

Trying to make sense of internet keyword policies

Recent court decisions around the world have attempted to make sense of the conditions under which advertising service providers can sell 'keywords' to third parties. While the courts aim was to clarify the legal framework, they have also created some controversy among brand owners. Christopher Coulter and Deirdre Moynihan, of Morrison & Foerster, analyse recent 'adword' evolutions, with particular focus on the EU.

'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'¹.

The tension between keywords and trade mark owner rights

As is now well-known, some online keyword advertising service providers sell certain words to advertisers ('keywords'). Generally, these keywords prompt the display of a 'sponsored link' or sponsored advertisement when the words are typed into a search engine. In this way, advertisers can enhance traffic flow to their goods and services, and advertising service providers and search engines can derive advertising revenues. So, for example, in Google's Adwords service, a 'sponsored link' is displayed when the keyword is typed into Google's search box. The sponsored link is accompanied by a short message promoting the advertiser's business. A number of advertisers can reserve the same keyword and if a number of advertisers have reserved the same keyword, the order in which the sponsored links are displayed is determined according to the maximum price per click, the number of previous clicks on those sponsored links and the quality of the ad as assessed by Google².

However, it is also possible for a keyword to be the subject of a registered trade mark. Pursuant to the Trade Marks Directive³, a trade mark owner is granted exclusive rights in the registered trade mark. This means that the owner can prevent third parties from using, without the trade mark owner's

consent, in the course of trade:

- any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered; and
- any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public. Confusion includes the likelihood of association between the sign and the trade mark⁴.

Perhaps inevitably therefore, the courts in a number of EU jurisdictions have been called upon to consider the liability of service providers which provide online keyword advertising services⁵. Questions centred on the liability of the online keyword advertising service provider when an advertiser bought a competitor's registered trade mark as one of its advertising keywords. Various EU courts were of the view that, as the laws in Europe dealing with trade mark infringement and the liability of internet service providers (ISPs) are substantially harmonised⁶, there 'ought to be a common European set of answers'⁷ that can only be provided by the Court of Justice of the European Union (CJEU).

Decisions of the CJEU

The CJEU has considered the liability of the keyword advertising service provider in situations where advertisers have chosen certain registered trade marks of a third party as keywords and those advertisers either:

- market imitations of the products of the trade mark owner⁸;
- are competitors of the trade mark owner⁹; or
- are resellers of products covered by the trade mark¹⁰.

In all the cases before the CJEU,

the trade mark owners claimed that, as Google permitted advertisers to purchase registered trade marks as keywords, Google thereby infringed the rights of the trade mark owner.

Is the advertising service provider using the trade marks?

In assessing whether Google infringed the rights of the trade mark owner by selling a registered trade mark as a keyword, the CJEU considered whether Google was ‘operating in the course of trade’ when it permitted an advertiser to purchase a registered trade mark as a keyword.

The CJEU concluded that although Google operated ‘in the course of trade’ when it permitted advertisers to select, as keywords, signs identical with registered trade marks, stored those signs and displayed advertisements using the registered trade mark, it did not follow, however, that Google itself ‘used’ the registered trade marks within the terms of the Trade Marks Directive.

The CJEU held that the fact of ‘creating the technical conditions necessary for the use of a sign and being paid for that service does not mean that the party offering the service itself uses the sign’¹¹. So, the CJEU found that Google did not ‘use’ the registered trade mark in the course of trade.

A safe harbour for online keyword advertisement service providers

The CJEU also considered whether Google could be jointly liable with the advertiser where it is aware of the unlawful conduct of the advertiser.

The E-Commerce Directive provides a hosting ‘safe harbour’ for certain ISPs. Article 14 provides that ‘where an information society service is provided that consists of

The liability of the advertiser for trade mark infringement depends on whether the advertiser's use of the trade mark is liable to affect one of the functions of the trade mark

the storage of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the information stored at the request of a recipient of the service, on condition that:

- the provider does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent; or
- the provider, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information¹².

The owners of the registered trade marks argued that Google was not an ‘information society service’ within the terms of the E-Commerce Directive. However, the CJEU disagreed, finding that Google's Adwords service fell within the definition of an ‘information society service’ and that Google could rely on the hosting exemption if the activities it conducted were of a ‘mere technical, automatic and passive nature’, implying that Google had no knowledge of, nor control over, the information which is transmitted or stored¹³.

Is the advertiser liable?

In finding that Google was not liable for trade mark infringement, the CJEU has seemingly placed liability for primary trade mark infringement on the advertiser.

So, an advertiser using an online service will potentially be liable for trade mark infringement if they choose to promote, by use of a keyword, goods or services which are identical to those for which a trade mark is registered if:

- they do so without the consent of the owner; and
- the advertisement ‘does not enable an average internet user, or enables that user only with

difficulty, to ascertain whether the goods or services...originate from the proprietor of the trade mark or an undertaking economically connected to it or, on the contrary, originate from a third party¹⁴.

In other words, the liability of the advertiser for trade mark infringement depends on whether the advertiser's use of the trade mark is liable to affect one of the functions of the trade mark, the principal function being to indicate the source or origin of origin goods or services¹⁵.

It is worth noting, however, that a trade mark owner cannot prohibit an advertiser using a keyword identical or similar to the registered trade mark, from advertising the resale of goods which were manufactured by the trade mark owner and were put on the market in the European Economic Area with the owner's consent unless there is a legitimate reason which justifies the trade mark owner opposing the advertising.

Examples may include where the use is seriously detrimental to the reputation of the registered trade mark or where the use gives consumers the impression that the reseller and the trade mark owner are economically linked¹⁶.

Next steps

We now have detailed guidance on the legality of online services which shifts any potential liability from the online keyword advertising service provider to the advertiser itself.

However, this is not the end of the road. Although the CJEU's rulings have made it clear that the online keyword advertising service provider does not ‘use’ trade marks when providing the services to advertisers, confusion remains over what constitutes ‘use’ of the trade mark by the advertiser. In the UK case of *Interflora Inc v Marks &*

Spencer PLC, the advertiser in did not actually display the trade mark in the sponsored link, it merely nominated as a keyword a sign identical with a registered trade mark and associated the keyword with the URL of its website. The English High Court in *Interflora* had referred a number of questions to the CJEU, and following the recent decisions at EU-level, has amended those questions to concentrate on the circumstances in which a trade mark is 'used' by an advertiser¹⁷. Advertisers and brand owners now eagerly await the next ruling from the CJEU.

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1. Cases C-236/08 to C238/08, *Google v Louis Vuitton Malletier, Viaticum SA, Luteciel SARL, Centre national de recherche en relations humaines (CNRRH) SARL, Pierre-Alexis Thonet, Bruno Raboin, Tiger SARL*.
2. See Cases C-236/08 to C238/08 at paragraphs 22 to 26.
3. First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, codified in European Parliament and Council Directive 2008/95/EC. Similar provisions to the Trade Marks Directive are included in Council Regulation 207/2009 EC of 26 February 2009 on the Community Trade Mark.
4. Article 5(1) of the Trade Marks Directive. Article 5(2) of the Trade Marks Directive permits Member States to protect the owner of a trade mark, where that trade mark has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark, from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered.
5. See the various cases in France giving rise to the references to the CJEU in cases C-236/08 to C238/08. Also, see *Interflora Inc. v Marks & Spencer PLC* and *Flowers Direct Online Limited*, [2009] EWHC 1095 (Ch).
6. See the Trade Marks Directive and

- Parliament and Council Directive 2000/31/EC of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market.
7. *Interflora Inc. v Marks & Spencer PLC*, at paragraph 1.
8. See cases C-236/08 (footnote 1) and C-278/08 (*Die BergSpechte Outdoor Reisen und Alpenschule Edi Koblmüller GmbH v Günter Guni, trekking.at Reisen GmbH*).
9. See footnote 1.
10. See case C-558/08, *Portakabin Ltd, Portakabin B.V. v Primakabin B.V.*
11. See cases C-236/08 to C238/08 at paragraphs 50 to 58.
12. Article 14(1) of the E-Commerce Directive.
13. See cases C-236/08 to C238/08 at paragraphs 112 to 113.
14. See Cases C-236/08 to C238/08 at paragraphs 60 to 99.
15. See Case C-487/07 *L'Oréal SA v Bellure NV* at paragraphs 57 to 65.
16. See Case C-558/08.
17. [2010] EWHC 925 (Ch).