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Intellectual Property Alert

March 25, 2010

Google AdWords Decision Issued by the European Court of Justice

Google France, Google Inc. -V- Louis Vuitton Malletier and others,
European Court of Justice Cases C-236/08, C-237/08 And C-238/08

The European Court of Justice ruled this week that Google did not infringe trademark rights by letting advertisers purchase keywords corresponding to their competitors' trademarks in Google's AdWords program. On the other hand, advertisers who purchase the keywords could be liable for trademark infringement if the purchased keywords are identical to a trademark and are used to advertise the same goods or services covered by the trademark.

Google's AdWords program permits advertisers to create advertisements by choosing keywords, creating a short message and providing a hyperlink.[1] Google's AdWords program has been controversial because Google permits advertisers to choose trademarks of competitors and other third parties as keywords. Many brand owners object to Google charging them for use of their trademarks as keywords and allowing competitors to also purchase their trademarks as keywords. Louis Vuitton Malletier and others brought trademark infringement suits against Google in various national European courts. Inconsistent decisions from those national courts led to a hearing by the European Court of Justice.

First, the court considered whether the use of a trademark as a keyword in the AdWords program is use that the trademark owner is entitled to prevent. It held that use of a trademark as a keyword *by Google* is NOT "use" in the course of trade and therefore did not address the further question of whether the use was in relation to goods or services.[2] On the other hand, the court held that use of a trademark as a keyword *by advertisers* is (a) use in the course of trade and (b) use in relation to goods or services.[3] In particular, when the goods or services advertised are the same as those for which the trademark is registered, an internet user could be confused by the appearance of the advertisement in the search results when the user has entered the trademark as a search query. The court went on to hold that such use of a trademark by the advertiser adversely affects the source-indicating function of the trademark if the advertisement "does not enable normally informed and reasonably attentive internet users . . . to ascertain whether the goods or services referred to by the ad originate from the proprietor of the trade mark . . . or, on the contrary, originate from a third party." Therefore, the trademark owner can prohibit an advertiser from using the trademark as a keyword in the Google AdWords program.

Next, the court considered whether Google is vicariously liable for infringement by the advertiser, and concluded that Google would be liable only if it knew of the unlawful activity and failed to act on such knowledge to remove or disable access to the infringing material. Under European law, a hosting service provider is considered to be merely technical, automatic and passive. Accordingly, it is not liable before being informed of its customer's infringing conduct. Louis Vuitton and others argued that the AdWords program is not a hosting service because Google controls the display of

[1] Google may display that advertisement next to organic search results when the keyword is input into Google's search engine. The advertisement appears under the heading "sponsored links" to the right of, or above, the organic search results. The advertiser pays Google based on the number of times the advertisement link is clicked by internet users and based on the maximum price per click agreed upon between the advertiser and Google. A number of advertisers can reserve the same keyword.

[2] In contrast, in *Rescuecom v. Google*, 2009 WL 875447 (2d Cir. April 3, 2009), the Second Circuit held that use of trademarks as keywords is "use in commerce" within the meaning of the Lanham Act.

[3] Under European law, the proprietor of a trademark can prohibit a third party from using a sign that is identical with the trade mark when that use: (1) is in the course of trade, (2) is in relation to goods or services which are identical with or similar to those for which that trade mark is registered, and (3) affects the functions of the trademark.

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the advertisements on its search results. The court disagreed and held 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" that is provided to a hosting service. Likewise, similarity between the keyword and a search query was insufficient to establish that Google has control over or knowledge of the data, including the infringing keyword, entered into its system by advertisers. Therefore, Google is liable only if it was actually informed of the advertiser's infringement and failed to take action in a timely manner to remove or to disable access to the infringing materials.

Thus, trademark owners can expect Google to be more responsive to take-down requests of advertisements appearing through the AdWords program that infringe their trademarks in Europe. Google plans to "study the decision further as [it] move[s] forward in order to make sure that [it] continue[s] to deliver advertising that is perceived as both valuable and relevant by [its] users." The Official Google Blog, *European Court of Justice rules in Google's favour* (posted March 23, 2010), available at http://googleblog.blogspot.com/.

Bottom Line: In light of this ruling, if you are an advertiser, you may want to rethink your use of your competitors' trademarks in Google AdWords program in Europe. If you are a trademark owner concerned about the use of your trademarks as keywords by advertisers, you now have another tool in your arsenal to combat infringement of your trademarks.

For more information on the Trademark practice group and its members, you may visit the **Trademark, Advertising and Brand Management** page of the Haynes and Boone, LLP Web site. If you have questions or desire further information, please contact one of the following:

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