Google's liability under EU law for trademark infringements committed through the AdWords system

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1 Introduction

Trademarks represent one of the fundamental elements of maintaining an active competition on the market. Therefore, it is natural that trademark protection should be under constant reconstruction and amendment in accordance with changes and developments in the business world. The most extensive development over the past years occurred through the rise of the Internet, which resulted in a changed focus point for trademark protection as well. While general exclusive rights retain their importance, new challenges have surfaced with the rise of the Internet. These problems have called for a re-interpretation of trademark laws, new legislation and an evaluation of conflicting rights and interests in light of business developments. Even though current legislation has been improved and is increasingly fitted to this new environment, the Internet still challenges trademark protection.

One of the more troubling conflicts which have arisen is manifested in the Google search engine and the operation of advertisement software connected to the search engine. Through its function as a global search engine, Google has managed to attract a vast number of advertisers by selling search terms, or keywords, through a software called AdWords. The AdWords program has, however, been greatly criticised by trademark owners claiming it is an infringement tool. The alleged infringements that have been committed through the Google AdWords software have raised concerns by trademark proprietors that with the Internet, they are vulnerable to attacks on their marks and that without proper reaction by the courts, their rights will be severely diminished. On the other hand, the AdWords cases have been marked as an attempt of trademark holders to expand their rights even further and have raised concern that extended trademark protection would be established at the cost of restrictions on freedom of expression and commerce.

As Google AdWords has caused considerable debate, it does not come as a surprise that several cases regarding its legality have been presented in national courts, with many of them reaching the European Court of Justice (ECJ) for a preliminary ruling. However, most of the cases have been restricted to the question of whether advertisers using the AdWords software are committing trademark infringements and thus have not considered the liability of Google as an Internet service provider (ISP). Until now, only three cases specifically discussing ISP liability in connection with the AdWords system have been referred to the ECJ. In the following text, these three cases regarding Google's liability will be discussed, addressing the liability question from both a primary and a secondary infringement point of view. Furthermore, European Union (EU) legislation and directives will be examined, and light will be shed on the conflicts of interest between parties.

European national courts have delivered diverse opinions on the matter, and it is clear that the ECJ will have decisive effect on the future of electronic use of trademarks, as the ECJ's judgement is binding on national courts. Furthermore, the ECJ will have decisive effect on the future of Google as well as the future of other comparable ISPs, as its judgements will serve as precedent for similar trademark uses. The article will therefore emphasise Google's position

under EU laws and the guidelines provided by the ECJ. The aim will be to answer the question whether the use by Google of keywords corresponding to trademarks in its AdWords advertising system constitutes an infringement of those marks. Relevant sources regarding the legality of the AdWords system under EU law are scarce, as the ECJ judgement is quite recent. Therefore, the judgement itself as well as legislation are at the centre of the following discussion.

2 What is Google AdWords?

Before a discussion on the legality of Google's AdWords software can commence, it must first be established what Google AdWords is, what its function is and how it is connected to the natural operation of the Google search engine. Google's function revolves around the operation of a global search engine. Each time an Internet user types a search word(s) into the search engine, a list of websites is displayed which consists of the sites which best correspond with the search term. The resulting sites are ranked according to relevance. This function of the search engine is objective and provides what is called a 'natural' result of the search.[1] In addition to this basic function, Google also offers a paid referencing service called AdWords. AdWords is a software program which enables advertisers to promote their product or service on Google's website. The software requires that advertisers select one or more search terms that their own website will thenceforth be linked to. In addition, advertisers are required to make a short commercial text which will appear along with the website's link. After this process has been completed, the advertisement will appear whenever a search for the chosen term(s) is initiated.[2] The advertisement appears on a yellow banner under the heading 'sponsored links', which is displayed either at the top of the search results above the natural results or on the right-hand side of the screen.[3] Google has set up an automated process for the selection of keywords and the creation of ads, however; advertisers select the keywords, draft the commercial message and input the link to their site themselves.[4] In principle, an advertiser can choose any given sign for a keyword. However, when a registered trademark belonging to someone other than the advertiser is chosen, a question regarding the legitimacy of that choice arises.[5]

[1] ECJ 23 March 2010 in the Joined Cases C-236/08 to C-238/08, paragraph 22.

[2] http://adwords.google.com/support/aw/bin/static.py?hl=en&topic=21901&guide=21899&page=guide.cs&answer=148648. Retrieved 25 July 2011.

[3] ECJ 23 March 2010 in the Joined Cases C-236/08 to C-238/08, paragraphs 23–24.

[4] Ibid., paragraph 27.

[5] Bechtold, Stefan. 'Google AdWords and European Trademark Law: Is Google violating trademark law by operating its AdWords system?', 54 Communications of the ACM (2011), p. 30.

Google collects revenue from AdWords on a price-per-click basis, i.e. based on the number of times that a sponsored link is clicked on calculated with the maximum price per click, which is negotiated beforehand by Google and the advertiser.[6] Multiple advertisers can select the same search term as a keyword for their advertisements. The order in which the advertisements appear is in accordance to the maximum price per click that the advertisements have, the number of times each advertisement has been clicked on and the quality of the ad as assessed by Google. The same applies in case there is not room to display all the advertisements connected to the keyword that has been entered into the search engine. An advertiser can, at any given time later on, improve his ranking by simply raising the maximum price per click or by increasing the quality of his advertisement.[7]

3 The ECJ Cases

Seeing that the AdWords software offers advertisers the possibility of connecting their products or services with protected trademarks owned by third parties without the owner's permission, the software has understandably created great conflicts. Although European Union legislation provides national courts with guidelines for a uniform approach to the problem, it has proven insufficiently clear. During the past year, a judgement has been issued by the ECJ providing additional interpretation on how the conflict of Google AdWords may be approached. This judgement was the result of the first case law to come before the ECJ, which consisted of three cases referred to the Court by the French *Cour de cassation*. All three cases involved Google France and were joined together for a collective judgement. Each case will be summarised individually in the following text in order of the case number.

3.1 Case summary

In the case of *Google France and Google Inc.* (will be referred to hereafter collectively as Google) *v Louis Vuitton Malletier* (C-236/08), Vuitton brought proceedings against Google France claiming that its trademark rights had been infringed. In early 2003, Vuitton discovered that Google was offering keywords matching protected community and national trademarks owned by Vuitton, as search terms in its AdWords software. In addition to offering keywords matching Vuitton's trademarks, Google also offered advertisers the ability to choose a combination of the protected trademarks and terms suggesting imitation or copy. When French Internet users entered keywords constituting Vuitton's trademarks into Google's search engine, links were displayed which, if clicked on, directed the user to sites offering imitation versions of Vuitton's products.

[6] ECJ 23 March 2010 in the Joined Cases C-236/08 to C-238/08, paragraph 25.

[7] Ibid., paragraph 26.

Google was found guilty of infringing on Louis Vuitton's trademarks in national courts but appealed to the *Cour de cassation*, which referred questions to the ECJ for a preliminary ruling.[8]

The second case, *Google France SARL v Viaticum SA, Luteciel SARL* (C-237/08), entailed the use of the French trademarks 'Bourse des Vols', 'Bourse des Voyages' and 'BDV' registered to Viaticum. The second party to the case, Luteciel, is an information technology service provider for travel agencies, such as Viaticum, which published and maintained Viaticum's Internet site. Viaticum and Luteciel brought proceedings against Google France after finding that Google had, through the software AdWords, sold the use of the trademarks in question for advertising purposes. Thus, on account of the AdWords service, an advertisement for Viaticum's competitors appeared each time a search for Viaticum's trademarks was made by Internet users. National courts found Google guilty of trademark infringement and accessory to infringement, and Google was ordered to compensate Viaticum and Luteciel for the losses which they had suffered. Google brought an appeal before the *Cour de cassation*, which referred questions to the ECJ.[9]

The third and last case of the joint judgement, *Google France SARL v Centre national de recherche en relations humaines (CNRRH) SARL, Pierre-Alexis Thonet, Bruno Raboin and Tiger SARL* (C-238/08), regarded the unauthorised use of the trademark 'Eurochallenges'. The trademark, which belongs to Mr Thonet and is licensed to CNRRH, was used by competitors of CNRRH, Mr Raboin and Mr Tiger to promote their own websites by having a link presented each time an Internet user made a Google search for the trademark. The unauthorised use was implemented by use of the AdWords software, which specifically offered advertisers the possibility of selecting 'Eurochallenge' as a keyword. Mr Raboin, Tiger and Google were all found guilty of trademark infringement by French national courts. Google later lodged an appealed to the *Cour de cassation*, which referred questions to the Court.[10]

3.2 Arguments

To begin with, it must be emphasised that trademark holders do not possess, within their exclusive rights, the right to prevent *all* use of their mark by unauthorised parties. On the contrary, the rights conferred by a trademark are clearly defined as a right to prevent unauthorised third-party use of a protected trademark *in the course of trade* for goods or services which are *identical* to those for which the mark is registered. Additionally, proprietors may prevent unauthorised use of an *identical or similar* mark which is being used for identification on *identical or similar goods or services* where there exists *a likelihood of confusion* on the part of the

[8] ECJ 23 March 2010 in the Joined Cases C-236/08 to C-238/08, paragraphs 28–32.

[9] ECJ 23 March 2010 in the Joined Cases C-236/08 to C-238/08, paragraphs 33–37.

[10] Ibid., paragraphs 38–41.

public, including association.[11] Furthermore, member states may provide proprietors of well-known marks with the right to prevent a use of the mark, or of a similar mark, on dissimilar goods or services if such use would constitute taking unfair advantage of the reputation of the mark or would be damaging to the mark's repute or distinctive character.[12] Corresponding provisions apply to Community trademarks.[13]

The question is then whether the keyword advertising as conducted through the AdWords program constitutes use by Google in the course of trade of identical or similar marks to those of the parties to the cases for identification on identical or similar products or services. As it can easily be established, Louis Vuitton is a well-known mark. Therefore, a use on dissimilar goods or services would suffice for an infringement to have occurred. Since the liability of Google for possible infringements committed by advertisers when selecting keywords is the only issue being discussed here, all arguments regarding the advertisers' own liability will be disregarded except certain discussion which is needed for the purpose of establishing secondary liability.

According to the Trademark Directive, what may be prohibited by trademark proprietors is affixing the trademark to goods or packaging, offering the goods or putting them on the market under the sign as well as offering or supplying services using the mark. Additionally, importation and exportation of goods identified by the mark or the use of the mark on business papers and *in advertising* can be prohibited.[14] Furthermore, the use of a sign identical or similar with a trademark 'constitutes use in the course of trade where it occurs in the context of commercial activity with a view to economic advantage and not as a private matter'.[15] It is clear that storing for clients keywords which constitute or are similar to protected trademarks owned by third parties and arranging for the display of advertisements based on those keywords in return for payment cannot be considered as a private matter but rather a commercial activity with a view to economic advantage.[16] However, this inevitably brings attention to the fact that Google does not use the mark itself to promote any product or service. The trademarks which are used for keyword advertising also do generally not appear in the sponsored ad itself (only in Google v Louis Vuitton was that the case). The unauthorised use simply consists of an advertisement, containing a link, which appears with the natural search results whenever the trademark is entered into Google's search engine.[17] Google cannot, therefore, be held liable for

[11] Directive 2008/95/EC, Article 5(1) and Agreement on Trade-Related Aspects of Intellectual Property Rights, Part II, Section 2, Article 16.

[12] Directive 2008/95/EC, Article 5(2).

[13] Council Regulation (EC) No. 40/94, Article 9.

[14] Directive 2008/95/EC, Article 5(3).

[15] ECJ 23 March 2010 in the Joined Cases C-236/08 to C-238/08, paragraph 50.

[16] Ibid., paragraph 53.

[17] Ibid,. paragraph 55.

direct infringement of exclusive trademark rights, as it has not violated the conditions of Article 5 of the Trademark Directive.[18]

However, by briefly looking at the advertiser's liability, it is quickly evident that the requirements of trademark and product similarity or identical features are met in all three cases. In fact, if this would not be the case, the act of choosing a particular mark as a keyword would be pointless, as it is the aim of the advertisers to achieve a higher level of exposure to consumers by buying competing trademarks as keywords. Therefore, it can be stated that most likely in all cases of unauthorised use of trademarks as keywords, there exists a similarity between the marks and the goods or services or they are identical. But is it a use in the course of trade? According to Article 5(3)(d) of the Trademark Directive, a preventable use in trade is amongst other things 'using the sign on business papers and in advertising'[19]. Although the mark itself is not displayed as a part of the advertisement in a sponsored link, the mark is used, in exchange for payment, to trigger the display of an advertisement for a competitor or a seller of counterfeited goods and therefore for commercial purposes and not as a private matter. Thus, it would be reasonable to argue that this is indeed use in the course of trade. We must therefore once again consider the possibility of Google being liable for violating trademark law, this time for an indirect attributive infringement.

As has already been stated, Google's role in the possibly infringing activities does not suffice for it to be held directly liable. Nonetheless, it is clear that all possible and actual infringements through the use of AdWords are committed only because Google enables it. In addition to providing the technical conditions for AdWords functionality, it has been established that Google does not restrict the selection of protected trademarks as keywords to those who actually hold the right to those marks.[20] In fact, Google does quite the opposite, making all trademarks equally accessible to all advertisers. Trademarks may even be selected by numerous parties. It is not debated that Google collects a substantial part of its annual revenue from its advertisement services, thereof mostly from payments for the use of the AdWords system. Google does therefore clearly benefit from the operation of AdWords, including the infringements which are committed with the help of the software. In order to determine, however, whether or not Google carries secondary liability, it must be established whether it falls within the provisions of the E-Commerce Directive providing limited liability for ISPs, also known as safe harbour provisions.

According to the E-Commerce Directive, the information society services which are subject to the Directive are 'any service normally provided for remuneration, at a distance, by electronic means and at the individual request of a recipient of services'.[21] As it is clear that Google

[18] Ibid., paragraph 58.

[19] Directive 2008/95/EC, Article 5(3)(d).

[20] ECJ 23 March 2010 in the Joined Cases C-236/08 to C-238/08, paragraph 54.

[21] Directive 2000/31/EC, Article 2(a).

transmits information at the request of the advertisers who are also the service recipients, over a communication network and stores certain data, including the keywords selected by the advertisers as well as the link and commercial messages, it must be concluded that Google falls within this definition.[22] Furthermore, it has been established that although Google's search engine is provided free of charge, it is provided in the expectation of remuneration under the AdWords system.[23]

Section 4 of the E-Commerce Directive establishes the possibility of restricted liability for three types of ISPs. In all three cases laid by the *Cour de cassation* before the ECJ, a question was referred regarding whether Google might be considered as falling within the scope of the third type found in Article 14 of the E-Commerce Directive[24] referred to as 'Hosting'. Hosting applies to information which is provided by and stored at the request of the recipient of the service. There are, however, two conditions that must be met in order for this article to apply. First, Google may not have actual knowledge or be aware of any illegal activity or information that is being stored.[25] Second, should it be established that Google has already obtained such knowledge or awareness, it is under obligation to immediately remove or disable access to the information.[26] The AdWords system in its essence transmits information gathered from the recipient of the service, that is the advertiser,

> [...] over a communications network accessible to internet users and stores, that is to say, holds in memory on its server, certain data, such as the keywords selected by the advertiser, the advertising link and the accompanying commercial message, as well as the address of the advertiser's site.[27]

Thus, Google is likely to fall within the Article. However, for the exemption to be applicable, Google may, according to Recital 42, only provide a service 'of a mere technical, automatic and passive nature, which implies that the information society service provider has neither knowledge of nor control over the information which is transmitted or stored'[28]. Whether Google, as a service provider, meets these requirements is for the national courts to decide, as they are in the best position to assess the actual terms on which the service in these cases is supplied.[29] Nonetheless, it must be borne in mind that the Court declared that Google's

[22] ECJ 23 March 2010 in the Joined Cases C-236/08 to C-238/08, paragraph 110.

[23] Opinion of Advocate General Poiares Maduro delivered on 22 September 2009, Joined Cases C-236/08, C-237/08 and C-238/08, paragraph 131.

[24] Ibid., paragraphs 32, 37 and 41.

[25] Directive 2000/31/EC, Article 14(1)(a).

[26] Directive 2000/31/EC, Article 14(1)(b).

[27] ECJ 23 March 2010 in the Joined Cases C-236/08 to C-238/08, paragraph 111.

[28] Directive 2000/31/EC, Recital 42.

[29] ECJ 23 March 2010 in the Joined Cases C-236/08 to C-238/08, paragraph 119.

remuneration and the fact that Google sets payment terms and provides general information to the advertisers cannot cause Google to be deprived of the exemption from liability provided in Article 14 of the E-Commerce Directive.[30] Furthermore, the function of the AdWords system of connecting keywords selected by the advertiser and the search term entered into the Google search engine is not sufficient for Google to be considered to have 'knowledge of, or control over, the data entered into its system by advertisers and stored in memory on its server'[31].

3.3 ECJ judgement

To summarise, the ECJ found, in its joint judgement, that Google was not using the rightholders' marks, in a manner covered by European trademark law, by operating the AdWords software. On the contrary, Google was merely 'operating a service that may enable advertisers to engage in trademark violations. Google does not decide which trademarks to use as keywords, but merely provides a keyword selection service.'[32] This was not considered sufficient to justify an action for direct trademark infringement.

Although the court established that Google had not committed direct infringement, there was still the question of whether Google might be held liable for indirect infringement. The AdWords software enables third-party advertisers to infringe on the exclusive rights of trademark holders and also collects revenue for Google. There are, therefore, clearly great interests at stake for Google. However, the E-Commerce Directive provides restrictions regarding the liability of ISPs for infringing activities of third parties, in this case the advertisers. According to the judgement of the ECJ, the question of whether Google is subject to secondary liability or whether it falls within the safe harbour provisions of the E-Commerce Directive depends on whether the Google AdWords system is a mere automatic and passive system or whether Google played such an active role that it can be considered to have knowledge of, or control over, the information that was stored. In addition, if Google is deemed to have failed to act expeditiously to remove or to disable access to the information upon having obtained knowledge of its unlawful nature, it cannot fall within the limitation provision. Final evaluation regarding this can, however, only be conducted by the national courts, which must evaluate these issues compared to the facts of the case.[33]

[30] Ibid., paragraph 116.

[31] Ibid., paragraph 117.

[32] Bechtold, Stefan. 'Google AdWords and European Trademark Law: Is Google violating trademark law by operating its AdWords system?', 54 Communications of the ACM (2011), p. 31–32.

[33] ECJ 23 March 2010 in the Joined Cases C-236/08 to C-238/08, paragraph 121(3).

4 Further discussion

Although the findings of the ECJ are apparent, it can still be debated whether the Court's approach is the most favourable one for society as a whole. Furthermore, there still remains the need to discuss arguments not presented or dealt with by the Court, both legal and non-legal. Even though the ECJ judgement will weigh heavily when national courts take their final stand regarding the liability of Google, there is still room for varying interpretations.

4.1 Conflict of interests

The conflict surrounding Google AdWords may at first seem like a regular infringement dispute, but in fact, the outcome of the conflict will have significant effect on the future prospects of all affected parties. From the proprietors' perspective, there are substantial advantages tied to the possibility of Google being held liable as a service provider for third-party infringing activities. If Google is found to be liable, proprietors no longer need to file suit against numerous individual advertisers which are using their trademarks in advertisements. Instead, with a single lawsuit against Google, all keyword-related trademark violations will be stopped. The same applies for preventing the use of a trademark to advertise websites containing counterfeited goods, as was the case in *Google France v Louis Vuitton*.

This would be a substantial improvement for trademark proprietors, as it can be extremely difficult to determine ownership regarding such sites, jurisdictional forum as well as the applicable legislation. Additionally, new infringing sites can quickly and easily take the place of those removed through judicial processes.[34] Proprietors would thus no longer need to sue each product imitator individually but could instead have the obligation effected on Google as a service provider to remove all infringing material and even incur a permanent monitoring obligation. A development like this would inevitably save trademark holders a great deal of time and money. What is more, if Google is found liable of secondary infringement for making a selection of keywords corresponding to protected trademarks available, then the scope of trademark protection has been extended to such degree that proprietors may prevent the use of their marks in AdWords regardless of whether the marks are used by sites offering counterfeited goods or for advertising legitimate versions sold by retailers. [35]

Google, on the other hand, has tremendous interests in not being held liable in cases such as those concerning AdWords. Google's main source of revenue is collected from advertisement services, where Google AdWords is considered the biggest factor.[36] The advertisement profits

[34] Opinion of Advocate General Poiares Maduro delivered on 22 September 2009, Joined Cases C-236/08, C-237/08 and C-238/08, paragraph 115.

[35] Ibid., paragraph 49.

[36] http://investor.google.com/financial/tables.html. Retrieved 5 May 2011.

are then used to maintain and improve features such as the Google search engine which is one of the most widely used search engines worldwide. It is evident that if all unauthorised uses of trademarks in AdWords become infringing, Google will be forced to prevent such activity. Keywords corresponding with trademarks are innumerable, and Google would be required to go to extreme lengths in order to reduce the risk of liability with accompanying litigation costs. In fact, it is most likely that 'the nature of the Internet and search engines as we know it would change'.[37] Thus, a great deal may depend on whether Google is found liable for indirect infringement.

Although ISP liability may thus appear to be the solution to online infringements such as in the case of Google AdWords, arguments have also been raised demanding protection for the necessary preservation of the Internet as well as the need to protect the possibility of further development. For instance, ISPs' willingness to provide their necessary services would be dramatically affected if they would be in danger of being held liable for infringing material which is put on their Internet facilities by third parties. Moreover, it would be extremely difficult for ISPs to monitor the vast amount of material they transfer and store, and should ISPs be obligated to perform such monitoring, it would result in higher costs of access to basic server users.[38]

4.2 The future of ISP liability

When the E-Commerce Directive was originally tailored, its objective was to create a legal order to deal with the regulation of the new global business sphere of the Internet. However, in 2000, the European Commission found it necessary to assemble rules providing limited liability.[39] on the following grounds:

> The limited liability regime of intermediaries ... was considered indispensable to ensure the provision of basic services that safeguard the continued free flow of information in the network and the provision of a framework that allows the Internet and e-commerce to develop.[40]

However, the goal of these provisions has not been achieved. While the E-Commerce Directive seemingly provides clear provisions on limited liability for ISPs, the interpretation of those provisions has been varying and increasingly ignoring the aim of providing safe harbour for ISPs.

[37] Opinion of Advocate General Poiares Maduro delivered on 22 September 2009, Joined Cases C-236/08, C-237/08 and C-238/08, paragraph 122.

[38] Eecke, Patrick V. & Ooms Barbara. 'ISP Liability and the E-Commerce Directive: A growing trend toward greater responsibility for ISPs', *11 Journal of Internet Law* (2007), p. 3.

[39] Ibid., p. 3.

[40] Ibid., p. 3.

Articles 12–14, which specify the three types of ISPs subject to limited liability, all have the common element of not in any way affecting the possibility for a court or an administrative authority to require the ISP to terminate or prevent an infringement.[41] What this means is that although ISPs may be free from liability under Articles 12–14, they can still be subject to injunctions requiring them to react to infringements that occur through the use of their services. This factor has caused considerable uncertainty since the term 'prevent' is used in the provisions. The issuance of preventive injunctions upon ISPs could easily result in an obligation to monitor, and that has already been the case in several national judgements, see inter alia *Rolex v eBay* decided by the German Federal Supreme Court.[42]

In contradiction to permitting preventive injunctions, Article 15 of the Directive clearly states that member states are not permitted to impose a general obligation on ISPs which fall under Articles 12–14 'to monitor the information which they transmit or store, nor a general obligation actively to seek facts or circumstances indicating illegal activity'[43]. Monitoring obligations may thus only be imposed in specific cases.[44] However, to add even further complications, Recital 48 of the Directive states that member states may require ISPs to 'apply duties of care, which can reasonably be expected from them and which are specified by national law, in order to detect and prevent certain types of illegal activities' [45], thus seemingly contradicting Article 15.

The E-Commerce Directive thus provides provisions prohibiting general monitoring obligations while simultaneously declaring instances where those exact obligations may be implemented. On the grounds of these inconsistencies and contradictions found within the E-Commerce Directive, member states are rendered confused and without the proper guidelines to create a uniform approach regarding monitoring obligations of ISPs. This uncertainty has left ISPs in darkness regarding their future, and only time will tell how this will affect their operating services. It is, however, clear that should Google be found liable for indirect infringement based on the function of the AdWords system, it would become subject to monitoring obligations such as those which are both prohibited and permitted in the E-Commerce Directive.

4.3 Finding the right balance

As trademark rights do not confer a complete exclusive right over a mark or a sign, trademark proprietors cannot prevent all use of their mark, for example comparative advertising[46] and use

[41] Directive 2000/31/EC, Article 12(3), 13(2) and 14(3).

[42] BGH Case I ZR 304/01.

[43] Directive 2000/31/EC. Article 15(1).

[44] Ibid Consideration 47.

[45] Ibid Consideration 48.

[46] Case C-533/06 *O2 Holdings and O2(UK)* [2008] ECR I-4231, paragraphs 41-45

of a mark for purely descriptive purposes[47]. Use for descriptive purposes and comparative advertising has been found by the Court to be excluded from the protective scope of Article 5(1)(a) and (b) of Directive 89/104 and thus do not affect a trademark proprietor's interests regarding the trademark's functions. The exclusive rights conferred by trademark protection are thus only justifiable within the limits of these Articles and for the purpose of protecting the aim of the provisions.[48] This applies equally to trademarks with a reputation.[49] It is therefore evident that as long as an unauthorised use by a third party does not affect the function of a trademark, it cannot be prevented by the proprietor.

Although Google's use of trademarks does not fall within either of the above mentioned categories, it can be argued that it should be construed as falling outside proprietors' monopoly powers for the same reason. In a similar manner as descriptive purposes and comparative advertising, Google AdWords creates a link of information to consumers using a protected mark without creating consumer confusion.[50] Google AdWords' use is twofold: it allows the selection of a certain trademark as a keyword, and it activates the display of the ad. Both of these uses create a link in order for consumers to obtain information about specific trademarks. Use of protected trademarks in the AdWords ads and on websites that are advertised in AdWords is, however, not connected to Google's use of the trademarks.[51] Therefore, it is not a question of whether Google's use of keywords corresponding to protected trademarks affects their essential function, but rather a question of whether Google's use affects other functions, such as whether the use takes unfair advantage of the trademarks or is detrimental to the distinctive character or repute of the marks.[52]

When consumer confusion exists, a trademark infringement has always been committed. However, based on the nature of Google's use, as it is strictly consisting of making information available, Google can hardly be considered to be confusing consumers. Therefore, it is open to interpretation whether or not Google has committed a trademark infringement. AdWords does, in fact, take less advantage of the trademarks used than comparative advertising and descriptive use, as AdWords does not take part in the display of the trademarks in the ads in AdWords nor on the sites advertised, while both comparative advertising and descriptive use consist of the display of a protected mark and affiliation with it in order to convey information

[47] Case C-2/00 *Hölterhoff* [2002] ECR I-4187, paragraph 16

[48] Case C-206/01 *Arsenal Football Club* [2002] ECR I-10273, paragraphs 52-54.

[49] Case C-487/07 *L'Oréal and Others* [2009] ECR I-0000, paragraph 62.

[50] Opinion of Advocate General Poiares Maduro delivered on 22 September 2009, Joined Cases C-236/08, C-237/08 and C-238/08, paragraph 106.

[51] Opinion of Advocate General Poiares Maduro delivered on 22 September 2009, Joined Cases C-236/08, C-237/08 and C-238/08, paragraphs 106-107.

[52] Directive 2008/95/EC, Article (2).

regarding the quality or kind of service or product. This supports strongly that Google's use should not be found to infringe trademark rights. [53]

In the case of Google AdWords trademark proprietors are trying to have their rights extended to cover Google's actions regardless of consumer confusion and reaching beyond clear trademark infringements. These claims are supported by arguments that trademark proprietors have invested heavily in their marks to build up a certain reputation and should alone be free to reap the benefits of that investment. Although these are valid arguments, we must keep in mind the need for balance between necessary trademark protection, on one hand, in order to incentivise innovation and commercial investment and, on the other hand, protecting the public domain in order to leave room for further innovation. It is necessary to provide protection in the form of private ownership over investments and innovations that are made in order for the effort to be fruitful, such as the time and monetary commitment made to build up a trademark. Nonetheless, if the protection is too strong and a complete monopoly over words and signs is created, then the selection left in the public domain for future trademark creations is continuously diminished. Hence, excessive protection would, in fact, prevent further innovation and investments, which goes against the original aim of trademark protection.

> Trademark rights can therefore not be construed as classic rights enabling the trademark proprietor to exclude any other use. The transformation of certain expressions and signs – inherently public goods – into private goods is a product of the law and is limited to the legitimate interests that the law deems worthy of protection.[54]

Therefore, an equal balance must be found between the two interests, and both interests have to be taken into account when trademark infringements are evaluated.

Consequently, it is imperative that AdWords is not found to infringe upon trademark rights, because once the monopoly rights have been extended beyond the requirement of possible consumer confusion, trademark proprietors have, in fact, been granted an absolute monopoly over their mark as keywords. 'Such an absolute right of control would cover, de facto, whatever could be shown and said in cyberspace with respect to the good or service associated with the trade mark.'[55] Here, we must remember that AdWords is not only used to promote counterfeited goods or authentic goods sold in an illegal manner, but is also used to advertise legitimate retailers and private and public parties selling legally obtained legitimate versions of the good. Nonetheless, if AdWords is found to be infringing, trademark proprietors could

[53] Opinion of Advocate General Poiares Maduro delivered on 22 September 2009, Joined Cases C-236/08, C-237/08 and C-238/08, paragraph 107.

[54] Opinion of Advocate General Poiares Maduro delivered on 22 September 2009, Joined Cases C-236/08, C-237/08 and C-238/08, paragraph 103.

[55] Opinion of Advocate General Poiares Maduro delivered on 22 September 2009, Joined Cases C-236/08, C-237/08 and C-238/08, paragraph 108.

prevent advertisements from these parties as well since they would be based on keywords corresponding to their trademarks.

Regulating the Internet to this extent by allowing private control over specific keywords would impede the Internet in its general operation and thus its further growth, as keywords are the fundamental instrument of allowing transportation of information and access between consumers and the material sought after.[56] The importance of the balance between incentives and safe guarding freedom of expression and commerce to maintain stimulation in competition and future innovation has been repeatedly confirmed by the Court itself.[57] In order to follow that precedent and protect the balance against exclusive trademark rights, the use by Google AdWords of protected marks should be exempted from liability.

5 Conclusion

Google represents one of the giant ISPs and has become an integral part of everyday life for many people. The European Court of Justice has already adopted an official position on Google's liability as an Internet service provider by leaving room for final assessment by national courts of whether Google's role in the infringement is sufficient to be deemed an indirect infringement. However, given the growing trend of national courts towards increased ISP liability, it is probable that the final judgement will not be in Google's favour.

When all facts and arguments are considered, it is still debateable whether Google should be held liable for third-party infringements committed through the use of AdWords. Many conflicting arguments are relevant to this issue, and the consequences will be substantial regardless of the outcome of the AdWords cases. If Google were to be found liable, this would, in fact, subject Google to monitoring obligations, although these are strictly prohibited under the E-Commerce Directive. To avoid any future findings of liability, Google would have to remove all terms from the AdWords selection that could possibly correspond to trademarks or reserve the use of such words for trademark proprietors. This would leave little scope for proper operation of the software, which in turn would likely lead to economic hardships for Google, affecting its entire operation.

The move of intellectual property owners towards demanding stronger and extended protection for their rights has been growing continuously in the past years. Trademark proprietors have justified their efforts as necessary to incentivise investment and innovation. In many cases, these efforts have been successful. However, the Internet clearly provides incredible possibilities

[56] Opinion of Advocate General Poiares Maduro delivered on 22 September 2009, Joined Cases C-236/08, C-237/08 and C-238/08, paragraphs 109 – 110.

[57] For instance Case C-533/06 *O2 Holdings and O2(UK)* [2008] ECR I-4231, paragraphs 38-40, and Case C-487/07 *L'Oréal and Others* [2009] ECR I-0000, paragraph 68.

both in business and in private life. Furthermore, the countless opportunities of future developments within the Internet world carry great potential. The Internet and its essential function must therefore be safeguarded from the attacks of proprietors and preserved for the future benefit of society as a whole. Determining whether Google is liable as an Internet service provider is clearly one of the largest issues awaiting resolution regarding ISP liability, which will set a major precedent for future ISP liability cases. Given the tremendous influence restrictions to this extent would have on the function of ISPs as well as on society as a whole, I am of the view that extending trademark rights to prevent all unauthorised use in AdWords cannot be justified. Other means must be found to ensure continuing natural and necessary functions of trademarks online.

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