

## A Review of the recent Google AdWords decision

### 1. Introduction

1.1 Further to our earlier publications<sup>1</sup>, the Court of Justice of the European Union has now issued its ruling as to whether the AdWords program run by Google may lead to trade mark infringement.

### 2. Background

2.1 It is useful to consider how the AdWords service operates. As is well known, Google operates an internet search engine. When a user performs a search, Google applies its algorithm to its index of internet pages in order to display a set of results to the user that best corresponds to the query. These are considered to be the “natural” results of the search.

2.2 Google also provides the opportunity through its AdWords service for advertisements to be displayed, these advertisements being displayed above or to the right of the “natural” results.

2.3 Each advertisement comprises a sponsored link (one or more words providing a hyperlink to a webpage chosen by the advertiser) together with a commercial message. Each advertisement is associated with one or more keywords for which the advertiser pays a fee to Google. A further fee is payable when a user clicks on the link. A number of advertisers can reserve the same keyword. The ordering of the advertisements depends upon a number of factors including the price the advertiser is willing to pay per click, the number of previous clicks on those advertisements and the quality of the commercial message as assessed by Google.

2.4 Broadly, the Court considered the extent to which the use of keywords that correspond to or incorporate registered trade marks to generate the advertisements infringes those rights.

2.5 The French Courts, faced with a number of decisions concerning whether the use of registered trade marks by the AdWords service amounted to trade mark

infringement, referred a number of detailed questions to the Court for determination and guidance<sup>2</sup>.

2.6 In the disputed cases, the keywords enabled the clients of the AdWords service to direct users either to imitations of the trade marked products or to competitors of the trade mark proprietor.

2.7 The Court, as is customary, had the benefit of an opinion from an Attorney General. The Attorney General advised that a search engine would not infringe trade mark rights by allowing advertisers to buy keywords containing trade marks. Unusually, the Court departed from the opinion provided, indicating that matters are not so clear cut.

### 3. The Law

3.1 In coming to their decision, the Court took into account both the Community Trade Mark Directive<sup>3</sup> and the E-commerce Directive<sup>4</sup>.

3.2 Briefly, the E-commerce Directive provides a safe harbour for an internet service provider, provided that the provider is able to show that the role they play is one of a “mere conduit” and that they do not take an active part in the service provided, being instead “merely technical, automatic and passive”. A service provider who deliberately collaborates with a customer of the provided service which results in an illegal act, such as trade mark infringement, goes beyond a “mere conduit” and is unable to enjoy the benefit of the Directive.

3.3 The Court held that of itself the mere storage of keywords did not remove Google from the safe harbour provided by the E-commerce Directive.

<sup>2</sup> C-236/08, *Google France SARL and Google Inc. v Louis Vuitton Malletier SA*, C-237/08 *Google France SARL v Viaticum SA and Luteciel SARL*, C-238/08, *Google France SARL v the Centre national de recherche en relations humaines SARL and Tiger SARL and two natural persons, Mr Thonet and Mr Raboin*,

<sup>3</sup> Council Directive 89/104/EEC of 21st December 1988, now replaced by now replaced by Directive 2008/95/EC

<sup>4</sup> Council Directive 2000/31/EC of 8 June 2000

<sup>1</sup> These may be found [here](#) and [here](#)

3.4 However, if a service provider becomes aware of an illegal act, such as trade mark infringement by an advertiser, and fails to act in a timely manner to remove the advertisement (or disable the link) it will lose the benefit of this safe harbour.

3.5 Similarly, the Court also instructed the French courts to consider the extent to which Google has been involved in the drafting of the commercial message, the wording of the link or in guiding the selection of keywords by their advertisers. It is clear that while the use of keywords per se has not taken Google from the safe harbour, other aspects of their business model will need to be carefully considered if Google is to retain this benefit.

3.6 The Court then considered whether the use of keywords to generate the sponsored advertisements amounted to “use of a trade mark”.

3.7 In the context of the Trade Mark Directive, the Court confirmed that use of a sign in the course of trade where it occurs in the context of commercial activity with a view to economic advantage is relevant use. However, the Court was of the opinion that, notwithstanding that Google makes money by storing the keywords, this did not amount to use in the relevant sense. Rather, Google allows its clients to use the signs *without itself using those signs*.

3.8 The Court moved on to consider a related question as to whether (if there was use of the mark) was the use in relation to the goods or services protected by the mark. It had previously held that use of a sign identical with a mark of a competitor, in a comparative advertisement, was use in relation to the relevant goods or services, albeit one that that could be permitted as a comparative advert if certain other criteria were met<sup>5</sup>. The Court held that use by an advertiser of a keyword identical with a trade mark in the context of an internet referencing service to direct consumers to similar goods (either imitations or competing goods) also falls within this concept.

<sup>5</sup> C-487/07 *L’Oreal and others* [2009] ECR I-0000

3.9 Finally if there is use of the trade mark in relation to the relevant goods and services the Court reminded us that it is also necessary that for the Courts to step in to prevent such use, the use must also cause detriment to at least one of the functions of the trade mark. These functions include the ability for the trade mark to indicate the correct origin of the goods or services and the ability for the proprietor to use the mark in advertising.

3.10 If a normally informed and reasonably attentive Internet user cannot tell, or can only tell with difficulty, whether the goods or services in the advertisement originate from the trade mark proprietor or from an unconnected third party, this will adversely affect the origin function of the mark and such use may be prevented.

3.11 On this basis advertisers, depending upon the surrounding circumstances, may find themselves liable for trade mark infringement if using a keyword that corresponds to a trade mark, or uses a trade mark in their link or commercial message without making clear the true origin of the goods/services.

3.12 The Court was of the opinion that the use of a sign in an advertisement or link is not, of itself, likely to adversely affect the advertising function.

3.13 On the basis that Google can take advantage of the safe harbour provisions of the E-commerce Directive and so is not directly liable for trade mark infringement as it does not itself use keywords in a trade mark sense, Google has declared itself a victor in the proceedings.

#### 4. Conclusions

4.1 What does this mean for trade mark owners or those who wish to use others’ trade marks in their advertising?

4.2 It is clear that while in many circumstances brand owners will not be able to take action directly against Google (or similar service providers), it will remain well worth advising Google of likely infringements, since a failure by Google, once notified, to take action may remove their status as a neutral party or “mere conduit” under the E-commerce Directive.

