
Talking point: Google keywords

The Court of Justice of the European Union (ECJ) decision on the questions referred by the French Court of Cassation in joined Cases C-236/08, C-237/08 and C-238/08 found that Google's use of trademark terms as keywords does not constitute infringement. However, while the providers of paid referencing services were discharged from liability (on the basis that making keywords available to advertisers does not constitute infringement), the ECJ considered that the use by an advertiser of a sign which is identical or similar to an earlier trademark implies that the advertiser uses the sign in its own commercial communication. Where the advertisement prevents the average internet user from ascertaining – or allows that user to ascertain only with difficulty – whether the goods or services referred to originate from the trademark owner or a third party (most likely the advertiser), it is likely to infringe on the earlier mark. So while it sells trademark terms as keywords, Google is not liable for infringement – but its advertisers may be (for further coverage, see page 4). In this month's Talking Point, *WTR* presents a range of reactions to the decision and asks what the ruling means for brand owners, advertisers and Google itself

Google aims to provide as much information as possible to users so that they can make informed decisions. For this reason, we have been awaiting a series of decisions by the European Court of Justice that explore the extent to which trademark rights can be used to restrict information available to users. The question before the court was whether advertisers should be allowed to choose keywords freely when reaching out to users on the Internet. In other words, if advertisers are allowed to show advertisements when another company's brand name is entered as a search query.

Trademarks are part of our daily life and culture, helping us to

identify the products and services that we may be looking for. They are key for companies to market and advertise their products and services. But trademark rights are not absolute.

We believe that user interest is best served by maximizing the choice of keywords, ensuring relevant and informative advertising for a wide variety of different contexts. For instance, if a user is searching for information about a particular car, he or she will want more than just that car's website. They might be looking for different dealers that sell that car, second hand cars, reviews about the car or looking for information about other cars in the same category.

And, contrary to what some are intimating, this case is not about us arguing for a right to advertise counterfeit goods. We have strict policies that forbid the advertising of counterfeit goods; it's a bad user experience. We work collaboratively with brand owners to better identify and deal with counterfeiters.

Some companies want to limit choice for users by extending trademark law to encompass the use of keywords in online advertising. Ultimately they want to be able to exercise greater control over the information available to users by preventing other companies from advertising when a user enters their trademark as a search query. In other words, controlling and restricting the amount of information that users may see in response to their searches.

The Court confirmed that Google has not infringed trademark law by allowing advertisers to bid for keywords corresponding to their competitors' trade marks.

It also confirmed that European law that protects internet hosting services applies to Google's AdWords advertising system. This is important because it is a fundamental principle behind the free flow of information over the Internet.

Our guiding principle has always been that advertising should benefit users, and our aim is to ensure that ads are relevant and useful. We will study the decision as we move forward in order to make sure that we continue to deliver advertising that is perceived as both valuable and relevant by our users.

Google statement released by **Harjinder S Obhi**, senior litigation counsel, EMEA, on the day of the ruling

Eric Goldman, prominent IP blogger and associate professor, Santa Clara University School of Law

While the ECJ's ruling improves Google's legal defences against trademark owners, the news isn't uniformly good for the keyword advertising industry. The decision identifies a number of potential legal pitfalls for keyword advertisers and, as a result, Google's legal victory may prove to be a little hollow. Even if Google eventually earns a clean bill of health for itself, it could still see revenue contraction if advertisers are dissuaded by their legal exposure.

To avoid this unwanted outcome, Google should take a more proactive stance on the legality of the keyword advertising industry. It should propose legislation that protects both itself and its advertisers, and also intervene in some of the trademark owner versus advertiser cases that have the potential to establish disadvantageous legal rules for its advertisers. Google has been remarkably passive in terms of legal developments, playing defence only when threatened. I believe this is not a long-term winning strategy – Google currently has to defend a wide array of battlegrounds, and a loss in any one of those venues could materially diminish its earning potential. To ensure the long-term viability of the keyword advertising industry, Google may need to go on the offence.

Tobias Cohen Jehoram, partner, De Brauw Blackstone Westbroek, and professor of IP law, Erasmus University Rotterdam

Although in my opinion this decision is, overall, favourable for both Google and the holders of trademarks with a reputation, several questions remain unanswered and new ones have been raised.

For brand owners, future enforcement strategies should focus on closely monitoring unauthorized advertisers that selected their trademarks as keywords. If the advertisement connected to the link suggests that it originates from the trademark holder, or is insufficiently clear in the sense that the public may suspect an economic connection between the advertiser and the brand owner, then the mark owner has two options: it may send a notice to Google of the infringement and/or take action against the advertiser. However, it is unclear when the origin will be viewed as 'vague' or when the average internet user will assume a commercial link. This will therefore be for national courts to decide, but the focus will be on the (implied) identity of the advertiser. Next to this, trademarks with a reputation enjoy a broader reputation, protecting them against others riding on their coat-tails and, I would think, dilution. Since the link to identity does not play a role in these instances, these might in practice benefit from a lower threshold.

Turning to Google, it need not exclude AdWords just because they consist of competitors' trademarks. This means that Google need not categorically block the use of AdWords that consist of trademarks. While Google should respond quickly to takedown requests, it remains unclear how obvious the infringement should be for Google to act. On the one hand, a prior court ruling will not be necessary; but on the other, Google cannot be expected to act on every notification (which could frustrate legitimate AdWord users as well). Therefore, in my opinion, the infringement should be both substantiated and obvious.

Jason Rawkins, trademarks, copyright and media partner at Taylor Wessing LLP

The ECJ judgment settles once and for all the hotly disputed point of whether it should be permissible, without any other wrongdoing, for a business to purchase someone else's trademark as a keyword in

Google should take a more proactive stance on the legality of the keyword advertising industry. It should now propose legislation that protects both itself and its advertisers, and also intervene in some of the trademark owner versus advertiser cases that have the potential to establish disadvantageous legal rules for its advertisers.



Eric Goldman, Santa Clara University School of Law



One significant open question for the European national courts to consider should certainly be the degree to which Google's "Keyword Suggestion Tool" negates the company's 'service provider' exemption by placing it in an active role with its advertising clients.

Sheldon H Klein, Arent Fox LLP

order to attract business to its website via a sponsored link on Google. To the chagrin of most brand owners, the ECJ has ruled that it is.

However, this is not the end of the matter. At the heart of the ECJ's ruling is the general principle that an advertiser, and potentially also Google, will be liable if the text of a sponsored link advertisement brought up by the keyword suggests that the advertiser is authorized by, or otherwise connected with, an unrelated brand owner, or is too vague for a reasonably informed and attentive internet user to be able to determine whether there is such a connection.

Applying this principle in practice will be straightforward in some cases. For example, if Apple were to purchase 'Dell' as an AdWord on Google and its ad text was 'Buy Apple laptops', then this would create no risk of confusion and would be permissible. The underlying rationale is that the consumer is just being offered an alternative. Similarly, at the other end of the spectrum, if Apple's ad text were 'Buy Dell laptops', then clearly that would fall the wrong side of the line.

But as is often the case, there is a large grey area in the middle. For example, which side of the line would it be if Apple's ad text were just 'Buy laptops'? Or, to use an example from a pending UK case, what about where Marks & Spencer buys 'Interflora' as a keyword and uses ad text such as 'Marks & Spencer: order your flowers from us'? Is this different from the 'Buy Apple laptops' example, on the basis that people might think that Marks & Spencer had become part of the Interflora network?

All food for thought and fodder for future ECJ cases.

Sheldon H Klein, partner at Arent Fox LL

The ECJ correctly held that, under EU law, the use of trademarks as keywords and the resulting advertising links constitute use of a trademark in the course of trade, in relation to goods and services, by the purchaser of the keyword, regardless of whether the trademark appears in the ad text itself. The last point is instructive, since in most countries outside the European Union, including the United States, Google will not take down an ad that does not display the offending trademark in text without a court order.

However, the ECJ also held that, in Google's role as "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", it does not "use" the mark in a violative manner, since it acts as an "information society service" under EU law. Thus, the search engine receives a qualified exemption from liability.

This exemption applies only to the extent that Google acts in a neutral, "mere technical, automatic and passive nature", with "neither knowledge or control of the data which it stores". However, the ECJ pointedly notes that any active role played by Google – for example, in the drafting of ad text "or in the establishment or selection of keywords" – is relevant and should be carefully assessed by the national courts in accordance with the facts of each case.

One significant open question for the European national courts to consider should certainly be the degree to which Google's "Keyword Suggestion Tool" negates the company's 'service provider' exemption by placing it in an active role with its advertising clients.

Gino van Roeyen, attorney at law, *Banning NV*

The ECJ's decision contains no real surprises. Trademark owners were, of course, awaiting a firm ruling from the ECJ that Google is liable for trademark infringement solely by 'AdWording' trademarks for third parties that are not entitled to use them. While it may appear at first sight that the ECJ has skirted the issue, on further consideration what it has done is avoided a judgment that might have had the effect of a bull in a china shop.

The evaluation of Google AdWords as a vehicle for trademark use – a recent phenomenon that is novel compared with established classic forms of and instruments for mark use – touches not only the heart of traditional trademark protection (eg, indication of origin), but also the fringes of such protection as centred on the difficult area of use of a trademark (what minimum activity can still qualify as use of a mark? Might even total inactivity come within the reach of the trademark owner?), and where trademark law meets surrounding areas of law, such as unfair competition.

The ECJ's decision seems to contain a clear message to Google that it should not profit, through AdWords, from the infringing activities of third parties. However, Google's liability is not a given – it needs to be evidenced and it does not arise without prior written notification by the trademark owner of the advertiser's infringing activities. As always, the facts of a case remain the key factor.

Felicity Hide, partner, *Boult Wade Tennant*

The decision has been interpreted as a victory for Google in its longstanding battle with Louis Vuitton and other brand owners in relation to trademark infringement. However, on closer reading, there may be future problems in store.

Google was not itself found to be using the signs for the purpose of either straightforward trademark infringement or the extended protection afforded to marks with reputation. The mere provision of a conduit for other parties to use a mark does not constitute use by the party that provides the conduit.

Brand owners can take some solace from the fact that, even if they cannot take action against Google, they may still do so against the advertisers. The ECJ clarified that those that select another party's mark to function as an AdWord for their own advertisements are using the 'signs' for infringing purposes. There will be infringement if the consumer cannot tell from the advertisement whether it is connected to, or authorized by, the brand owner. This may be true even if the third party's mark does not appear in the finished advert itself.

More interesting was the discussion on the advertising function of a trademark. The ECJ found that there will be "repercussions" on the advertising function when other parties' ads appear in the list of sponsored links resulting from a search. However, it somewhat elliptically stated that the repercussions do not in themselves constitute an adverse effect. This was held because the mark's advertising function is protected by the fact that the brand owner's products will appear in natural search results, providing protection of the advertising function. This, to me, does not appear entirely logical.

Finally, the ECJ looked at whether Google could claim exemption from liability under the E-commerce Directive.

The ECJ passed this matter back to the national court to make a case-by-case analysis. It did, however, give some guidance which may set alarm bells ringing for Google. The exemption is available only if the service provider has not played an active role which would give it knowledge of, or control over, the data stored. However, the ECJ observed that Google's role involves processing data with the help of software which it developed itself and subsequently determining the order of display of the sponsored links.

If Google also suggested the text to be used in the advertisement itself, this would be relevant. Consequently, it appears that AdWord activities may not be able to claim the exemption under the E-commerce directive.

Gareth Dickson, solicitor, *Ashurst*

This decision absolves Google of liability for direct registered trademark infringement under First Trademarks Directive (89/104/EEC) and EU Regulation 40/94 only on very specific facts. The ECJ specifically refers to the possibility of liability under alternative rules of law (eg, contributory liability under English law).

While US and European laws are now at odds as to whether Google's acts constitute trade use (the US courts say they do), they will reach the same conclusion of no infringement by Google if the US courts determine that AdWord advertisements do not confuse consumers.

For its part, the ECJ has clearly stated that sponsored advertisements have a negative impact on a mark's essential function where the mark is used, even invisibly, in connection with online content that leaves the consumer unsure as to whether that content has been provided by the mark owner or by a third party. The ECJ has made a significant statement that online content which does not clearly identify the provider is more likely to mislead (and possibly confuse) consumers than other media.

The ECJ's finding on the E-commerce Directive will also concern online service providers such as eBay and YouTube. The ECJ has emphasized that Articles 12 to 14 are narrow, applying only to passive acts which, essentially, are necessary to enable online service providers to provide efficient internet access. Influencing content and setting criteria for the very appearance of certain ads would appear to take an online service provider outside Section 4.

It of course remains to be seen whether member states will speak with one voice on whether and to what extent an online service provider is acting as a merely technical, automatic and passive intermediary once it has elected to exercise qualitative control over the data it hosts (eg, by employing measures which prevent the uploading of certain videos to YouTube or of certain counterfeit items to eBay). [WTR](#)

Trevor Little, *World Trademark Review*, London