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# The European Court of Justice Rules on Keyword Ads and Trademark Rights

DAVID FRANKLYN\*

On March 22, 2010, the European Court of Justice (“ECJ”) issued a decision finding Google not liable for trademark infringement in the context of its Ad Words program.<sup>1</sup> The European Court of Justice issued its long-anticipated decision in the three Google AdWords cases referred to it by the French Cour de Cassation.<sup>2</sup> The ruling only answers the questions posed to it by the Cour de Cassation. Nevertheless, the ECJ’s decision should be favorable to Google and other keyword advertising vendors throughout Europe.

Under Google’s keyword program, Google allows potential advertisers to “bid” on a keyword that, when entered by a searcher, will then link a searcher to an advertisement sponsored by the bidder; once the searcher clicks on the ad, the searcher is directed to the bidder’s website.<sup>3</sup> For example, Mercedes Benz may purchase the words “luxury automobiles” as a keyword that produces paid advertisements for Mercedes Benz cars. Anyone who types “luxury automobiles” into a Google search will then see Mercedes Benz’s advertisement—either in a shaded area at the top left-hand side of the screen or in a shaded area on the right side of the screen.<sup>4</sup> Usually these will occur under the heading of “Sponsored Links.” The more money the bidder agrees to pay for a particular hit, the higher up on the list of sponsored links it will be.<sup>5</sup>

Sometimes, however, the purchased keyword involves a trademark. For example, Mercedes Benz may purchase the trademark “Infiniti” as a keyword. Although Infiniti is a competitor of Mercedes Benz and Mercedes Benz may be purchasing Infiniti’s

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1. Joined Cases C-236/08, C-237-08 & C-238/08, *Google France SARL v. Louis Vuitton Malletier SA*, 2010 ECJ EUR-Lex LEXIS 119 (Mar. 23, 2010), available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:62008J0236:EN:HTML>.

2. *Id.*

3. See Greg Lastowka, *Google’s Law*, 73 BROOKLYN L. REV. 1327, 1339-40 (2008) (describing the auctioning, linking, and payment process of Google AdWords).

4. See *id.* at 1343-44 (noting that links for the search term “nike” were found both at the top left of the screen and right side of the screen as “Sponsored Links”).

5. See *id.* at 1339-40 (discussing the proportionality of payment and link placement of Goto.com, the business model of which Google duplicated).

mark as a keyword precisely to direct internet users away from Infiniti and to Mercedes Benz, Google has allowed this practice to occur. Trademark owners have sued Google—and rival purchasers of their marks as Google search keywords—on the theory that such uses confuse consumers as to the source, sponsorship, or affiliation of goods and thus constitute trademark infringement.<sup>6</sup> These lawsuits have been brought in the United States and abroad, most notably in the European Union.

In the United States, Google and other search engines have argued that they are not liable for trademark infringement as a matter of law (even if there is consumer confusion) because they are not using the plaintiffs' marks as source identifiers for their own goods or services.<sup>7</sup> According to Google, when they make trademarks available as keyword search terms, that "making available" is not an actionable trademark use in and of itself. U.S. Courts, however, have definitively rejected this as an absolute defense.<sup>8</sup>

Instead, courts have held that Google is using the questioned marks "in commerce" and that that is the only "use" prerequisite in the Lanham Act.<sup>9</sup> That being the case, in the U.S. Google may still face liability for including trademarks in its AdWords/Sponsored Links program if the use of these trademarks by bidders ultimately causes consumer confusion. Moreover, such confusion is likely to be determined under the notoriously fuzzy "initial interest confusion" doctrine, which attaches liability to uses that cause initial diversion or confusion even if by the point of purchase such confusion has dissipated.<sup>10</sup> Google will, therefore, have to handle these cases on a case-by-case basis with the threat of liability hinging on the facts of each particular case.

Google's potential exposure for selling trademarks as keywords appears to be significantly lower in continental Europe after the recent ECJ ruling. The ECJ has ruled that Google is not liable for trademark infringement when an advertiser purchases a keyword

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6. See, e.g., *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. 2009); *Google Inc. v. Am. Blind & Wallpaper Factory, Inc.*, No. C 03-5340 JF (RS), 2007 U.S. Dist. LEXIS 32450 (N.D. Cal 2007); *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700 (E.D. Va. 2004).

7. See Lastowka, *supra* note 3, at 1384-89 (discussing trademark infringement in the context of internet search results).

8. The Court of Appeals for the Second Circuit in *Rescuecom* rejected the argument advanced by Google and its amici (a group of law professors), and accepted by a number of district courts in the Second Circuit, that the inclusion of a trademark in an internal computer directory cannot constitute trademark use. *Rescuecom Corp.*, 562 F.3d at 129-30. Most commentators believe that *Rescuecom* effectively killed the "no trademark use" defense in such cases. See, e.g., Stacey L. Dogan, *The Future of Internet Content and Services: Beyond Trademark Use*, 8 J. ON TELECOMM. & HIGH TECH. L. 135 (2010); Jessica A.E. McKinney, Note, *Rescuecom Corp. v. Google Inc.: A Conscious Analytical Shift*, 95 IOWA L. REV. 281 (2009).

9. *Rescuecom Corp.*, 562 F.3d at 129-30.

10. See *Brookfield Commc'ns., Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1061-66 (9th Cir. 1999).

based on a competitor's trademark to trigger a search ad, so long as Google removes the infringing ads promptly when notified by brand owners.<sup>11</sup> Bidder/advertisers can still be held liable under a likelihood of confusion test, but actionable confusion is limited to situations where the search ad makes it "impossible, or possible only with difficulty, for average internet users to establish from what undertaking the good or services covered by the ad originate."<sup>12</sup> The ECJ stated that it is up to national European Courts to decide consumer confusion issues on a case by case basis.<sup>13</sup>

The ECJ decision is good for Google in the sense that it seems to largely shield Google from liability (so long as it follows the take down policy), and thus gives it something the U.S. courts refused to give it. But the ECJ decision could also be bad for Google in that it more clearly endorses the possibility that search term bidders could be liable for trademark infringement. This could lead to a chilling effect on the purchase of trademarks as search terms which could then result in lower revenues for Google. It is hard to tell whether the decision will have that effect, given the other impediments to such suits. For now, though, I would say this is a win for Google.

The most useful parts of the ECJ decision can be found in the following paragraphs:

[1.] Article 5(1)(a) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks and Article 9(1)(a) of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark must be interpreted as meaning that the proprietor of a trade mark is entitled to prohibit an advertiser from advertising, on the basis of a keyword identical with that trade mark which that advertiser has, without the consent of the proprietor, selected in connection with an internet referencing service, goods or services identical with those for which that mark is registered, in the case where that advertisement 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 trade mark or an undertaking economically connected to it or, on the contrary, originate from a third party.

[2.] An internet referencing service provider which stores, as a keyword, a sign identical with a trade mark and organises the display of advertisements on the basis of that keyword does not use that sign within the meaning of Article 5(1) and (2) of Directive 89/104 or of Article 9(1) of Regulation No 40/94.

[3.] Article 14 of Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic

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11. Joined Cases C-236/08, C-237-08 & C-238/08, *Google France SARL v. Louis Vuitton Malletier SA*, 2010 ECJ EUR-Lex LEXIS 119, at \*1-3 (Mar. 23, 2010).

12. Press Release, Court of Justice of the European Union, *Google has not infringed trade mark law by allowing advertisers to purchase keywords corresponding to their competitors' trade marks*, No. 32/10 (Mar. 23, 2010).

13. Joined Cases C-236/08, C-237-08 & C-238/08, *Google France SARL v. Louis Vuitton Malletier SA*, 2010 ECJ EUR-Lex LEXIS 119, at \*48 (Mar. 23, 2010).

commerce, in the Internal Market ('Directive on electronic commerce') must be interpreted as meaning that the rule laid down therein applies to an internet referencing service provider in the case where that service provider has not played an active role of such a kind as to give it knowledge of, or control over, the data stored. If it has not played such a 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 those data or of that advertiser's activities, it failed to act expeditiously to remove or to disable access to the data concerned.<sup>14</sup>

The first paragraph essentially holds that key word advertisers (as opposed to Google) are liable for trademark infringement if they purchase keywords and link them to ads in situations where the ad would not enable "an average internet user" to determine from what "undertaking" the goods originate "without difficulty."<sup>15</sup> I suspect this will be harder to prove than American-style "initial interest" confusion (which in some jurisdictions seems to allow for advertiser liability when there is diversion),<sup>16</sup> but easier to prove than traditional likelihood of confusion. I think this holding is sensible given the difficulties inherent in determining initial interest confusion.

The second paragraph holds that Google does not make a legally significant use of a trademark merely through the sale of keywords.<sup>17</sup> Said another way, it essentially holds that Google is not "using" a trademark in commerce when it merely makes it available for sale as a keyword.<sup>18</sup> I disagree with this finding. The sale of trademarks as keywords to purchasers whom Google knows are buying those marks to attract consumers to their own sites—*i.e.*, in order to sow confusion in the on-line marketplace and even to sell clearly counterfeit goods—is part and parcel of Google's business plan.

Through this business plan, Google is actively facilitating and profiting from confusion. The ECJ opinion almost seems quaint and naive in suggesting/holding that Google is normally merely passive when confusion occurs in the first instance. It seems to ignore the fact that Google's own website for AdWords gives advice to consumers on which keywords they might want to buy, including the names of their competitors.<sup>19</sup> The ECJ opinion also seems to ignore that Google is making a lot of money by not only facilitating on-line confusion but

14. *Id.* at \*1-3.

15. *Id.* at \*1-2.

16. *See, e.g.*, *Playboy Enters., Inc. v. Netscape Commc'ns. Corp.*, 354 F.3d 1020 (9th Cir. 2004); *Promatek Industries, Ltd. v. Equitrac Corp.*, 300 F.3d 808 (7th Cir. 2002).

17. *Joined Cases C-236/08, C-237-08 & C-238/08, Google France SARL v. Louis Vuitton Malletier SA*, 2010 ECJ EUR-Lex LEXIS 119, at \*2 (Mar. 23, 2010).

18. *Id.*

19. *See* <https://adwords.google.com/select/KeywordToolExternal?defaultView=2> (last visited Apr. 25, 2010) (allowing users to enter a search term to see what results would come up under a keyword search).

by causing a frenzy of competitive trademark keyword purchasing. Google's AdWord program incentivizes trademark owners to pay too much to buy their own marks as keywords in order to try to control the display of ads on the first page of a Google search result. How nice for Google. How bad for trademark owners and for consumers who must pay extra prices for goods and services due to this unnecessary cost which is undoubtedly passed on to them.

The Second Circuit got it right in *Rescuecom* when it held that making trademarks available for sale as keywords is in itself a potentially actionable "use" of the mark, so long as plaintiffs show confusion.<sup>20</sup> Making a trademark available for use as a keyword that ultimately leads to confusion is clearly a "use in commerce" under the Lanham Act.<sup>21</sup> There is no separate requirement under U.S. law that the mark be used by the defendant as a source identifier for its own goods, and there is no articulated reason given by the ECJ opinion as to why that should not be the case in the EU as well. What is clear is that Google now has a better legal landscape in the EU. This may embolden Google to effectuate a more aggressive policy there.

The third paragraph essentially paints Google's role in this context as fairly passive. If Google steps out of this role and somehow allows confusion ads to remain posted after being notified of them, then the ECJ leaves open the possibility that Google can be liable for the resulting confusion.<sup>22</sup> The Court does not explain why Google's liability should be limited to these circumstances or what would constitute "knowledge of the unlawful nature of those data or of that advertiser's activities."<sup>23</sup> Indeed, given the difficulty in accurately predicting what constitutes confusion in the keyword advertising context, I wonder how and when Google would ever have such "knowledge" except in clearly flagged counterfeiting situations.

All in all, the ECJ opinion steers clear of imposing significant costs on search engines to police trademarks on their sites. While this may seem to sensibly spare search engines the costs that such policing would entail, it leaves trademark owners with recourse mostly against keyword purchasers in the event of confusion. Given that Google is actively profiting from keyword confusion, its role as a passive and innocent observer in this context is questionable.

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20. *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 129-30 (2d Cir. 2009).

21. *Id.*

22. *Joined Cases C-236/08, C-237-08 & C-238/08, Google France SARL v. Louis Vuitton Malletier SA*, 2010 ECJ EUR-Lex LEXIS 119, at \*2-3 (Mar. 23, 2010).

23. *Id.*

