

Edwards Angell Palmer & Dodge

Google remains at the heart of the online debate

The most interesting recent developments relating to online trademark use concern the use of trademarks as keywords. Specifically, there has been considerable debate, and litigation, regarding Google's AdWords programme

For many businesses, a high ranking on internet search engine results is vital in directing internet users to their websites. Google's AdWords programme has proved a valuable tool for many businesses in attracting internet users to their websites. However, as a significant proportion of internet searches are conducted against terms that are trademarks, Google elected to include trademarks within its Adwords programme, allowing anyone to bid for another party's mark for use as an AdWord. This has proved extremely controversial.

Unsurprisingly, a number of brand owners have sought to resolve this issue through the European and English courts. Of particular interest are a number of recent decisions of the Court of Justice of the European Union (ECJ). The first of these related to three conjoined cases (C-236-08, C237-08 and C-238-08) against Google France (*Google France Sarl v Louis Vuitton Malletier SA* ([2010] RPC)). This judgment, and those that followed shortly thereafter, highlighted several issues which have serious implications for brand owners in relation to the use and protection of their trademarks online. The first is that the courts are extremely reluctant to interfere with arguably the most powerful internet player, Google, and its most profitable revenue stream, AdWords. The second is that this reluctance has led to a rather confusing judgment that contradicts other European jurisprudence in relation to trademarks.

Many internet users appreciate the significance within search engine results of the sponsored links that sit alongside the natural search results. Trademark owners may accept that the algorithms used by search engines will also highlight within the natural search results illegitimate websites that, for example, offer counterfeit goods. However, many trademark owners consider that sponsored links returned

by a search engine in response to their trademark should link only to their own website or the websites of legitimate retailers of the branded goods or services.

Google, unlike operators of other leading search engines, has sought to exploit uncertainties in trademark law in the European Union in order to sell well-known trademarks as keywords to the highest bidder. Google refers to these terms as 'AdWords'. Advertisers can bid for AdWords and Google will display the advertiser's sponsored link when the relevant search term is inputted by the internet user. If more than one person bids for the same AdWord, Google will rank the sponsored links according to how much the advertiser has bid for the AdWord (costs-per-click) and Google's own 'quality score' for the advertiser's website. The problem for trademark owners is that the more successful your brand, the more third parties will be willing to bid for your mark and the more you will have to bid for your own brand as an AdWord to ensure that your sponsored link appears ahead of the third parties' sponsored links. Consequently, the Adword programme has proved controversial. Many brand owners object to the sale of their marks as AdWords. Unsurprisingly, this controversial AdWords service has led to litigation and, as is the nature of trademark law in Europe, this litigation has led to the ECJ.

In the first ECJ case *Louis Vuitton* and others brought claims against Google to try to prevent it from offering their trademarks within its AdWords programme. These cases were referred to the ECJ, which issued its decision in March 2010.

Broadly, the ECJ held as follows:

- An advertiser that acquires a third party's trademark as an AdWord will be liable for trademark infringement unless the advert is worded in a manner that enables internet users to ascertain

clearly that the goods or services referred to in the advert come from the trademark owner (essentially, an advert must not mislead the reasonable internet user).

- The sale of a trademark by Google under its Adwords service does not infringe that trademark *per se*.
- While Google is not generally liable for facilitating infringement via its AdWords service, it will be found liable once notified of the infringing act of the advertiser (presumably by the brand owner), unless it acts "expeditiously to remove or to disable access to the data concerned".

This judgment raises a number of issues. The first is that, frustratingly for brand owners, Google has avoided primary liability for trademark infringement through the sale of third-party trademarks as AdWords. The second is that when taking action against third-party advertisers, trademark owners will need to look at the form of the Google advert to decide whether it is capable of misleading internet users. It is clear that the courts are taking an approach that could be described at best as 'policy-based' and at worst as highly political. The ECJ noted in its decision that were Google to be obliged to block trademarks from its AdWords programme, "the nature of the internet and search engines as we know would change". AdWords is Google's primary source of revenue: in 2009 it was worth around \$23 billion. Therefore, it is easy to see how an adverse judgment against Google in this respect could significantly change the face of the Internet.

Therefore, while the judgment provides some hope to brand owners in relation to action that they may wish to take against third parties, the fear of interfering with Google and the operation of the Internet has

created a rather peculiar decision that appears to contradict directly the ECJ decision in *L’Oreal v Bellure* ([2010] EWCA CEV 535), which was decided less than 12 months previously. Thus, trademark owners must navigate their way around two different cases to establish the requirements for infringement.

L’Oreal did not relate to the Internet, but rather concerned so-called ‘smell-alike’ perfumes and the law of unfair competition. In this judgment the ECJ held that Article 9(1)(a) of the Community Trademark Regulation applied, which does not purport to require any likelihood of confusion when the allegedly infringing mark is identical to the registered mark and the goods or services are also identical.

Less than a year later, the *Google France* decision introduced a requirement that there be a likelihood of confusion, even in ‘double-identity’ cases where the marks and the goods and services used are identical. The ECJ decided that there will be no infringement in circumstances where the essential function of the trademark (to guarantee the origin of goods or services) is not affected by the third party’s use of the mark. The ECJ decision suggests that this essential function can be affected only where there is some form of confusion as to the source of the goods or services. This leads to the perverse result that a third-party advertiser on Google can use another party’s trademark to advertise its identical goods and services without risk of infringement, provided that the internet user is not confused. In addition, the ECJ appears to suggest that internet users are particularly sophisticated and will not easily be confused. Again, this appears to be a convenient finding when experience points to exactly the opposite: many internet users are unsophisticated and are easily misled and confused (hence the proliferation of online scams). This is difficult to reconcile with the *L’Oreal* arguments on essential function and unfair advantage.

This inconsistency in the ECJ judgments has been highly criticised by a number of English judges, most notably Justice Arnold in the High Court and Lord Justice Jacob in the Court of Appeal. The English court has referred another AdWords case to the ECJ – *Interflora v Marks and Spencer* – a case which will be of significant interest to brand owners and will provide an opportunity for the ECJ to answer some of the criticism.

So has the judgment imposed any additional obligations on Google? It was clearly the court’s intention to do so, while not requiring Google to monitor the use of third-party trademarks on the Internet itself and not preventing it from selling AdWords.



Nicholas CA Bolter
Partner
nbolter@eapdlaw.com

A partner in Edwards Angell Palmer & Dodge’s London office, Nicholas Bolter advises clients on the selection, protection and enforcement of trademarks, brands and designs, and acts for some of the world’s best-known luxury brands and online retailers. He advises on online brand protection and maintains a 100% success record in Uniform Domain Name Dispute Resolution Policy proceedings and similar proceedings before Nominet.



Sascha Grimm
Associate
sgrimm@eapdlaw.com

Sascha Grimm is an associate in the London office of Edwards Angell Palmer & Dodge and covers copyright, design, trademark and domain name matters, both contentious and non-contentious. She assists in rights clearance checks, drafts licence agreements for various aspects of intellectual property, including copyright and designs, and prosecutes applications and opposition actions throughout the European Union.

The aim appears to be to allow vigilant brand owners to go through Google’s notice and takedown procedure in order to have the offending sponsored link removed and the AdWord deactivated for that advertiser.

Unfortunately, since the judgment, it appears that Google has taken a less than robust approach to its notice and takedown procedure. Google continues not to investigate trademark complaints in the United Kingdom and Ireland. Elsewhere in Europe, the preliminary indications are that Google has adopted a very narrow interpretation of when it must act to “remove or disable access to the data concerned”. Google will not remove an advert unless the trademark is used within the text, and does not consider ‘invisible’ keywords to be misleading to internet users in themselves. Again, this appears contrary to the ECJ’s decision, which states that Google should act expeditiously once it has obtained knowledge of the unlawful nature of the data or the advertiser’s activities.

Therefore, any action against third-party advertisers will need to be taken directly and on a case-by-case basis, at greater expense to the trademark owner, rather than through a simple Google takedown procedure.

There are many reasons for brand owners to feel frustrated by the remaining uncertainties in this area. It is clear that the courts are reluctant to interfere with the operation of search engines and are applying the law flexibly. Many will consider this entirely appropriate, as technology advances far quicker than legislation. Others, in particular brand owners, find this approach frustrating.

Given the remaining uncertainties, further litigation in this area is inevitable. In particular, brand owners will seek to:

- clarify what form of sponsored ad “does not enable an average internet user, or enables that user only with difficulty, to ascertain whether the goods or services referred to therein originate from the proprietor of the trademark or an undertaking economically connected to it or, on the contrary, originate from a third party”; and
- explore how Article 9(1)(c) (the provision relating to dilution, free-riding and tarnishment of marks with a reputation) can be applied within the context of Google’s AdWords programme.

For now, it remains for brand owners to police the use of their marks. In particular, regular searches on Google and other search engines will reveal those parties that are bidding against their trademarks. On becoming aware of an infringement, brand owners can seek to discuss the issue with the advertiser or file a complaint with Google. 