40/94 contain only a non-exhaustive list of the types of use, which the trademark holder can prohibit.<sup>4</sup> The mere fact that the keyword does not appear in the advertising text and there is thus no “offering of goods of a third party under signs identical to the trademark and their use in the advertising” according to the terms of the above provisions does not in itself mean, in the ECJ’s opinion, that such use is not encompassed by the concept of “use in relation to goods or services” within the meaning of Article 5 of Directive 89/104.<sup>5</sup>

The use of a trademark in relation to goods or services is, however, insufficient to infer a trademark infringement. Rather, there must be either an impairment of the trademark’s function of indicating origin or an impairment of the trademark’s advertising function. The ECJ will then presume an impairment of the trademark’s function of indicating origin when the advertisement does not allow or makes it difficult for normally informed and reasonably attentive internet users to recognize whether the advertised goods or services originate from the trademark holder or with an undertaking economically connected to it or, rather, originate from a third party, which is to be determined by national law in light of the individual case.<sup>6</sup> The ECJ reviews the impairment of the trademark’s advertising function by in particular taking into account the possibility that the third party can “sneak past” the actual trademark holder with the

2 Case 236/08 to 238/08, *supra* note 2, para. 51.

3 Case 236/08 to 238/08, *supra* note 2, para. 52.

4 Case 236/08 to 238/08, *supra* note 2, para. 65.

5 Case 236/08 to 238/08, *supra* note 2, paras. 65, 69.

6 Case 236/08 to 238/08, *supra* note 2, paras. 84–85.

selection of the trademark as a keyword if it, for example, pays a higher price than the trademark holder, generates more clicks or has a qualitatively better website than the trademark holder. In view of the particularities of Google, which are based on the fact that the actual trademark holder as a rule is linked at the top of the list of natural (and free) search results with its internet presence, the ECJ nevertheless assumes that the use of a trademark as a keyword is not suited to impairing the trademark's advertising function.<sup>7</sup>

Anyway, there is no use of the trademark within the meaning of Article 5 of Directive 89/104 and Article 9 of Regulation No. 40/94 by the referencing service, *i.e.* in this case by Google itself.<sup>8</sup> The (likewise compensated) permission to use the service through a third party, as given to the advertiser in this case, and storing the keyword and enabling the triggering of an advertisement through a keyword, *i.e.* the creation of technical requirements for the use of a sign and the money collected for this, are insufficient to constitute use pursuant to the above cited provisions.<sup>9</sup> Even the simple storage of a protected trademark combined with the terms "imitation" and "copy" as keywords does not rise to the level of use of the trademark by the referencing service within the meaning of Article 5 of Directive 89/104 and Article 9 of Regulation No. 40/94 when third party advertisements appear through these keywords.

Google's liability for trademark infringement by advertising customers that use trademarks for goods or services in a manner that impairs the function of the trademarks through the selection of keywords was also the subject of the ECJ's decision. The Court of Justice classified Google's referencing service (not the search engine function as such) as an information society service consisting of the storage of information supplied by the advertiser, such that the data are the subject of "hosting" within the meaning of Article 14 of Directive 2000/31.<sup>10</sup> Thus – according to the ECJ – the provider of the referencing service cannot be held liable as long as it had no knowledge of the advertiser's unlawful conduct.<sup>11</sup> The storage by a referencing service provider then comes within the scope of Article 14 of Directive 2000/31 only where the service provider's actions are restricted to that of an "intermediary service provider" within the meaning of paragraph 4 of Directive 2000/31 intended by the legislator, and the service provider thus possesses neither knowledge nor control of the transmitted or stored information.<sup>12</sup> The scope of the liability limi-

tation is thus restricted to cases where the activity of the service provider is merely of a technical, automatic and passive nature.<sup>13</sup> This was essentially confirmed by the ECJ, though it would be otherwise if Google had taken on an active role in the composition of the advertising message accompanying the advertising link or in the determination of the selection of the keywords.<sup>14</sup> The mere fact that the referencing service is a paid service, that the compensation modalities are determined by Google and that Google provides its customers with information of a general nature leads even less than the fact that Google detects the concordance between the keyword selected and the search term entered by the internet user to the conclusion that the stipulated exemptions from liability are not applicable to Google's referencing service.<sup>15</sup>

### III. Comment

The ECJ has resolved a disputed issue Europe-wide for internet and search engine advertising in particular. Of especial interest was not, however, only the question of trademark use through the entry of keywords by advertising customers using Google's AdWord service, but also the question of the liability of an internet referencing service for trademark infringement by a third party.

The ECJ's decision not to find trademark infringement in the mere use of keywords, but to make this dependent on additional circumstances deserves approval, for it is not determinative whether the user is led to a competitor's advertisement by a keyword selected by the advertiser, and thus uses the trademarks for its own purposes, but a further necessary quality in the use of the trademark which can impair the trademark's functions, *i.e.* the trademark's function of indicating origin or its advertising function. While

7 Case 236/08 to 238/08, *supra* note 2, paras. 96–98.

8 Case 236/08 to 238/08, *supra* note 2, para. 54, paras. 100–105.

9 Case 236/08 to 238/08, *supra* note 2, paras. 56–57.

10 Case 236/08 to 238/08, *supra* note 2, para. 106.

11 Case 236/08 to 238/08, *supra* note 2, para. 106.

12 Case 236/08 to 238/08, *supra* note 2, paras. 112–113.

13 Case 236/08 to 238/08, *supra* note 2, para. 113.

14 Case 236/08 to 238/08, *supra* note 2, para. 117.

15 Case 236/08 to 238/08, *supra* note 2, paras. 116–117.

an impairment of the trademark's advertising function through the use of keywords is currently ruled out in the case of Google, the trademark's function of indicating origin can indeed be impaired when the advertiser does not sufficiently separate itself from the trademark holder. In practice, this means that the advertiser must now take care that it sufficiently separates itself from the trademark holder, *i.e.* it must avoid the impression that the advertised goods or services originate from the trademark holder or an undertaking commercially connected to the trademark holder. Whether it will be sufficient in practice to avoid direct references to the trademark holder or to the trademarks, or whether it will be necessary to actively distinguish oneself from the trademark holder or the trademark in the advertisement, will thus have to be resolved by the national courts. Nevertheless, the highest degree of care should be necessary in the naming of a trademark in the advertising text itself. As a general rule, this leads to confusion in attribution, unless the relationship between the advertiser and the trademark holder is made clear – as the ECJ determined. This could be the case, for example, when a car dealer uses a car brand name as a keyword but the advertisement demonstrates that an independent dealer is doing the advertising.

The decision is certainly of particular significance to Google's referencing service as well as to similar commercial offerings on the internet, as the Court of Justice made clear that Google itself is not infringing trademarks because there is no trademark use in the creation of technical conditions for potential trademark infringement. In the view of the Court of Justice, simply allowing the use of a sign is not comparable to using the sign oneself. Attempts to establish that the sign was used by the referencing service itself on the basis that it is a paid service were clearly rejected by the ECJ. Even the approach recently again adopted by the German courts of treating actions by third parties on platforms as the actions of the platform operator under certain circumstances<sup>16</sup> can thus not be justified in trademark law by the fact that the service is paid for.

Liability on the part of Google is still possible under aspects of participation in third party trademark

infringement – here, Google's advertising customers – or interference liability, as applied in particular in German law with respect to such cases. It is for such cases that the liability privileges of Articles 12 to 15 of Directive 2000/12 expand their significance, as the Court of Justice classifies Google's referencing service as a hosting service within the meaning of Article 14. Google thereby in any case profits from such liability privilege with its referencing service. Accordingly, the information intermediary can be held liable for legal breaches actually committed by others only under certain circumstances, namely, where its activity is not of a merely technical, automatic and passive nature and it thereby possesses knowledge or control of the stored information.<sup>17</sup> Pursuant to the pronouncement of the Court of Justice, this should essentially follow the role, which Google has played in the composition of the advertising message accompanying the advertising link or in the determination or selection of keywords, which again must be assessed by the national courts. If the provider does not play any active role, which would give rise to knowledge of the stored data, it can rely on the privilege of Article 14 of Directive 2000/31 and not be held liable for data, which it has stored at the advertiser's request. This view implies that the provider has also not procured active knowledge of the information it has stored or need not control such information, whether to prevent as yet unknown legal violations in the future or a repetition of already known legal violations in the future. However, if the provider acquires knowledge of the unlawfulness of the information stored through its services or of its customer's activities, it must immediately remove or block access to it if it wants to avoid liability. With the Court of Justice's opinion, Google's liability for trademark infringing keywords should as a rule be ruled out for the time being, as Google does not actively participate in the selection of keywords. This continues to be left exclusively to the customers. An active role by Google eliminating the liability privilege would be possible if, for example, Google offered tools that suggest to customers third party trademarks as keywords.<sup>18</sup>

Google will be able to live well with the Court of Justice's decision; the luxury goods manufacturers whose trademarks are often used as keywords less so. Open questions remain, however. The national courts will thus have to decide in particular when the user of a keyword impairs the trademark of a third party, *i.e.* when the advertisement does not allow or makes

16 FCJ, 11.12.2009 – I ZR 166/07, K&R 2010, 496 *et seq.* and RC Hamburg, 12 March 2010 – 308 O 640/08, MMR 2010, 488 for copyright law.

17 Recital 42 of Directive 2000/31.

18 Stadler, *MMR-Fokus* 5 (2010), p. VIII.

it difficult for a normally informed and reasonably attentive internet user to recognize whether the advertised goods or services originate from the trademark holder or a undertaking commercially related to it, which is again to be decided by the national court in

light of the individual case. The national courts will also have to decide when Google's referencing service assumes an active role in the composition of the advertising message accompanying the advertising link or the determination or selection of keywords.