



INTELLECTUAL PROPERTY UPDATE | 23 MARCH 2010

ECJ: Google does not infringe trademark law

Illegal use of AdWords can still be prohibited

In its decision of today, the ECJ decided that Google has not infringed trademark law by offering advertisers the opportunity to purchase keywords ('adwords') corresponding to their competitors' trademarks. However, illegal use of AdWords can still be prohibited.

FACTS

The decision of the ECJ concerns three separate references from the French *Cour de Cassation*, joined together: *Google France, Google Inc. v Louis Vuitton Malletier* (C-236/08); *Google France v Viaticum Luteciel* (C-237/08) and *Google France v CNRRH Pierre-Alexis Thonet Bruno Raboin Tiger*, a franchisee of Unicis (C-238/08). All three references were dealing with Google's advertisement system, 'AdWords'.

AdWords enables ads to be displayed, alongside natural results (results selected and ranked through automatic algorithms), in response to keywords typed in the search engine. Google has set up an automated process for the selection of adwords and the creation of ads; advertisers type in the keywords, draft the commercial message, and input the link to their site.

In the matter of the first reference, entering Louis Vuitton's (well known) trade marks into Google's search engine triggered the display of ads for sites offering counterfeit versions of Louis Vuitton's products. Google offered advertisers the possibility of selecting, to that end, not only keywords which correspond to Louis Vuitton's trademarks, but also those keywords in combination with expressions denoting counterfeit such as 'imitation', 'replica' and 'copy'. In France, this had led to Google being found guilty of trademark infringement in two instances.

The facts of the disputes in the second and third reference differed from the first reference in that entering certain trademarks into Google's search engine triggered the display of ads for sites offering identical or similar – but not infringing – products. Also in these cases, Google was found guilty of trademark infringement in two instances.

The *Cour de Cassation* referred the cases to the ECJ, where the Advocate General in September 2009 issued an opinion in favor of Google.

DECISION

The use by Google

The ECJ ruled that, although Google operates "in the course of trade" when it permits advertisers to select, as keywords, signs identical with trademarks, stores those signs and displays its clients' ads on the basis thereof, Google does not itself "use" those signs within the terms of Article 5(1)(a) and (b) and (2) of Directive 89/104 and Article 9(1)(a) and (b) of Regulation No 40/94. Therefore, the

Google AdWords service does not constitute a trademark infringement under the articles mentioned above, regardless of whether the trademark has a reputation.

The use by advertisers

The use of trademarks by advertisers (who select the adwords) does fall within the scope of Article 5(1)(a) and (b) and (2) of Directive 89/104 and Article 9(1)(a) and (b) of Regulation No 40/94.

The ECJ ruled that “*characterized by the fact that a sign identical with a trade mark is selected as a keyword by a competitor of the proprietor of the mark with the aim of offering internet users an alternative to the goods or services of that proprietor, there is use of that sign ‘in relation to the goods or services of that competitor.’*” Since a trademark proprietor can only exercise his rights under these articles in case one or more of the functions of the trademark are affected, the ECJ examined the two functions relevant in this matter: the function of indicating origin and the advertising function. With regard to the latter the ECJ ruled that since internet users entering the name of a trademark as a search term will still be confronted with the advertising page of the trademark proprietor as a top (non sponsored) result, adword use by competitors does not have an adverse effect on the advertising function of a trademark. However, according to the ECJ adword use can have an adverse effect on the function of indicating origin where the public is unable to determine whether the advertiser is a third party or economically linked to the trademark proprietor. The ECJ leaves it for the national courts to assess whether the facts in a certain case indicate such adverse effects.

Is Google a “hosting provider”?

A separate question addressed by the ECJ was, whether an internet referencing system (i.e. AdWords) could be considered an information society service in the meaning of Article 14 of the Infosoc Directive (a “hosting” service), which would result in the referencing service provider (i.e. Google) being exempt from liability, as long as it is not informed of the unlawful conduct of the advertiser. In short, the ECJ ruled that a referencing system like AdWords indeed falls within the definition of ‘information society service’, but pointed out that in order to profit from the exemption, the activities of the provider of the service should be of a ‘mere technical, automatic and passive nature’. While the ECJ subsequently provided some pointers suggesting that Google’s role is not merely neutral (as e.g. Google “determines the order of display” of the ads), it held that it is up to the national court to conduct the definitive assessment in this respect.

Not the last word

It is important to note that ECJ only addresses questions relating to certain paragraphs of the Trademarks Directive. The judgment leaves room for other legal angles to address (the use of) AdWords. Also, the national courts of the member states have been awarded an important role in issues relating to AdWords. Therefore, the judgment of the ECJ is not likely to be the last judgment rendered on AdWords.

FOR FURTHER INFORMATION:

If you require more detailed information about this particular case or any other Intellectual Property issue please call any attorney at Howrey LLP with whom you have an existing relationship, or contact one of our offices below:

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