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Google AdWords It's Not Trade Mark Infringement (Except When It Is)

The Court of Justice of the EU (“the CJ”, formerly the European Court of Justice) has handed down its long-awaited judgment reviewing whether Google’s AdWords expose Google and its business users to liability for trade mark infringement.

The CJ indicated that the mere act of selling trade marks as keywords does not in itself constitute an infringement. However, Google could still be liable under certain conditions. Advertisers buying keywords could also be liable, depending upon how these keywords are used.

Background

Typing a keyword into an internet search engine produces two sets of results: “natural results” reflecting ordinary linguistic usage, and adverts called “sponsored links”. Google’s AdWords system (technically, a “paid referencing service”) allows advertisers to bid on keywords, so that their sponsored links are displayed alongside the natural search results.

AdWords are not allocated exclusively. Google sells the rights to sponsored links to multiple purchasers. The paid reference service uses a “pay per click” system. The more advertisers pay per click, the higher up the list of search results the sponsored link will appear when particular keywords are entered by internet users.

Google AdWords in Court

The CJ considered three conjoined cases brought by trade mark owners against Google in the French Cour de Cassation. Two broad issues fell to be decided:

- The grounds and scope of liability of “referencing service providers”, such as Google, in storing a keyword and then displaying an advertiser’s sponsored link in response to the keyword trigger; and

- the grounds and scope of liability of advertisers for selecting a registered trade mark of a competitor as a keyword and using the sponsored link which results from that selection.

The Decision

To establish trade mark infringement, the claimant must demonstrate:

- use of the mark in the course of trade;
- in relation to goods and services covered by the trade mark registration; which is
- likely to result in an adverse effect on the function of the trade mark.

Use by Google

The CJ found that while Google provided the technical conditions necessary for the use of a keyword, and was paid for that service, Google did not “use” those keywords itself.

Therefore, Google was not liable for trade mark infringement.

Use by the Advertiser

The CJ held that an advertiser using the referencing service and choosing as a keyword a sign identical with a competitor’s registered trade mark is using that sign in a trade mark sense (i.e. commercial activity with a view to economic advantage); the use of the sign selected as the keyword triggers an advertisement displaying a link to the site where the advertiser offers his goods or services for sale.

When the advertiser selects a competitor’s trade mark as a keyword, either with the aim of offering internet users an alternative to the products of the trade mark owner or to mislead the user that their offerings are connected in some way to the trade mark owner, then that was use “in relation to goods or services”.

Origin and Advertising Functions

The CJ considered that whether the use affected the essential functions of a trade mark



to indicate origin depended upon the way in which the sponsored link advertisement was presented. In its view, the origin function would be adversely affected if “an average internet user” could not readily distinguish from the advert whether the goods or services promoted were somehow connected to the trade mark owner or to a competitor.

This was a question of fact which would need to be assessed on a case-by-case basis by the relevant national court. A risk of confusion on the part of consumers searching on the internet could not be presumed, but must be proved.

In addition to the “origin” function, trade marks also have an “advertising” function. The CJ recognised that while allowing other companies to bid on a business’ trade marks could make advertising more difficult and costly, this did not undermine the mark’s advertising function. The trade mark owner could still reach consumers by achieving one of the highest positions in the natural search results, which is free of charge.

E-Commerce Directive

The E-Commerce Directive (2003/31/EC) was also considered because Google claimed to be an “information society service”, acting simply as a carrier of information. Article 14 of the E-Commerce Directive provides that (subject to certain qualifications) an “information society service” is not liable for the information it holds and transmits.

The CJ confirmed that Article 14 *could* apply to an internet referencing service, such as Google AdWords, *but* only to the extent that the service provider had not played an active role in the process which gave it knowledge of, or control over, the data stored. In that event, the service provider would become liable if, having obtained knowledge of the illegality of an advertiser’s activities, it failed to act expeditiously to remove or to disable access to the data concerned.

In view of Google’s active role in advising advertisers on the selection of keywords and helping them to draft the text of the sponsored link, the CJ considered that the availability of the hosting defence should also be referred back for assessment by the national

courts.

Analysis and Implications

The CJ decision confirms that:

- An advertiser’s use of a competitor’s trade mark as a keyword *may* constitute trade mark infringement *if* the advertisement does not make it clear to the average internet user that the products on offer do not originate from the trade mark owner.
- The provider of a simple “internet referencing service” is not liable for trade mark infringement because it does not “use” the trade marks in the relevant sense. However, the hosting defence under Article 14 of the E-Commerce Directive extends to AdWords only to the extent that a national court accepts that search engine providers like Google had no active input or knowledge of the data stored for the advertiser.

While the CJ broadly upheld the Google AdWords business model, several avenues remain open for brand owners to challenge their competitors’ sponsored link advertisements.

Brand Owners and Users of AdWords

Those purchasing their competitors’ trade marks as keywords must now carefully review the content of each of their sponsored advertisements to minimise the risk of trade mark infringement.

Brand owners will be able to bring infringement proceedings against an advertiser if the text of sponsored link suggests that the advertiser is authorised by or connected with the brand owner, or if the ad text is too vague for a “reasonably informed and attentive internet user” to determine whether there is such a connection.

Infringement could still be established even where the lack of any connection would have become clear had the consumer clicked through to the linked website. This basis of liability is known in the US as “initial interest confusion”.

The “reasonably informed and attentive internet user” is a new concept in trade mark law. Further guidance whether and how this differs from the notional “average consumer” of conventional trade mark infringement cases will presumably be forthcoming in future litigation before EU member states’ national courts.

Brand owners should monitor the ad text of sponsored links associated with their trade marks, and consider taking action against competitors if the text implies that the advertiser is in some way connected to them.

In any event, businesses are advised to ensure that all their important brands are registered as trade marks so that they are in a legally secure position to act against unauthorised use, in sponsored links or otherwise.

Google and other search engines

The CJ decision leaves Google and other search engine providers with potential liability for contributory infringement. The hosting defence under the E-Commerce Directive will not be available where advertisers have been actively assisted to set up sponsored links.

Even if their role was entirely passive, providers might still be held liable if a brand owner notified them of an infringing sponsored link and the provider failed to remove or disable infringing data expeditiously.

In the event that an infringing sponsored link is identified, a brand owner will consequently be able to consider instituting proceedings against both the unauthorised advertiser and

the search engine provider. In the first instance, however, a direct complaint to Google may result in the offending advert being removed without having to resort to litigation.

Outstanding Issues

There is the potential for differing outcomes across the EU, since rules of contributory liability differ from member state to member state and have yet to be harmonised. Such discrepancies are liable to encourage forum shopping.

The CJ left several further issues unaddressed. It remains to be seen whether keyword use of another’s trade mark can amount to taking unfair advantage of the reputation or distinctive character of that mark. This might also constitute infringement under Article 5(2), as considered in the ECJ’s *L’Oreal v. Bellure* decision reported last year.

Two cases are pending before the CJ covering related issues which might provide more guidance; one arising from proceedings between Interflora and Marks & Spencer and the other relating to proceedings commenced by L’Oreal against eBay. No date has yet been set for a CJ ruling on either case. Google has yet to announce any modification of its AdWords procedure following the decision.

For further advice or more information on any of the issues discussed, please speak to your usual contact in the UDL trade mark team.

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