

A web of confusion: AdWords clarity still needed

At first glance, the recent ECJ decision on Google keywords clarifies the European position, but dig deeper and uncertainty remains – mirroring the position in the United States

Just how far can Google go in using third-party trademarks as keywords to trigger advertisements in its popular AdWords advertising programme? Courts in both the United States and Europe have been grappling with this question over the last few years, as they have struggled to apply often dated IP laws to rapidly changing internet technologies.

In one of the most high-profile cases regarding this issue to date, the Court of Justice of the European Union (ECJ) recently issued its ruling in *Google v LVMH Moët Hennessy* (Joined Cases C-236/08, C-237/08 and C-238/08). Although the ECJ found in favour of Google's right to use third-party trademarks as keywords in its AdWords programme, it ultimately shed little light on the most important question that EU member countries were seeking to resolve: is online advertising triggered by third-party trademarks used as keywords legal in Europe?

France seeks clarification

In 2005 the Paris Tribunal of First Instance found against Google in a trademark infringement case brought by luxury brand owner LVMH Moët Hennessy. The case examined whether Google's use of trademarks as triggers in its AdWords programme constituted trademark infringement. The tribunal found in favour of LVMH, ordering Google to pay the company €200,000 in damages. Upon appeal to the French Court of Appeal in June 2006, the judgment was upheld and the damages award increased. Google then appealed to the Court of Cassation, which referred the case to the ECJ.

The question before the ECJ was "whether it is lawful to use, as keywords in the context of an internet referencing service, signs which correspond to trade marks, where consent has not been given by the proprietors of those trade marks".

Before the ECJ issued its final ruling in March 2010, EU Advocate General and Adviser Pío S. Cruz Villalón issued his formal opinion supporting Google's position that its sale and use of trademarks as keywords within its AdWords programme did not constitute infringement. While the ECJ often follows the findings of the

advocate general, and many commentators expected that it would do so in this case as well, the ECJ's ruling deviated from Maduro's formal opinion in important ways.

Three key provisions of the First Trademarks Directive were at issue in *LVMH*:

- Article 5(1)(a), covering the use of signs that are identical to the protected mark in connection with goods or services that are identical or similar to those for which the mark is registered;
- Article 5(1)(b), covering use of identical or similar signs in a manner that causes likelihood of confusion; and
- Article 5(2), covering dilution in which signs that are identical or similar to famous marks are used in relation to goods or services that are not similar to those for which the mark is registered.

The ECJ's analysis of the use of trademarked terms in AdWords in light of the above three provisions proceeded in three parts. First, the ECJ examined whether the claims showed that the accused party used the protected mark "in the course of trade". Second, it examined whether the marks in question were used "in relation to [identical] goods or services". Finally, to determine infringement, it examined whether such use also had an adverse effect on the protected functions of the mark.

Use in the course of trade

When examining the use of identical marks, the ECJ found that the use test is satisfied where use occurs "in the context of commercial activity with a view to economic advantage and not as a private matter". This is a relatively low threshold for showing use in the course of trade, and the ECJ accordingly found that the use by advertisers of keywords identical to protected marks in order to trigger advertisements qualifies even when the protected marks do not appear in the advertising copy itself. The ECJ stated: "Since the sign selected as a keyword is the means used to trigger [the] ad display, it cannot be disputed that the advertiser indeed uses it in the context of commercial activity and not as a private matter."



“ The future of trademark terms as keywords remains as uncertain as ever ”

However, the ECJ found that Google does not make use of the mark in the course of trade in such a situation, even if it draws economic advantage from such use. While the ECJ noted that Google “is carrying out a commercial activity with a view to economic advantage when it stores as keywords... signs which are identical with trade marks and arranges for the display of ads on the basis of those keywords”, and that Google “operates in the course of trade”, it did not ultimately find that Google uses the signs within the meaning of ‘use’ under the Trademarks Directive.

The ECJ made an important distinction here, pointing out that Google allows its clients to use trademarked terms in the course of trade without actually using such terms itself. It elaborated: “The fact of creating the technical conditions necessary for the use of a sign and being paid for that service does not mean that the party offering the service itself uses the sign.” As the ECJ failed to find that Google uses the marks in the course of trade, Google is shielded from liability for infringement under all three relevant sections of the Trademarks Directive (5(1)(a), 5(1)(b) and 5(2)).

Thus, in its initial examination of Google’s use of marks in its AdWords programme, the ECJ found that Google is not liable for infringement under any provisions of the Trademarks Directive. The only potential liability on the part of Google for use of such marks is under the E-commerce Directive, which the ECJ addressed later in its opinion and which is discussed further below.

Even though the ECJ found that Google is not liable under the Trademarks Directive, it examined the remaining infringement factors to determine the potential liability of advertisers that purchase keywords that are identical to trademarks.

Use in relation to identical goods

The second part of the infringement analysis addressed whether use of an identical mark constitutes use “in relation to goods or services” that are identical to those for which the mark is registered. Accordingly, the ECJ examined whether advertisers’ use of marks as keywords to trigger advertisements for competing goods constitutes use of those marks in relation to identical goods. It found that even where the advertiser makes no reference to the mark in the advertisement while promoting its own goods or services, use is made of the marks in relation to the goods being offered by virtue of the advertiser buying the keyword through Google. Thus, the ECJ held that even when the mark at issue does not appear in the sponsored advertisement, the mark is still used in relation to identical goods.

In finding this, the ECJ rejected Google’s argument that “in the absence of any mention of a sign in the actual ad, it cannot be argued that use of that sign as a keyword equates to use in relation to goods or services”. Instead, it ruled that “when advertising links to sites offering goods or services of competitors of the proprietor of that mark are displayed beside or above the natural results of the search, the internet user may... perceive those advertising links as offering an alternative to the goods or services of the trade mark proprietor”.

Further, it found that when an advertiser uses a mark as a keyword with the aim of offering users an alternative product, there is “use in relation to goods or services to that competitor”.

Thus, the ECJ found that the first two prongs of the three-prong infringement analysis are satisfied. All that remains to be shown in order to find infringement on the part of third-party advertisers is that use of a trademarked keyword has an adverse effect on the “protected functions” of the mark.

Adverse effect on functions of the mark

The ECJ found that the two protected functions of a trademark are “the function of indicating origin” and the “function of advertising”. First, it examined whether an invisible use of a mark (as a trigger only) by advertisers that results in the placement of advertisements under sponsored links harms the function of the mark as an indication of origin. The ECJ left this question for national courts to resolve on a case-by-case basis, but provided two notable pieces of instruction for such courts.

First, it noted: “in the case where a third party’s ad suggests that there is an economic link between that third party and the proprietor of the trade mark, the conclusion must be that there is an adverse effect on the function of indicating origin.”

Second, it stated: “in the case where the ad, while not suggesting the existence of an economic link, is vague to such an extent on the origin of the goods or services at issue that normally informed and reasonably attentive internet users are unable to determine, on the basis of the advertising link and commercial message attached thereto, whether the advertiser is a third party *vis-à-vis* the proprietor of the trade mark or, on the contrary, economically linked to that proprietor, the conclusion must be that there is an adverse effect on the function of the trade mark”.

The first case that the ECJ addressed is that of counterfeiters using a protected mark in connection with the sale of counterfeit goods. Since advertising counterfeit goods using a protected mark is clearly illegal, the ECJ did not say much on that subject.

The second case it referred to does not give much new guidance either. Essentially, the most important question that national courts in the European Union wanted addressed by the ECJ – whether advertisers should be held liable for trademark infringement by virtue of their purchase of trademarks as keywords to trigger advertisements – was passed back to the individual national courts for resolution on a case-by-case basis.

Instead of providing a useful standard by which national courts can judge whether a particular use is infringing, the ECJ has left up to such courts to decide whether the particular use in question is sufficiently vague. Because the ECJ failed to elaborate with respect to what exactly constitutes a sufficiently ‘vague’ advertisement, national courts will likely find themselves back at square one, trying to decide on an *ad hoc* basis whether one particular instance of use of a trademarked keyword is infringing.

The ECJ also addressed the advertising function, finding that: “it must be concluded that use of a sign identical with another person’s trade mark in a referencing service such as that at issue in the cases in the main proceedings is not liable to have an adverse effect on the advertising function of the trade mark.”

Lack of guidance for national courts

The ECJ next evaluated liability for Google and its advertisers under Article 5(2), which covers dilution. It found that where an advertiser “applies AdWords in order to promote the sale of imitations... the advertiser is liable for dilutive use”. However, because ‘storing’ a keyword does not qualify as making ‘use’ of it within the meaning of the directive, Google could not be found liable for infringement under the Trademarks Directive. Again, the ECJ did not get in to much new territory here as far as advertisers go, since it was clearly

Comparing the European and US approaches to AdWords cases

As a result of the ECJ decision, Google is in a somewhat more secure position in the European Union in terms of being insulated from liability for trademark infringement by virtue of its AdWords programme. However, the ECJ provided little helpful guidance to national courts with respect to the issue of advertiser liability for utilizing trademarks as keywords in the service. Essentially, the court sent the question back to national courts to decide whether use of trademarked terms in AdWords undermines the function of those marks on the basis of an ill-defined vagueness standard.

While numerous US court decisions have found that Google does not make sufficient use of the trademarked terms at issue to warrant a finding of trademark infringement, others have found that Google's use of such terms does in fact constitute use in commerce. Thus, Google's potential liability in the United States is less certain than it is in the European Union.

However, even where courts have found such use, both on the part of Google and on the part of advertisers, they are still faced with deciding whether consumer confusion is likely. Any such finding of confusion

will likely be based on the concept of 'initial interest confusion', which is somewhat similar to the ECJ's ill-defined 'vagueness' standard.

Both standards seem to rely heavily on the sophistication of the relevant consumers, the nature of the advertising copy itself and the context in which the advertisement is presented. This is important because it seems to leave room for both Google and advertisers in the United States and the European Union to utilize trademarked terms in the AdWords programme as long as they carefully craft the advertising content to distinguish the advertiser from the owner of the brand name that triggers the advertisement.

Further, as the sophistication of consumers and their familiarity with the Internet and internet advertising increase, the risk that they will be deceived by sponsored competing advertisements is likely to diminish. This sentiment was echoed by Google's senior litigation counsel for Europe, the Middle East and Africa, who stated that "consumers are smart and are not confused when they see a variety of ads displayed in response to their search queries".

illegal for advertisers to advertise counterfeit goods in EU member states before the *LVMH* decision. Nonetheless, the decision provides additional assurances to Google that it will not be found liable for dilution as a result of offering trademarks as keywords in its AdWords programme.

Finally, the ECJ examined whether Google can enjoy the immunity provisions concerning 'storage' of infringing information in accordance with the E-commerce Directive (2000/31/EC). The directive provides limitations on liability in cases "where an information society service is provided that consists of the storage of information provided by a recipient of the service and means that the provider of such a service cannot be held liable for the data which it has stored at the request of a recipient of that service unless that service provider, after having become aware, because of information supplied by an injured party or otherwise, of the unlawful nature of those data or of activities of that recipient, fails to act expeditiously to remove or to disable access to those data".

The ECJ ultimately delegated to national courts the task of

assessing the role that Google plays in this context on a case-by-case basis. However, it did provide some guidance for national courts. It found that: "the mere facts that the referencing service is subject to payment, that Google sets the payment terms or that it provides general information to its clients cannot have the effect of depriving Google of the exemptions from liability... Likewise, concordance between the keyword selected and the search term entered by an internet user is not sufficient of itself to justify the view that Google has knowledge of, or control over, the data entered into its system by advertisers and stored in memory on its server."

At the end of the day, the ECJ does not provide much guidance to national courts on this issue, other than to reiterate the language of the directive. Although the ECJ has provided national courts with some guidelines to follow when examining the question of immunity under the E-commerce Directive, such courts are still left to decide for themselves what role Google plays, and thus whether it qualifies for immunities provided under the directive.

Unsurprisingly, Google reacted positively to the ECJ's decision. It stated: "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." While this statement echoes Maduro's framework for the analysis of trademarks as keywords, it is inconsistent with the ECJ's final decision, which found that "in most cases an internet user entering the name of a trade mark as a search term is looking for information or offers on the goods or services covered by that trade mark".

AdWords cases in the United States

As in the European Union, courts in the United States have struggled to address the liability of both Google and its advertisers for contributory trademark infringement as a result of their use of keywords corresponding to trademarks in Google's AdWords programme. The factors that US courts use to analyze infringement are similar to those used by EU courts.

To state a claim of trademark infringement under US law, a plaintiff must allege that:

- it owns a valid and protectable trademark;
- the defendant used the mark in commerce and in connection with the sale or advertising of goods or services, without the plaintiff's consent; and
- the use is likely to cause consumer confusion.

US courts must first find that use is made of trademarked terms in commerce by virtue of their use as a trigger in AdWords. While courts are of mixed opinion on the issue, many have found that such use does satisfy the 'use in commerce' requirement. For example, in *Rescuecom v Google* (Case 06-4881-CV, April 3 2009), the Second Circuit ruled that Google's use of Rescuecom's trademark as a trigger for advertisements did in fact constitute use in commerce sufficient to warrant further analysis of infringement claims.

Even where courts have found use in commerce of trademarked terms used as keywords in AdWords, they have struggled to reach consensus as to whether such use is likely to cause consumer confusion. In *Hearts on Fire Company LLC v Blue Nile Inc* (603 F Supp 2d 274 (D Mass 2009)) the court found that search engine users who click on keyword-triggered ads ultimately know that the page they end up on is different from the official page of the company they are searching for.

Thus, it is difficult to show that consumer confusion exists in the traditional sense. However, the court did find that confusion can still be found in the context of trademarks used in AdWords under the

somewhat poorly defined doctrine of 'initial interest confusion'.

According to the *Blue Nile* court: "A classic example of [initial interest confusion] is where a consumer sets out in search of one trademarked good, but is then sidetracked en route to his or her original destination by a competitor's advertisement or offering. He or she is never confused as to the source or origin of the product he eventually purchases, but he may have arrived there through either misdirection or mere redirection.

"In effect, initial interest confusion involves the diversion of the consumer's attention from one trademarked good to a competing good, even if he is not confused about the source of the products he ultimately considers or buys."

The court elaborated, leaving open the possibility that a "consumer who had just entered a search for Hearts on Fire diamonds might easily believe that the defendant was one such authorized retailer when presented with Blue Nile's sponsored link, even if the accompanying text did not contain the trademarked phrase". It then mentioned a further set of factors for courts to consider (eg, the content of the advertising link and the sophistication of the target consumers) when deciding whether a consumer is likely to be confused, even where the trademark at issue does not appear in the advertising copy itself.

Outlook

While Google may represent the ECJ's decision as a victory for its AdWords programme, the decision leaves open the possibility that

third-party advertisers will be found liable for utilizing Google's AdWords service. Clearly, if EU national courts find advertisers liable for trademark infringement as a result of their use of AdWords, such decisions will undermine Google's ability to sell trademarks as keywords in Europe. Further, but perhaps less importantly, the ECJ decision leaves open the possibility that Google will be found liable due to its 'storage' of infringing information under the E-commerce Directive.

Because the ECJ gave little guidance to national courts on this issue, it is entirely possible that Google will be found liable for trademark infringement as a result of such storage. As a result, the future of trademarked terms as keywords in the European Union (especially as they are used by advertisers) remains as uncertain as ever. National governments in Europe, advertisers and Google have all been awaiting a decision that will provide them with more guidance as to the acceptable use of trademarked terms as keywords.

The most recent decision of the ECJ does not provide much clarification on the point and courts in the United States have also failed thus far to reach consensus on the issue. In the absence of further guidance from courts, advertisers and search engine marketers would do well to have advertising copy reviewed by counsel in order to minimize the risk of liability where trademarked keywords are being used. [WTR](#)

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