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Nick is the Head of the firm’s Intellectual Property and Technology Dispute Resolution Group. Nick specialises in intellectual property enforcement, and his main areas of practice are copyright, trade marks, domain names, passing-off, design law, trade secrets and computer contract disputes.

Google wins keyword victory in Europe

The Court of Justice of the European Union (“CJEU” – formerly known as the European Court of Justice) has handed down its eagerly awaited judgment in three joined cases referred by the French supreme court (Cour de Cassation)¹, ruling that Google’s AdWords service through which it offers sponsored listings in its search results based on the purchase by advertisers of keywords does not infringe trade mark rights in Europe. However, advertisers should beware because the CJEU has held that they could be liable for trade mark infringement if they use keywords which are identical to a trade mark to advertise goods or services identical with those for which that mark is registered.

The most high profile of the three French cases involves proceedings brought by Louis Vuitton against Google in relation to Google’s practice of allowing advertisers to select keywords which not only correspond to Louis Vuitton’s trade marks, but also those keywords in combination with expressions denoting counterfeit such as “imitation”, “replica” and “copy”.

The complaint in the other two cases was that keywords corresponding to trade marks were being purchased from Google by competitors of the trade mark proprietors. One of these cases also included a claim against third party advertisers who purchased keywords containing the claimant’s trade mark.

¹ *Google France, Google Inc. v Louis Vuitton Malletier, Google France v Viaticum & Luteciel, Google France v CNRRH & Others* - Joined Cases C-236/08, C-237/08 and C-238/08

In all three cases Google was found liable for trade mark infringement by the French courts at first instance and on appeal. Therefore, Google appealed to the Cour de Cassation, which in turn referred questions to the CJEU seeking guidance on the legality of keyword advertising.

Trade mark infringement

In this case, since the keywords complained of were mostly identical to the trade marks at issue, the CJEU primarily limited its assessment of liability to trade mark infringement under Article 5(1)(a) of the Trade Mark Directive 89/104 and of Article 9(1)(a) the Community Trade Marks Regulation No 40/94. Under these provisions the proprietor of a trade mark is entitled to prohibit a third party from using, without the proprietor's consent, a sign identical with that trade mark when that use is in the course of trade, is in relation to goods or services which are identical with those for which that trade mark is registered, and affects, or is liable to affect, the functions of the trade mark.

The CJEU held that keyword service providers, such as Google, do not use the trade marks in the course of trade and, therefore, are not liable for trade mark infringement – even in cases where the trade mark has a reputation. The fact that keyword service providers create the technical conditions necessary for the use of a sign and are paid for that service does not mean that the search engine offering the service itself uses the sign.

In contrast, the CJEU held that the advertiser who uses the Google AdWords service uses the trade mark in the course of trade even where it is confined to the choice of keyword and the trade mark does not appear in the third party's advertisement.

However, mere use does not automatically lead to infringement. Existing case law prevents a trade mark owner from opposing the use of a sign identical with the mark if that use is not liable to cause detriment to any of the functions of that mark, including the essential function of the trade mark, which is to guarantee to consumers the origin of the goods or services (“the function of indicating origin”).

The CJEU held that whether there is an adverse effect on the function of indicating origin will depend on the manner in which that ad is presented. It will be adversely affected if the ad does not enable normally informed and reasonably attentive internet users, or enables them only with difficulty, to ascertain whether the goods or services referred to by the ad originate from the trade mark owner or an undertaking economically connected to it or, on the contrary, originate from a third party.

The CJEU gave further guidance on this, stating that, if the ad appears immediately after entry of the trade mark as a search term and is displayed at a point when the trade mark is, in its capacity as a search term, also displayed on the screen, the internet user may err as to the origin of the goods or services in question. In those circumstances, the use by the third party of the sign identical with the mark as a keyword triggering the display of that ad is liable to

create the impression that there is a material link in the course of trade between the goods or services in question and the trade mark owner.

It is for the national court to assess, on a case-by-case basis, whether the facts of the dispute before it indicate adverse effects, or a risk of adverse effects, on the function of indicating origin. 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.

Liability of the search engine provider under the E-Commerce Directive

The CJEU was also asked to rule on whether keyword service providers such as Google can rely on exclusions of liability set out in the E-Commerce Directive (2000/31/EC) for information society service providers. This Directive enables such providers to avoid liability under national laws for certain activities, such as acting as a mere conduit, hosting and caching.

The CJEU ruled that the Cour de Cassation was best placed to know the actual terms on which Google supplied the services in the three French cases and must assess whether Google's role is neutral, in the sense that its conduct is merely technical, automatic and passive, pointing to a lack of knowledge or control of the data which it stores – and thus can benefit from the exclusions from liability under the E-Commerce Directive.

If the national court finds that the service provider has not played an active 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 the data or of that advertiser's activities, it failed to act expeditiously to remove or to disable access to the data concerned.

When analysing this area of law, the CJEU erred by relying on recital 42 of the preamble to the E-Commerce Directive in the context of hosting services, whereas this recital only relates to the mere conduit and caching defences. In practice, this does not have a negative impact on the final ruling.

What does this ruling mean for keyword advertising?

Internet search engine providers, such as Google, will be pleased with today's ruling. It means that they can continue to offer their keyword services without fear of liability for trade mark infringement. They should, however, act quickly to remove any infringing content from the sponsored results once they are informed that the ad infringes trade mark rights.

The judgment is not such good news for advertisers who have chosen keywords which are the same as third parties' trade marks. Advertisers may be held liable for trade mark infringement if their ad which appears in the sponsored results following a search on a trade mark does not

enable an average internet user, or enables that user only with difficulty, to ascertain whether the goods or services referred to in the ad originate from the trade mark owner or an undertaking economically connected to it or originate from a third party.

This judgment does not mark an end to the keyword issue. It also raises new questions including exactly in what circumstances ads will infringe. Several other keyword-related cases are still pending before the CJEU, which involve slightly different issues to the ones raised in the three French cases. Therefore, whilst this latest judgment from the CJEU is to be welcomed for clarifying certain issues, further light should be shed on this issue in the future.