

GOOGLE'S "USE" IS YOUR ILLUSION: PROPOSING AN AGENCY ANALYSIS TO TRADEMARK INFRINGEMENT LAWSUITS AGAINST ONLINE ADVERTISING SERVICE PROVIDERS

GOOGLE V. LOUIS VUITTON MALLETIER SA

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I. INTRODUCTION

Internet search engines are a common part of our culture, offering ordinary internet users everywhere access to unlimited information right at their fingertips. The average user, however, is typically unfamiliar with how search engines generate results.¹ When a user types a keyword or any set of words into a search engine, two types of results are displayed: natural results and advertisements for certain sites.² Natural results are sites relevant to the keyword and are provided based on objective criteria determined by the search engine.³ Advertisement search results appear when advertisers pay for their sites to display in response to certain keywords.⁴

Google v. Louis Vuitton Malletier presents concerns over keywords corresponding to registered trademarks and their use in online advertising.⁵ At the outset, trademark owners wish to prevent the selection of such keywords by advertisers of different companies.⁶ In order to have even greater protection for their trademark, owners are also "trying to prevent the

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1. Joined Cases C-236, C-237, & C-238/08, *Google France SARL v. Louis Vuitton Malletier SA*, *Google France SARL v. Viaticum SA*, *Google France SARL v. CNRRH SARL* (Sept. 22, 2009), available at <http://curia.europa.eu/juris/p/cgi-bin/gettext.pl?lang=en&num=79909077C19080236&doc=T&ouvert=T&seance=CONCL> [hereinafter Opinion of Advocate General Poaires Maduro].

2. *Id.* ¶ 2.

3. *Id.* ¶ 3.

4. *Id.*

5. *Id.* ¶ 4.

6. *Id.*

display by search engine providers of ads in response to those keywords, as this may result in sites for rival or even counterfeit products being displayed alongside natural results for their own sites.”⁷ Holding search engines, such as Google, accountable for trademark infringement would “extend the scope of [trademark] protection to cover actions by a party that may contribute to a [trademark] infringement by a third party.”⁸

In the United States, such liability is known as “contributory infringement,”⁹ where one “actively induc[es], caus[es], or materially contribut[es] to the infringing conduct of another person.”¹⁰ In Europe, however, “contributory infringement” is not applicable in trademark protection; instead, the issue is addressed through the liability laws.¹¹ But it does not end with advertisements for counterfeit goods—trademark proprietors are aiming to prevent Google from allowing keywords corresponding to trademarks to be available for selection entirely.¹² Proprietors assert that infringement arises in the use of those keywords in Google’s advertising; this occurs whether or not the sites displayed in response to a search actually infringe the trademark.¹³

“Google’s AdWords [program] is undoubtedly the most popular advertising system on the internet.”¹⁴ It is not surprising that Google’s advertising system has been the subject of trademark-related litigation among European Union Member States.¹⁵ “At issue has been the legality of the use of keywords which correspond to [trademarks].”¹⁶ Google uses other European Union Member States, including Austria, Belgium, Germany, Italy, the Netherlands, and the United Kingdom, to support its position that this advertising practice is legal.¹⁷ In this case, the issue of whether such keyword advertising constitutes trademark infringement is only disputed in one Member State: France.¹⁸ However, because this dispute is before the European Court of Justice,¹⁹ it has major implications for trademark protection throughout the entire European Union.

Google cites the uncertainty in trademark infringement law as the reason

7. Opinion of Advocate General Poaires Maduro, *supra* note 1, ¶ 4.

8. *Id.* ¶ 48.

9. *Id.*

10. BLACK’S LAW DICTIONARY 51 (9th ed. 2009).

11. Opinion of Advocate General Poaires Maduro, *supra* note 1, ¶ 48.

12. *Id.* ¶ 49.

13. *Id.*

14. Marcus H.H. Luepke, *United States: Trademarks on the Internet – The U.S. Perspective*, MONDAQ BUS. BRIEFING (Feb. 13, 2009), <http://www.mondaq.in/unitedstates/article.asp?articleid=74112>.

15. Opinion of Advocate General Poaires Maduro, *supra* note 1, ¶ 14.

16. *Id.*

17. *Id.*

18. *Id.* ¶ 15.

19. See *The Court of Justice of the European Union*, EUROPA, http://europa.eu/institutions/inst/justice/index_en.htm (last visited Sept. 22, 2011).

it blocked the opportunity for advertisers to select keywords that correspond to some of the trademarks involved in this case, that is, until the Court answered the legality of Google's advertising actions in France.²⁰ This Article discusses *Google Inc. v. Louis Vuitton Malletier SA*, the first of three joined cases before the European Court of Justice. After examining the Court's reasoning, this Article proposes a new paradigm for trademark infringement issues with internet search engines urging that the Court apply agency law to analyze the relationship between Google and its advertisers to determine whether Google infringed trademarks.

II. FACTS AND PROCEDURE

A. The Interplay Between the French and European Union Judiciary System

France has a traditional three-tiered judicial system: (1) a court of first instance, the *tribunaux d'instance*, (2) a court of appeal, the *Cour d'appel*, and (3) a court of last resort, the *Cour de cassation*.²¹ While the *tribunaux d'instance* and *Cour d'appel* rule on the merits of the disputes before them, the *Cour de cassation* harmonizes the interpretation and application of French and E.U. law.²² The *Cour de cassation* does not deliver rulings on the specific disputes at the origin of their decisions, but rather on the decisions themselves.²³ Importantly, the *Cour de cassation* considers both French and E.U. law and decides whether the lower courts have properly applied the rules of law.²⁴ When confusion arises over the application of E.U. law, the *Cour de cassation* seeks guidance from the European Court of Justice and submits issues for final determination.²⁵

The European Court of Justice is the highest court in the European Union in matters of E.U. law.²⁶ Its goal is to ensure equal application across all European Union Member States.²⁷ While it is not possible to appeal individual decisions to the European Court of Justice, national courts refer questions of E.U. law to the Court.²⁸ Upon receiving the European Court of Justice decision, national courts apply the resulting interpretation of the law to the given

20. Opinion of Advocate General Poaires Maduro, *supra* note 1, ¶ 16.

21. See *The Role of the Court of Cassation*, COUR DE CASSATION, http://www.courdecassation.fr/IMG/File/The%20role%20of%20the%20Court%20of%20cassation%2025_10_2010%20Version%20definitive.pdf (last visited Oct. 15, 2011) (describing the French judicial hierarchy).

22. See *id.* at 1 (explaining the role of the *Cour de cassation*).

23. *Id.*

24. *Id.*

25. See *The Court of Justice of the European Union*, *supra* note 19 (describing Court of Justice's role within the E.U. framework).

26. *Id.*

27. *Id.*

28. *Id.*

dispute.²⁹ The Court's work is organized into two phases.³⁰ First, there is a written stage where all parties submit written statements and an assigned judge summarizes the parties' positions and the legal background of the case.³¹ Next, there is a public hearing in front of a chamber of judges where the parties' lawyers put their case before the judges.³² At this stage an Advocate-General can question the attorneys on their positions.³³ The Advocate-General then presents a public and impartially reasoned opinion on the case and submits it to the judges.³⁴ The judges deliberate and deliver their judgment.³⁵ While the Advocate-General's opinion is not binding on the court, it is usually followed and the reasoning can provide additional insight into the European Court of Justice's decision-making process.³⁶

B. Google AdWords and the Evolution of the Online Advertising Era

Google is quietly changing the face of advertising "by replacing creative salesmanship with cold number-crunching."³⁷ The company's position is that "advertising is most effective when seen only by people who are interested in what's for sale, based on what they are searching for or reading about on the Web."³⁸ Google, Inc. and Google France SARL, referred to collectively as Google, provide free access to the Google search engine for all internet users.³⁹ Users who visit Google's website can enter search terms, which are keywords, into the search engine to retrieve the results they desire.⁴⁰ Keywords "are the words or phrases . . . customers would use when searching for [a] product or service."⁴¹ These keywords can be any term the user thinks is relevant to obtaining information.⁴² When a user enters keywords into the search engine, Google presents a list of natural results.⁴³ Based upon their relevance to the keywords, the natural results are selected and ranked.⁴⁴ This process is done

29. *Id.*

30. *Id.*

31. *The Court of Justice of the European Union*, *supra* note 19.

32. *Id.*

33. *Id.*

34. *Id.*

35. *Id.*

36. *Id.*

37. Saul Hansell, *Google Wants to Dominate Madison Avenue, Too*, N.Y. TIMES, Oct. 30, 2005, <http://www.nytimes.com/2005/10/30/business/yourmoney/30google.html>.

38. *Id.*

39. Opinion of Advocate General Poaires Maduro, *supra* note 1, ¶ 9.

40. Rachel R. Friedman, *No Confusion Here: Proposing a New Paradigm for the Litigation of Keyword Advertising Trademark Infringement Cases*, 12 VAND. J. ENT. & TECH. L. 355, 362 (2010).

41. *AdWords Beginner's Guide*, GOOGLE, <http://adwords.google.com/support/aw/bin/static.py?hl=en&topic=22356&guide=21899&page=guide.cs&answer=149063> (last visited Oct. 15, 2011).

42. Friedman, *supra* note 40, at 362.

43. Opinion of Advocate General Poaires Maduro, *supra* note 1, ¶ 9.

44. *Id.*

through "the automatic algorithms underlying the search engine program, which apply purely objective criteria."⁴⁵

In addition to natural results, Google AdWords allows businesses to advertise to a targeted audience by purchasing keywords.⁴⁶ When a user searches using a purchased keyword, "AdWords ads are displayed along with search results."⁴⁷ Businesses can also purchase negative keywords to ensure their advertisement does not appear on a search result that includes that term.⁴⁸ Google identifies AdWords ads as "sponsored links" on the search page.⁴⁹ The costs associated with AdWords vary and Google charges an initial activation fee,⁵⁰ but there is no monthly charge. Instead, businesses pay only when people click on their ads.⁵¹ The minimum cost-per-click differs based on the business's location and currency settings, as well as the keyword's "quality score."⁵² Google determines a "quality score" by looking at certain relevant factors about the keyword, including click-through rate,⁵³ relevance to the search query, and account history.⁵⁴ If a keyword has a better quality score, then the business will be charged a lower cost-per-clicks rate.⁵⁵

By choosing highly relevant keywords, a business can show ads "to only the most interested users, helping to improve performance and maintain low costs."⁵⁶ Google provides suggestions to potential advertisers on how to improve keyword quality: (1) "[c]hoose your keywords carefully;" (2) "[i]nclude relevant variations;" and (3) "[b]e specific."⁵⁷ While Google AdWords campaigns can prove highly effective for certain products and

45. *Id.*

46. *What is Google AdWords?*, GOOGLE, <https://adwords.google.com/support/aw/bin/answer.py?hl=en&answer=6084> (last visited Oct. 15, 2011).

47. *Id.*

48. *What Are Negative Keywords?*, GOOGLE, <http://adwords.google.com/support/aw/bin/answer.py?hl=en&answer=63235> (last visited Oct. 15, 2011). For example, by purchasing "free" as a negative keyword, an advertisement will not be shown to people looking for a free product.

49. *What is Google AdWords?*, *supra* note 46.

50. *Account Fees and Payment Options*, GOOGLE, <https://adwords.google.com/select/afpofinder> (last visited Oct. 15, 2011). The activation fee at the time of this Article was written was \$10.00. *See id.*

51. *What is Google AdWords?*, *supra* note 46.

52. *Account Fees and Payment Options*, *supra* note 50.

53. *Clickthrough Rate (CTR)*, GOOGLE, <http://adwords.google.com/support/aw/bin/answer.py?hl=en&answer=107955&from=6305&rd=1> (last visited Oct. 15, 2011) (defining "impressions" as the number of clicks an ad receives divided by the number of times the ad is shown).

54. *What's the Lowest Amount I Can Pay Per Click?*, GOOGLE, <https://adwords.google.com/support/aw/bin/answer.py?hl=en&ctx=tltp&answer=21374> (last visited Oct. 15, 2011).

55. *Id.*

56. *AdWords Beginner's Guide*, *supra* note 41.

57. *Id.*

services, they are not beneficial for all business models.⁵⁸ For instance, if a small, unknown business has a product that never existed before, then AdWords may not be the best tool for generating sales.⁵⁹ This is especially true if most people are unaware that a product of that character exists, and users would therefore be unlikely to search for it.⁶⁰

Advertising is a critical revenue driver for search engines, particularly for Google.⁶¹ Google has roughly a 30% market share of online advertisement revenue.⁶² For the first fiscal quarter of 2010, Google reported \$6.77 billion in revenue.⁶³ Paid clicks were up 15%, and the cost-per-click was up 7% compared to the first quarter of 2009.⁶⁴ “Both are important metrics for judging Google’s performance: paid clicks represent the number of people clicking on search ads, while cost-per-click represents the amount that advertisers pay to Google for each click under the auction model it uses to set ad prices.”⁶⁵

C. Securing Rights in Branding: Trademark Protection

A trademark is a “distinctive sign which identifies certain goods or services as those produced or provided by a specific person or enterprise.”⁶⁶ A trademark allows consumers to identify certain products or services because its nature and quality meets their specific needs.⁶⁷ The substance of a trademark is nearly limitless and can include words, letters, drawings, symbols, packaging, audible signs such as music or vocal sounds, fragrances, and colors used as distinguishing features.⁶⁸

58. See Darren Dahl, *Real-Life Lessons in Using Google AdWords*, N.Y. TIMES, Oct. 14, 2009, <http://www.nytimes.com/2009/10/15/business/smallbusiness/15adwords.html?pagewanted=all> (describing cost-effective business solutions).

59. *Id.*

60. For example, a small business that sold organizers for airline seats received few clicks through their Google AdWords “airline seatback organizer” because few people knew such a product existed. *Id.*

61. Bernard J. Jansen et al., *The Google Online Marketing Challenge: Classroom Learning with Real Clients, Real Money, and Real Advertising Campaigns*, 9 J. INTERACTIVE ADVERTISING 49 (2008), available at <http://jiad.org/article109>.

62. Paul Boutin, *Google’s Share of Ad Spending: 2.66 Percent*, VENTURE BEAT (June 29, 2009), <http://venturebeat.com/2009/06/29/google-share-of-ad-spending-266-percent/>.

63. Tom Krazit, *Google’s Q1 Earnings Show Continued Ad Growth*, CNET NEWS (Apr. 15, 2010, 1:11 PM), http://news.cnet.com/8301-30684_3-20002630-265.html.

64. *Id.*

65. *Id.*

66. *Trademarks, WORLD INTELL. PROP. ORG.*, <http://www.wipo.int/trademarks/en/trademarks.html> (last visited Oct. 18, 2011).

67. *Id.*

68. *About Trademarks, WORLD INTELL. PROP. ORG.*, http://www.wipo.int/trademarks/en/about_trademarks.html#what_kind (last visited Oct. 18, 2011).

1. Trademark Law in the European Union

The European Union passed the First Council Directive 89/104/EEC on December 21, 1988, solidifying trademark rights.⁶⁹ As pertaining to rights conferred by a trademark, the Directive specifies, "[t]he registered trade mark shall confer on the proprietor exclusive rights therein."⁷⁰ The proprietor of the trademark is "entitled to prevent all third parties not having his consent from using in the course of any trade: (a) 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 . . ."⁷¹ An owner of a registered trademark may prevent another party from affixing the trademark to goods or packaging, offering goods under that trademark, and using the trademark on business papers and in advertising.⁷²

The European Union also recognizes a "Community Trade Mark."⁷³ The Community Trade Mark offers the opportunity to protect a trademark in all of the countries of the European Union by filing a single application.⁷⁴ Community Trade Marks are those that "have a unitary character"⁷⁵ and "shall have equal effect throughout the Community."⁷⁶ As a parallel to the guarantee of trademark rights in Member States, the European Union expanded on Community Trade Mark rights in the Council Regulation 40/94 passed on December 20, 1993.⁷⁷ Article 9 outlines the rights conferred by a Community Trade Mark and provides, in pertinent part, "a Community trade mark shall confer on the proprietor exclusive rights therein."⁷⁸ Further, "[t]he proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade . . . (a) any sign which is identical with the Community

69. See First Directive 89/104/EEC of the Council of 21 December 1988 to Approximate the Laws of the Member States Relating to Trade Marks, art. 5, 1988 O.J. (L 40) (EC), available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31989L0104:en:HTML> [hereinafter First Directive 89/104/EEC of the Council of 21 December 1988].

70. *Id.*

71. *Id.*

72. *Id.*

73. *What is the Community Trade Mark?*, INT'L TRADEMARK ASS'N, http://www.inta.org/index.php?option=com_content&task=view&id=189&Itemid=59&getcontent (last visited Oct. 16, 2011).

74. *Id.* (noting that the countries covered by Community Trade Mark registration are Austria, Benelux, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom).

75. Council Regulation 40/94 of 20 December 1993 on the Community Trade Mark, art. 1, 1994 O.J. (L 11) 1, 8 (EC) available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31994R0040:EN:HTML> [hereinafter Council Regulation 40/94 of 20 December 1993].

76. *Id.*

77. *Id.* art. 9.

78. *Id.*

trade mark in relation to goods or services which are identical with those for which the Community trade mark is registered”⁷⁹

2. Internet Service Providers and Trademark Law

In response to the ever-expanding power of the internet, the European Union passed the Directive on Electronic Commerce.⁸⁰ Its preamble recognizes the importance of commercial communication and states that the interests of consumer protection and fair trade require that electronic services meet certain transparency requirements.⁸¹ The Directive does not permit Member States to impose a general obligation on service providers “to monitor the information that they transmit or store, nor a general obligation to actively seek facts or circumstances indicating illegal activity.”⁸² It does, however, impose a duty on service providers “to act, under certain circumstances, with a view to preventing or stopping illegal activities.”⁸³ Further, the European Union intended for the Directive to serve as the basis for service providers to develop procedures for “removing and disabling access to illegal information.”⁸⁴ The Directive is significant for service providers because it provides exemptions from liability “where the activity of the information society service provider is limited to the technical process of operating and giving access to a communication network over which information made available by third parties is transmitted or temporarily stored.”⁸⁵

The exemption exists because the service provider’s activity is “of a mere technical, automatic and *passive* nature, which implies that . . . the service provider has neither knowledge of nor control over the information which is transmitted or stored.”⁸⁶ A service provider will not, however, escape liability if it “deliberately collaborates” with a client “in order to undertake illegal acts.”⁸⁷ In order for service providers to benefit from the limitation of liability, they must “act expeditiously to remove or to disable access to the information concerned” when they obtain “actual knowledge or awareness of illegal activities.”⁸⁸

79. *Id.*

80. 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 Commerce, in the Internal Market, 2000 O.J. (L 178), *available at* <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32000L0031:EN:HTML> [hereinafter Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000].

81. *Id.*

82. *Id.* art. 15.

83. *Id.* preamble ¶ 40.

84. *Id.*

85. *Id.* preamble ¶ 42.

86. Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000, *supra* note 80, preamble ¶ 42 (emphasis added).

87. *Id.* preamble ¶ 44.

88. *Id.* preamble ¶ 46.

D. Louis Vuitton Fights Back: Suing a Search Engine Giant for Trademark Infringement

The present dispute involves Google and Louis Vuitton Malletier SA (Louis Vuitton).⁸⁹ Louis Vuitton is the proprietor of the Community Trade Mark "Vuitton" and the French national trademarks "Louis Vuitton" and "LV."⁹⁰ All of these Louis Vuitton trademarks are "considered to enjoy a certain reputation."⁹¹ It was established that when internet users entered these trademarks into Google's search engine, it "triggered the display of ads for sites offering counterfeit versions of [Louis Vuitton's] products."⁹² Additionally, Google not only offered online advertisers the opportunity to select Louis Vuitton's trademarks as keywords, but Google also allowed advertisers to select those keywords in combination with "expressions denoting counterfeit such as 'imitation,' 'replica,' and 'copy.'"⁹³

E. Procedural Posture

Initially, the Tribunal de Grande Instance de Paris found that Google was guilty of infringing Louis Vuitton's trademarks.⁹⁴ On appeal, the *Cour d'appel de Paris* affirmed the regional court's ruling.⁹⁵ Google subsequently appealed to the *Cour de cassation* on points of trademark law.⁹⁶ The *Cour de cassation*, in turn, referred three questions to the European Court of Justice for a preliminary ruling.⁹⁷

F. Issues Before the European Court of Justice

The overarching question presented before the European Court of Justice was "whether the use of a keyword which corresponds to a [trademark] can, in itself, be regarded as a use of that [trademark] which is subject to the consent of its proprietor."⁹⁸ The impact of the Court's decision is

89. Opinion of Advocate General Poaires Maduro, *supra* note 1, ¶ 17.

90. *Id.*

91. *Id.*

92. *Id.* ¶ 18.

93. *Id.* ¶ 18. "In the process for selecting keywords, as described, the advertiser could have been provided with information on searches made in Google's search engine using LV's trade marks and related keywords, the latter possibly including the use of those trade marks in association with expressions denoting counterfeit. The trade mark proprietors argue that providing such information would be tantamount to suggesting that advertisers select those associated expressions as keywords." *Id.* ¶ 18, n.11.

94. Avni S. Chari, *EU Court Rules in Favour of Google*, SPICY IP (Apr. 16, 2010), <http://spicyipindia.blogspot.com/2010/04/guest-post-eu-court-rules-in-favour-of.html> (last visited Oct. 18, 2011); *see also* Opinion of Advocate General Poaires Maduro, *supra* note 1, ¶ 19.

95. Chari, *supra* note 94.

96. Opinion of Advocate General Poaires Maduro, *supra* note 1, ¶ 19.

97. *Id.*

98. *Id.* ¶ 4. The term "proprietors" includes "holders of [licenses] granted by

extraordinary because it will determine the “extent to which keywords corresponding to [trademarks] can be used outside the control of the proprietors of the [trademarks].”⁹⁹ The following three questions were referred to the Court for a preliminary ruling:¹⁰⁰

1. Whether trademark infringement occurs in allowing the selection of Community and national trademarks as keywords, and in advertising sites offering counterfeit products corresponding to the trademarks.¹⁰¹

Must Article 5(1)(a) and (b) of [Directive 89/104] and Article 9(1)(a) and (b) of [Regulation No 40/94] be interpreted as meaning that a provider of a paid referencing service who makes available to advertisers keywords reproducing or imitating registered [trademarks] and arranged by the referencing agreement to create and favorably display, on the basis of those keywords, advertising links to sites offering infringing goods is using those [trademarks] in a manner which their proprietor is entitled to prevent?¹⁰²

2. Whether “in light of the special protection granted to [trademarks] which have a reputation” trademark infringement occurs in allowing the selection of Community and national trademarks as keywords, and in advertising sites offering counterfeit products corresponding to the keywords.¹⁰³

In the event that the [trademarks] have a reputation, may the proprietor oppose such use under Article 5(2) of the directive and Article 9(1)(c) of the regulation?¹⁰⁴

3. If trademark infringement occurs, then is the “liability exemption for hosting” applicable?¹⁰⁵

In the event that such use does not constitute a use which may be prevented by the [trademark] proprietor under the directive or the regulation, may the provider of the paid referencing service be regarded as providing an information society service consisting in the storage of information provided by the recipient of the service, within the meaning of Article 14 of

proprietors of the trade mark, under the terms of which they are entitled to use the trade mark in questions.” *Id.*

99. *Id.* ¶ 5. The court rephrases the extent of its decision and states, “when you enter a keyword which corresponds to a trade mark, what can be given and what can you find in cyberspace?” *Id.*

100. *Id.* ¶ 19.

101. Opinion of Advocate General Poaires Maduro, *supra* note 1, ¶ 20.

102. *Id.*

103. *Id.*

104. *Id.*

105. *Id.*

[Directive 2000/31], so that that provider cannot incur liability until it has been notified by the [trademark] proprietor of the unlawful use of the sign by the advertiser?¹⁰⁶

III. THE EUROPEAN COURT OF JUSTICE'S ANALYSIS

A. Google Does Not Use Trademarks in a Way that Constitutes Infringement

The Court of Justice of the European Union held that a proprietor of a trademark can prohibit an advertiser from using a keyword identical to the proprietor's trademark, when the 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 . . . originate from a third party."¹⁰⁷ The Court also concluded that "an internet referencing service provider [such as Google] which stores, as a keyword, a sign identical with a trade mark and [organizes] the display of ads on the basis of that keyword does not use that sign within the meaning of Article 5(1) of Directive 89/104 or of Article 9(1)(a) and (b) of Regulation No 40/94."¹⁰⁸ Finally, the Court held that Article 14 of the "Directive on Electronic Commerce"¹⁰⁹ applies to an internet referencing service provider, such as Google, where the service "has not played an *active* role of such a kind as to give it knowledge of, or control over, the data stored."¹¹⁰ The service provider cannot be held liable for data stored at the request of the 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 date concerned."¹¹¹

B. The Court's Reasoning

The Court laid the foundation for its judgment by noting its decision requires interpreting and approximating the laws of the Member States relating to trademarks,¹¹² the Community Trade Mark,¹¹³ and legal aspects of

106. *Id.*

107. Joined Cases C-236, C-237, & C-238/08, *Google France SARL v. Louis Vuitton Malletier SA*, *Google France SARL v. Viaticum SA*, *Google France SARL v. CNRRH SARL*, 2010 ECJ EUR-Lex LEXIS 119, ¶ 99 (Mar. 23, 2010), available at <http://curia.europa.eu/jurisp/cgi-bin/gettext.pl?lang=en&num=79899676C19080236&doc=T&ouvert=T&seance=ARRET> [hereinafter *Google France SARL v. Louis Vuitton Malletier SA*].

108. *Id.*

109. Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000, *supra* note 80.

110. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 120 (emphasis added).

111. *Id.*

112. First Directive 89/104/EEC of the Council of 21 December 1988, *supra* note 69,

information society services, particularly electronic commerce, in the internal market.¹¹⁴

The Court joined three cases, including *Google v. Louis Vuitton*, all of which revolved around the same issue: “the use, as keywords in an internet referencing service, of signs which correspond to [trademarks], without consent having been given by the proprietors of those [trade marks].”¹¹⁵ Clients of the referencing service provider chose these keywords, and these clients either market imitations of the products of the trademark proprietor or they are competitors of the proprietor.¹¹⁶

The Court addressed the first issue by considering whether both trademark and Community Trade Mark owners are:

entitled to prohibit a third party from displaying, or arranging for the display of, on the basis of a keyword identical with, or similar to, that trade mark which that third party has, without the consent of the proprietor, selected or stored in connection with an internet referencing service, an ad for goods or services identical with, or similar to, those for which that mark is registered.¹¹⁷

In essence, is Google liable to trademark owners for selling keywords containing trademarks to non-owners?

1. Statutory Interpretation of Applicable Trademark Law Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94

The common language of both Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94 is that “the proprietor shall be entitled to prevent all third parties not having his consent from *using* in the *course of trade*” the registered trade mark or Community Trade Mark.¹¹⁸ Additionally, the course of trade focuses on the use of a sign identical with a trademark “[occurring] in the context of commercial activity with a view to economic advantage and not as a private matter.”¹¹⁹ The Court distinguished the advertiser from the referencing service provider.

art. 5.

113. Council Regulation 40/94 of 20 December 1993, *supra* note 75, art. 1.

114. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 1 (citing Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000, *supra* note 80, art. 14).

115. *Id.* ¶ 42.

116. *Id.*

117. *Id.* ¶ 43.

118. First Directive 89/104/EEC of the Council of 21 December 1988, *supra* note 69, art. 5(1); Council Regulation 40/94 of 20 December 1993, *supra* note 75, art. 1 (emphasis added).

119. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 50 (citing Case C-206/01, Arsenal Football Club, 2002 ECR I-10273, ¶ 40).

a. What Constitutes "use" in Trademark Law?

First, with regard to "use," an advertiser who chooses a keyword as a sign identical with another's trademark must be within the meaning of "use."¹²⁰ The Court reasons that an advertiser selects a keyword identical with a trademark to have "the object and effect of displaying an advertising link to the site on which he offers his goods or services for sale."¹²¹ An advertiser "uses" a trademark by choosing it as the keyword to trigger the ad display.¹²²

The Court took a different stance, however, on referencing service providers. It conceded that a referencing service provider, such as Google, is "carrying out a commercial activity" by storing keywords that contain trademarks and arranging the display of ads on the basis of those keywords.¹²³ Furthermore, in this instance, a referencing service provider is not obtaining permission or consent from proprietors of the trademarks used as keywords.¹²⁴ These providers are operating "in the course of trade" by permitting advertisers to select trademarks as keywords.¹²⁵ The Court nonetheless held the service provider is not actually "using" those signs within the meaning of Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No. 40/94. The "use" language requires that the service provider "uses the sign in its own commercial communication," which is not the case here.¹²⁶ Thus, Google allows its clients to "use" the signs, which are identical with or similar to trademarks, without actually "using" those signs.¹²⁷ This conclusion cannot be challenged by the fact that referencing service providers are paid by clients for use of the signs.¹²⁸ In fact, "creating the technical conditions necessary" for the use of the sign—namely, the opportunity to advertise with those keywords online—and being paid for that service does not mean the service provider is "using" the sign.¹²⁹

b. What is Included in the Meaning of "in Relation to Goods or Services?"

The Court examines the conditions relating to "in relation to goods or services" as it affects only the advertiser, because the referencing service provider is deemed to have not "used" the trademarks.¹³⁰ The expression relates primarily "to goods or services of third parties who use a sign identical

120. *Id.* ¶ 43.

121. *Id.* ¶ 52.

122. *Id.* ¶ 51.

123. *Id.* ¶ 53.

124. *Id.* ¶ 54.

125. *Google France SARL v. Louis Vuitton Malletier SA, supra* note 107, ¶ 55.

126. *Id.* ¶ 56.

127. *Id.*

128. *Id.* ¶ 57.

129. *Id.* ¶ 57.

130. *Id.* ¶ 59.

with the mark,”¹³¹ but may also apply to “goods or services of another person on whose behalf the third party is acting.”¹³² The Court relies on previous case law for examples of conduct constituting “use in relation to the goods or services.”¹³³ Such activities include “the affixing of a sign identical to the trade mark onto goods and the offering of the goods, the importing or exporting of the goods under the sign and the use of the sign on business papers and in advertising.”¹³⁴ The Court identifies the particular uses that give rise to this dispute as the offering of goods under the trademark and using the trademark in advertising.¹³⁵

c. Google Does Not Use a Trademark in Relation to Goods or Services when it Allows Advertisers to Purchase Trademarks as Keywords

Google argues the use of the trademark cannot constitute a “use in relation to goods or services”¹³⁶ because there is no mention of the trademark in the actual ad.¹³⁷ Conversely, the trademark owners challenge this view.¹³⁸ The Court is mindful that while both Article 5(3) of Directive 89/104 and Article 9(2) of Regulation No 40/94 provide examples of the kinds of uses which the trademark proprietor may prohibit, it is not an exhaustive list.¹³⁹ Simply because the trademark used by a third party for advertising purposes does not appear in the ad itself, it cannot follow that that particular use falls outside the scope of “use . . . in relation to goods or services” under Article 5 of Directive 89/104.¹⁴⁰ The list of potential uses identified in Article 5 of Directive 89/104 was created prior to the “full emergence of electronic commerce and the advertising produced in that context.”¹⁴¹ The Court recognizes that electronic forms of commerce and advertising are prime examples of uses that differ from the lists in Article 5(3) of Directive 89/104 and Article 9(2) of Regulation No 40/94.¹⁴² Therefore, an interpretation of those lists as being exhaustive would fail to include all possible recent developments in electronic commerce.¹⁴³

An advertiser who chooses a sign identical to another’s trademark as a keyword intends for people to use that sign and click on links from both the

131. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 60.

132. *Id.*

133. *Id.* ¶ 61.

134. *Id.*

135. *Id.* ¶ 62.

136. *Id.* ¶ 64.

137. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 60.

138. *Id.*

139. *Id.* ¶ 65.

140. *Id.*

141. *Id.* ¶ 66.

142. *Id.*

143. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 66.

proprietor of the trademark and the advertising link of that particular advertiser.¹⁴⁴ The Court suggests that, in most cases, a person who searches the name of a trademark is looking for “information or offers on the goods or services covered by that [trademark].”¹⁴⁵ When the advertisements link to sites offering goods or services of competitors of the trademark proprietor, the links appear above or next to the natural results of the search. An internet user may perceive the advertising links as offering goods or services as an alternative to those offered by the owner of the trademark.¹⁴⁶ The Court suggests this can happen only if the internet user does not simply disregard the advertising links as irrelevant to her search or confuse them with those of the trademark owner.¹⁴⁷ When a competitor uses a trademark as a keyword in order to offer alternative goods or services than those of the trademark owner, “there is a use of that sign in relation to the goods or services of that competitor.”¹⁴⁸ This is consistent with the Court’s previous holding:

[T]he use by an advertiser in a comparative advertisement, of a sign identical with, or similar to, the [trademark] of a competitor for the purposes of identifying the goods and services offered by the latter and to compare its own goods or services therewith, is use ‘in relation to goods or services’ for the purposes of Article 5(1) of Directive 89/104.¹⁴⁹

The Court does not delve into whether using keywords identical to a competitor’s trademark to advertise on the internet constitutes a form of comparative advertising, because it is clear from previous case law that use of this type would be considered comparative advertising, regardless of the means used.¹⁵⁰ Additionally, even where an advertiser does not seek to present its goods or services to an internet user as alternatives to the goods or services of the trademark owner, but rather uses it to “mislead internet users as to the origin of its goods or services,” thereby making her believe they originate from the trademark owner, it constitutes use in relation to goods or services.¹⁵¹

The Court concludes that “use by an advertiser of a sign identical with a trademark as a keyword in the context of an internet referencing service falls within the concept of use ‘in relation to goods or services’ within the meaning of Article 5(1)(a) of Directive 89/104.”¹⁵² Similarly, the Court concludes this practice also constitutes use in relation to goods or services within the meaning of Article 9(1)(a) of Regulation No 40/94 so long as the sign used is

144. *Id.* ¶ 67.

145. *Id.* ¶ 68.

146. *Id.*

147. *Id.*

148. *Id.* ¶ 69

149. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 70.

150. *Id.* ¶ 71.

151. *Id.* ¶ 72.

152. *Id.* ¶ 73.

identical with a Community Trade Mark.”¹⁵³

d. What Use is Likely to Have an Adverse Effect on the Functions of the Trademark

Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94 provides exclusive rights to a trademark owner to protect her interests as a proprietor to ensure a trademark can “fulfill its function.”¹⁵⁴ A trademark owner may exercise that exclusive right when the use by a third party threatens to or does affect the function of the trademark.¹⁵⁵ A trademark owner cannot oppose the use of an identical trademark if that use is unlikely to cause detriment to any of the functions of the trademark.¹⁵⁶ The “essential function of the trademark” is to “guarantee to consumers the origin of the goods or services.”¹⁵⁷ Further, the trademark also functions to guarantee the quality of the goods or services in question.¹⁵⁸ The protection afforded to trademark owners under Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94 is more extensive than the respective paragraphs (1)(b) of both of those articles, “the application of which requires that there be a likelihood of confusion.”¹⁵⁹

The Court alludes to exceptions where a trademark owner cannot prohibit the use of the trademark in certain situations listed in Articles 6 and 7 of Directive 89/104 and Articles 12 and 13 of Regulation No 40/94.¹⁶⁰ The Court also points out that none of those exceptions are applicable in the instant dispute.¹⁶¹ Therefore, the issue to be resolved is the function of indicating origin and the function of advertising.¹⁶²

i. The Adverse Effect on the Function of Indicating Origin

The essential function of a trademark is to guarantee the identity of the

153. *Id.* ¶ 74. A Community Trade Mark is obtained through a single application to the Office for Harmonisation in the International Market; the trademark has a unitary character in the sense that it produces the same effects throughout the entire European Union. *Community Trade Mark*, EUROPA SUMMARIES OF EU LEGISLATION, http://europa.eu/legislation_summaries/internal_market/businesses/intellectual_property/126022a_en.htm (last visited Oct. 15, 2011); *see also* discussion accompanying notes 73-79.

154. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 75.

155. *Id.*

156. *Id.* ¶ 79; *see also* Case C-206/01, Arsenal Football Club, 2002 ECR I-10273, ¶ 54 (“[Trademark owners are] entitled to prevent third parties from using, in relation to the same goods or services, identical signs which are capable of giving a misleading indication as to their origin, provenance, quality, or reputation.”).

157. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 77.

158. *Id.*

159. *Id.* ¶ 78.

160. *Id.* ¶ 80.

161. *Id.*

162. *Id.* ¶ 81.

origin of the goods or services, or allow a consumer to distinguish those goods and services from others that have a different origin.¹⁶³ The Court states that whether the function of a trademark is affected when the trademark is used as a keyword for a third party's advertising purpose "depends in particular on the manner in which that ad is presented."¹⁶⁴ The Court holds that a trademark is adversely affected if the ad does not allow "a normally informed and reasonably attentive internet [user]"¹⁶⁵ to determine whether the goods or services in the advertisement originate from the trademark owner or originate from a third party.¹⁶⁶

As an example, when an internet user on a search engine uses the trademark as a search term, and the advertisement in question appears immediately after that entry, with the trademark still displayed on the screen in its capacity of a search term, the internet user may not be able to determine the origin of the goods or services in question.¹⁶⁷ This is especially true if the advertisement is likely to create the impression that there is a "material link in the course of trade" between the goods or services in question and the trademark owner.¹⁶⁸ Although the area of electronic commerce and advertising may fall under the rules of unfair competition, the Court indicates it is appropriate to examine it under trademark law.¹⁶⁹

A trademark owner must be "entitled to prohibit the display of third-party ads which internet users may erroneously perceive as emanating from that [trademark owner]."¹⁷⁰ Importantly, the Court states that the national court should assess, on a case-by-case basis, whether the facts of a particular case indicate adverse effects.¹⁷¹ While the Court declines to draw a bright-line rule, it offers guidance that where a third party's advertisement suggests "there is an economic link between that third party and the [trademark owner], the conclusion must be that there is an adverse effect on the function of indicating origin."¹⁷² Additionally, where a third party does not suggest the existence of an economic link but is "vague to such an extent on the origin of the goods or services at issue"¹⁷³ that a "normally informed and reasonably attentive internet [user]"¹⁷⁴ is unable to determine whether the advertiser is a third party to the trademark owner or economically linked to the trademark

163. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 82.

164. *Id.* ¶ 83.

165. *Id.* ¶ 84.

166. *Id.*

167. *Id.* ¶ 85.

168. *Id.*

169. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 87.

170. *Id.*

171. *Id.* ¶ 88.

172. *Id.* ¶ 89.

173. *Id.* ¶ 90.

174. *Id.*

owner, the conclusion must also be there is “an adverse effect on that function of the trademark.”¹⁷⁵

ii. The Adverse Effect on the Advertising Function

In addition to indicating the origin of its goods or services, a trademark owner may also use its mark to inform and persuade consumers through advertising.¹⁷⁶ Therefore, a trademark owner has the right to prohibit a third party from using the trademark where such use affects the trademark owner’s use as a “factor in sales promotion or as an instrument of commercial strategy.”¹⁷⁷ Where a third party uses the trademark as a keyword for the purposes of displaying advertisements on search results, “it is clear that use is liable to have certain repercussions on the advertising use of that [trademark] by its [owner] and on the latter’s commercial strategy.”¹⁷⁸

Internet advertising plays an integral role in trade and commerce. It is possible that a trademark owner would use its own trademark as a keyword through a referencing service provider, such as Google, to have its ad appear under the sponsored links section.¹⁷⁹ Even if the trademark owner pays for this service, it cannot be guaranteed that its ad will appear first, since there are other factors taken into consideration when a service provider lists the search results.¹⁸⁰ Thus, because other factors besides price-per-click are taken into consideration, a third party’s advertisement based on the trademark as a keyword may still appear before the trademark proprietor’s advertisement.¹⁸¹ “Nevertheless, those repercussions of [a] third part[y][using] a sign identical with the [trademark] do not of themselves constitute an adverse effect on the advertising function of the [trademark].”¹⁸² Additionally, the Court notes that when internet users enter the trademark as a search term, the home and advertising page of the trademark’s proprietor will appear in the natural results, usually in one of the highest positions on that list.¹⁸³ This display is free of charge, meaning internet users will see the proprietor’s site irrespective of whether that proprietor is successful in securing the display of an ad under the heading “sponsored links.”¹⁸⁴ Consequently, visibility to internet users is guaranteed.¹⁸⁵ The Court concludes a third party’s “use of a sign identical with another person’s [trademark] in a referencing service is not liable to have an adverse effect on the advertising function of the

175. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 90.

176. *Id.* ¶ 91.

177. *Id.* ¶ 92.

178. *Id.* ¶ 93.

179. *Id.* ¶ 94.

180. *Id.*

181. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 94.

182. *Id.* ¶ 95.

183. *Id.* ¶ 97.

184. *Id.*

185. *Id.*

[trademark]."¹⁸⁶

e. Average Internet Users Must be Able to Determine the Origin of Goods

In connection with an internet referencing service, such as Google AdWords, a trademark owner is, in some situations, entitled to prohibit an advertiser from using keywords identical with the trademark selected. The owner may do so where the advertiser advertises goods or services identical to those for which the trademark is registered, and where the advertisement does not enable an average internet user to ascertain whether the goods or services originate from the owner of the trademark or a third party.¹⁸⁷ Additionally, "an internet referencing service provider which stores a sign identical with [a trademark as a keyword] and organizes the display of [advertisements] on the basis of that keyword does not use that sign."¹⁸⁸

2. Can a trademark owner prohibit an internet referencing service provider from storing, as a keyword, a sign corresponding to a reputable trademark and organizing the display of ads on the basis of that keyword?

Instantly, Google permitted advertisers to select keywords corresponding to Louis Vuitton's trademarks in combination with keywords such as "imitation" and "copy."¹⁸⁹ The Court acknowledges it has already held that a third party offering imitations for sale unfairly takes advantage of the distinct character or the reputation of a trademark where it uses a sign identical with or similar to a reputable mark and does not compensate the trademark proprietor for the use.¹⁹⁰ Such precedent is relevant to third parties advertising Louis Vuitton counterfeit goods through the use of signs identical with Louis Vuitton trademarks on the internet.¹⁹¹ However, in accordance with the aforementioned reasoning, a referencing service provider does not use a sign within the meaning of Article 5(2) of Directive 89/104 or of Article 9(1)(c) of Regulation No 40/94 by storing the trademark sign in combination with terms such as "imitation" or "copy."¹⁹² A referencing service provider also does not "use" a mark when it permits the display of advertisements on the basis of such search terms.¹⁹³

186. *Id.* ¶ 98.

187. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 99.

188. *Id.* (within the meaning of Article 5(1) of First Directive 89/104/EEC of the Council of 21 December 1988, *supra* note 69, or of Article 9(1)(a) and (b) of Council Regulation 40/94 of 20 December 1993, *supra* note 75).

189. *Id.* ¶ 101.

190. *Id.* ¶ 102.

191. *Id.* ¶ 103.

192. *Id.* ¶ 104.

193. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 105.

3. Does an internet referencing service constitute an information society service such that it cannot be held liable prior to its being informed of the unlawful conduct of the advertiser?¹⁹⁴

The E-commerce Directive, Article 14 of Directive 2000/31, protects an information society service from liability where the service stores information at the request of a recipient of that service.¹⁹⁵ When a service provider becomes aware of the unlawful nature of the data or activities of that recipient and fails to act expeditiously to remove or to disable access to the data, liability may attach.¹⁹⁶ Importantly, liability may be imposed regardless of whether the service provider is notified by the injured party—it does not matter *who* notified the service provider, only that the provider has been notified.¹⁹⁷

“Information society service” contemplates “services which are provided at a distance, by means of electronic equipment for the processing and storage of data, at the individual request of a recipient of services, and normally in return for remuneration.”¹⁹⁸ Based on this definition, the Court concludes Google is considered an information society service.¹⁹⁹ It is also indisputable that a “referencing service provider stores information from the recipient of that service, keywords selected by the advertiser, the advertising link, the accompanying commercial message, as well as the address of the advertiser’s site.”²⁰⁰

In order for Google to receive the protection of the Directive, it is necessary that Google’s conduct is “limited to that of an ‘intermediary service provider’ within the meaning intended by the legislature.”²⁰¹ This only covers activity that is “of a mere technical, automatic and passive nature,”²⁰² implying the service provider is neutral and has a lack of knowledge or control of the data that it stores.²⁰³

Google not only developed the software used for AdWords and internet searches; it also processes the data entered by advertisers and controls the resulting displays of advertisements.²⁰⁴ Google determines the order of the display of advertisements according to, among other things, the price-per-click paid by the advertisers.²⁰⁵ It does not follow, however, that because

194. *Id.* ¶ 106 (considering the question with reference to Article 14 of Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000, *supra* note 80).

195. *Id.* ¶ 109.

196. *Id.*

197. *See id.* (stating information may be supplied by the injured party or otherwise).

198. *Id.* ¶ 110.

199. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 110.

200. *Id.* ¶ 111.

201. *Id.* ¶ 112.

202. *Id.* ¶ 113.

203. *Id.*

204. *Id.* ¶ 115.

205. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 115. (“[I]t is

Google receives payment from advertisers,²⁰⁶ it should be deprived of the exemptions from liability provided for in the Directive. "Likewise, the concordance between the keyword selected and the search term entered by an internet user is not sufficient of itself [to show] Google has knowledge of or control over, the data entered into its system by advertisers and stored in memory on its server."²⁰⁷

By contrast, the role Google plays "in drafting the commercial message [that] accompanies the advertising link or in the establishment of selection of keywords is relevant" to determine whether Google's conduct is truly passive.²⁰⁸ The Court leaves this to national courts to determine on a case-by-case basis.²⁰⁹ The Court suggests looking at whether Google's conduct put it in a position where it had knowledge or control over the data stored.²¹⁰ Even in situations where Google lacks the knowledge or control over data stored at the request of an advertiser, it could still face liability if it obtained knowledge of the unlawful nature of the data or the advertiser's activities and failed to act expeditiously to remove or to disable access to the data concerned.²¹¹

IV. PERSONAL ANALYSIS

A. The European Court of Justice's Opinion in Comparison with Other Key Global Players

This is another decision in a long line of cases across the globe trying to parse out which parties are liable in trademark infringement actions. The United States courts are split over whether search engines' sale of trademark keywords to advertisers constitutes use in commerce, although many think they do.²¹² Although most cases are brought against the keyword purchasers, there are also instances of trademark owners suing the search engine that sells the keywords.²¹³ The trend in the United States is that the sponsored link must contain the disputed trademark in order to constitute a likelihood of confusion, and thus infringement.²¹⁴

common ground that [Google] is carrying out a commercial activity with a view to economic advantage when it stores as keywords, for certain of its clients signs which are identical with trademarks and arranges for the display of ads on the basis of those keywords.").

206. *Id.* ¶ 53.

207. *Id.* ¶ 117.

208. *Id.* ¶ 118.

209. *See id.* ¶ 119 (noting national courts are in a better position to know the service terms involved in each case).

210. *See id.* ¶ 120 (stating that it should be determined if the service provider played an active role).

211. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 120.

212. Luepke, *supra* note 14.

213. *Id.*

214. *Id.* ("However, a few courts have found infringement even if the disputed mark does not appear in the [advertisement].").

Chinese trademark law follows a similar legal framework as that of the European Union and the United States. Namely, that infringement occurs when a mark “that is identical with or similar to [a] registered mark on the same or similar goods [is issued] without permission of the owner of the registered trademark.”²¹⁵ Using a trademark in advertising is included in the scope of “using” under Chinese trademark law.²¹⁶ Chinese courts are grappling over what extent search engine companies should take regarding the duty of care in offering keyword advertising services.²¹⁷ Based on recent decisions, Chinese courts have not yet reached consensus on this issue.²¹⁸ Similar to the European Union and the United States, China’s courts do share a common view that “keywords are a type of advertising under [trademark law regulations].”²¹⁹ Additionally, China’s anti-unfair competition law also provides a legal basis for a claim in keyword advertising practices.²²⁰ A trademark owner’s best option is to assert trademark rights against the advertiser, as opposed to the service provider.²²¹ There are of course situations where a trademark owner can only pursue the search engine because advertisers cannot be located or they are incapable of paying damages.²²² Due to China’s lack of certainty on liability for search engines, trademark owners are encouraged to engage in forum shopping among Chinese courts to boost the chances of prevailing in a lawsuit.²²³ Many other countries are also struggling over the same issues posed by the ever-increasing use of keyword advertising on the internet.²²⁴

B. The Court’s Decision Lacks Clarity for National Courts to Apply Trademark Law

The European Court of Justice should have found that Google did use the trademarks in the course of trade. However, the Court was correct to exempt Google from liability because of its status as an information society service

215. *Internet Search Engines and Trademark Rights*, CHINA LAW & PRACTICE, Feb. 2009, available at <http://blogs.law.harvard.edu/donnie/2009/04/04/internet-search-engines-and-trademark-rights/>.

216. *Id.*

217. *Id.*

218. *Id.*

219. *Id.*

220. *Id.*

221. *Internet Search Engines and Trademark Rights*, *supra* note 215.

222. *Id.*

223. *See id.* (stating that liability depends on the forum).

224. *See Keyword Linked Advertising and Infringement in India*, CHINA LAW & PRACTICE, Nov. 2009 (stating that the Madras High Court is still deciding “use in commerce” and “likelihood of confusion” issues in search engine trademark infringement suits); *Canada: Keyword Advertising Not Misleading in Canada*, MONDAQ BUS. BRIEFING, July 16, 2010, at 1, 3 (stating that a recent Canadian decision that looks at keyword advertising from the perspective of misleading advertising may be instructive on the approach a Canadian court might adopt to keyword advertising in the context of allegations of trademark infringement).

provider.

As previously mentioned, the European Court of Justice is charged with interpreting E.U. laws to harmonize decisions of Member States.²²⁵ While this opinion may have solved the issue of what constitutes "use," it opens the door for a new set of unresolved issues. First, Google can be liable when it has knowledge of the advertiser's illegal activity of unlawfully using a trademark as a keyword.²²⁶ The Court does not provide guidance as to the level of knowledge Google must acquire, and at what point in time Google is considered to have that knowledge. Does Google have knowledge when it is notified there is potential trademark infringement on one of their sponsored sites, or is it enough where an element of constructive knowledge exists such that Google *should have known* about an advertiser's activity?

Google can also be liable if it plays an active role in the selection of an advertiser's keyword or the drafting of a commercial message.²²⁷ How involved does Google have to be before a trademark owner can bring suit against the search engine giant? The Court does not explain if Google can suggest keywords to potential advertisers and to what extent Google can help draft a commercial message for an advertisement. Further, the Court does not offer guidance as to how a trademark owner could determine Google's level of involvement in a particular commercial message.

Upon hearing of illegal activity, Google is required to expeditiously remove said material or advertising.²²⁸ What is considered expeditious? Is there a particular time frame? If national courts determine this on a case-by-case basis, then Google could be liable for not removing an infringing advertisement within forty-eight hours in France, but not liable in Spain. Such differing outcomes would be a far cry from the Court's objective to harmonize laws among European Union Member States.²²⁹

Based on the lack of clarity offered by this opinion, it is not surprising that both Google and Louis Vuitton considered this decision a victory.²³⁰ One of Google's intellectual property lawyers, Dr. Harjinder S. Obhi, wrote on a Google blog that the judges upheld a "fundamental principal behind the free flow of information over the internet."²³¹ He continued, "[t]rademark rights are not absolute. We believe that user interest is best served by [maximizing] the choice of keywords, ensuring relevant and informative advertising for a

225. See discussion accompanying notes 26-36; see also *The Court of Justice of the European Union*, *supra* note 19.

226. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 120.

227. *Id.*

228. *Id.*

229. See discussion accompanying notes 26-36; see also *The Court of Justice of the European Union*, *supra* note 19.

230. Geoff Meade, *Court Victory for Google Over Brand Name Searches*, PRESS ASSOCIATION MEDIAPOINT, Mar. 23, 2010.

231. *Id.*

wide variety of different contexts.”²³² Dr. Obhi emphasized Google had not been fighting for the right to advertise counterfeit goods, as Google has “strict policies that forbid the advertising of counterfeit goods; it’s a bad user experience. [Google works] collaboratively with brand owners to better identify and deal with counterfeiters.”²³³ He noted that Google’s “guiding principal has always been that advertising should benefit users . . . to ensure that ads are relevant and useful.”²³⁴

Louis Vuitton Senior Executive Vice President, Pierre Gode, favorably responded to the opinion as well.²³⁵ “This decision represents a critical step towards the clarification of the rules governing online advertising, of which [Louis Vuitton] is one of the foremost clients.”²³⁶ Gode indicated Louis Vuitton’s willingness to work with all parties, including Google, “to eradicate illicit online practices and to promote a framework that fosters the continued growth of the digital economy.”²³⁷

Opponents to this decision demand that Google be held liable, especially because Google makes a substantial profit from selling trademarks as keywords in the AdWord program, and is in a position to put a filter on a keyword advertiser or prevent the purchase.²³⁸ However, search results producing competitive websites are analogous to competing brands having their billboards mounted on opposite sides of the street.²³⁹ Google should not be punished simply because they turn a profit from the service. Instead, the Court should look to the relationship between Google and an advertiser to determine whether to impose liability for trademark infringement.

C. Proposing an Agency Law Analysis to Trademark Infringement Claims

An agency relationship forms between Google and a keyword advertiser when Google provides the AdWords service to that business. “Agency is the fiduciary relationship that arises when one person (a “principal”) manifests assent to another person (an “agent”) that the agent shall act on the principal’s behalf and subject to the principal’s control, and the agent manifests assent or otherwise consents so to act.”²⁴⁰ Agency encompasses a broad range of relationships, which can include relationships between employer and employee, client and lawyer, and corporation and officer.²⁴¹ There are certain industries that make use of nonemployee agents to enter

232. *Id.*

233. *Id.*

234. *Id.*

235. *Id.*

236. Meade, *supra* note 230.

237. *Id.*

238. *See id.* (describing one lawyer’s perspective of how the case should have been decided).

239. *Keyword Linked Advertising and Infringement in India*, *supra* note 224.

240. RESTATEMENT (THIRD) OF AGENCY § 1.01.

241. *Id.* § 1.01 cmt. c.

into binding contracts between the customer and a vendor.²⁴² Even agents who do not have the authority to bind their principals to contracts often have the authority to negotiate, transmit, or receive information on the principals' behalf.²⁴³

Although not all relationships constitute agency, the concept "contemplates three parties – the principal, the agent, and the third party with whom the agent is to deal."²⁴⁴ Importantly, under common law, a relationship requires that the agent consent to act on behalf of the principal, and the principal has the right to control the agent's acts throughout the duration of the relationship.²⁴⁵ A principal need not exert control over the *full range* of an agent's actions, and a principal's failure to exercise the right of control does not eliminate the agency relationship.²⁴⁶ Agency is also not eliminated based on physical distance between the principal and the agent.²⁴⁷ The creation of agency is rather simple—it must be a consensual relationship.²⁴⁸ Both the agent and the principal must consent to their association with each other.²⁴⁹

"An agent is subject to liability to a third party harmed by the agent's tortious conduct."²⁵⁰ This liability extends to actors acting as agents or employees with actual or apparent authority, or within the scope of employment unless a statute excuses liability.²⁵¹ Imposing liability on the actor encourages individuals to act responsibly, whether they act in an individual capacity or on behalf of a principal, even if the agent's conduct could also subject the principal to liability.²⁵² This also provides an additional body from whom an injured party may recover, especially if the principal is not available or unable to pay.²⁵³ The crux of the agent's potential liability is based on the agent's conduct.²⁵⁴ An agent can be liable not only for intentional conduct, but liability can extend to negligent acts and omissions as well.²⁵⁵

The Court concludes that an advertiser who purchases a trademark as a keyword is using that sign in the context of commercial activity.²⁵⁶ Confusingly, the Court holds that Google does not "use" those trademarks,

242. *Id.*

243. *Id.*

244. See FLOYD R. MECHEM, A TREATISE ON THE LAW OF AGENCY § 27, at 14 (2d ed. 1914) (providing examples of agency interactions that generally involve three parties).

245. RESTATEMENT (THIRD) OF AGENCY § 1.01 cmt. c.

246. *Id.*

247. *Id.*

248. *Id.* § 1.01 cmt. d.

249. *Id.*

250. *Id.* § 7.01.

251. RESTATEMENT (THIRD) OF AGENCY § 7.01.

252. *Id.* § 7.01 cmt. b.

253. *Id.*

254. *Id.*

255. *Id.*

256. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 52.

although Google operates in the course of trade when it allows advertisers to select those keywords.²⁵⁷ The Court's explanation is vague. Google "allows its clients to use signs which are identical with, or similar to trademarks, without it using those signs."²⁵⁸ The Court's flawed conclusion defies the common law concept of an agency relationship.²⁵⁹ In evaluating whether an actor "uses" a trademark in the "course of trade or business," the Court should engage in an agency relationship analysis to determine the scope of the relationship between Google and an advertiser, and consequently, how the actions within that relationship harm a third party.

The Court implicitly suggests that an agency relationship exists between Google and a business using Google's AdWords service.²⁶⁰ In this case, Google is an internet referencing service provider assisting companies who wish to advertise on the internet.²⁶¹ A company uses Google's AdWords as a referencing service by selecting a keyword so that, when the keyword is searched, an advertising link to its site appears in the search results.²⁶² In purchasing those keywords, companies agree to pay a certain price-per-click if Google generates their advertising link in the search results.²⁶³ The advertising company (the principal) has control over when Google (the agent) will display its advertisement in search results.²⁶⁴ The advertising company also has input as to where in the results the advertisement will appear by paying Google more for the ad placement.²⁶⁵ Google processes the keywords chosen by advertisers and controls the resulting display of ads, including the order of the display, and conveys those results to internet users.²⁶⁶

The Court concludes that Google's liability would be based on their knowledge of, or control over, the data entered into its system by advertisers and stored in memory on its server.²⁶⁷ The Court seems to suggest that there must be evidence that Google had *actual* knowledge of the data entered into its system. Actual knowledge would require Google to have direct and clear

257. *Id.* ¶ 35.

258. *Id.* ¶ 56.

259. *See* RESTATEMENT (THIRD) OF AGENCY §7.01.

260. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 115. Acting on behalf of the advertiser, Google processes the data entered by the advertiser, in addition to controlling the resulting display of the ads according to the remuneration paid by the advertiser. *Id.*

261. *Id.* ¶ 23.

262. *Id.*

263. *See id.* ¶ 25 ("The fee is calculated on the basis, in particular, of the 'maximum price per click' which the advertiser agreed to pay when concluding with Google the contract for the referencing service, and on the basis of the maximum number of times that link is clicked on by internet users.").

264. *Id.* ¶ 26. Companies exercise such control by purchasing the keywords and by fixing the higher maximum price.

265. *Id.*

266. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 115.

267. *Id.* ¶ 114.

knowledge.²⁶⁸ This is a dangerous precedent to set, as Google can look-the-other-way and ignore what information is being entered into its server. The purpose behind agency relationship is to encourage responsible behavior from those who are in a position to act.²⁶⁹ Consequently, the Court should only require a showing that Google has *constructive* knowledge. This is a lessened standard that attributes knowledge to a person when they are using reasonable care or diligence.²⁷⁰ If a referencing service provider, such as Google, has the ability to store keywords and commercial messages, then it would be reasonable to ensure those entering keywords were not using the service to direct internet users to counterfeit goods or other illegal material. This would not require Google to intensely investigate every keyword entry. In the instant case, Google could have incorporated a simple screening process that would provide alerts if advertisers were purchasing Louis Vuitton's trademarks in conjunction with words indicating counterfeit goods. Additionally, the Court wants evidence that Google had control over the data entered into its system by advertisers and stored in memory on its server.²⁷¹ The Court says the mere fact that Google generates revenue from the service is not enough to attribute knowledge and control.²⁷² This may be true. However, the sheer volume of revenue that Google generates from online advertising puts the search engine in the best position to screen for trademark infringement violations.²⁷³

In using the Court's own words, "a referencing service provider *allows* its clients to use signs which are identical with, or similar to, [trademarks] without itself using those signs."²⁷⁴ By using the language "allow," the Court itself acknowledges that Google consented to advertisers using these trademarks. Thus, because Google was an agent of the advertisers and provided the forum for which these advertisers used the keywords, the Court should have concluded that Google *used* the trademark in the course of business.

The Court also imposes a duty on Google to remove any illegal material after Google obtains knowledge of its existence.²⁷⁵ Essentially, the Court acknowledges that Google has control over the material by requiring Google

268. See BLACK'S LAW DICTIONARY 51 (stating that actual knowledge means having direct and clear knowledge).

269. RESTATEMENT (THIRD) OF AGENCY § 7.01 cmt.b.

270. BLACK'S LAW DICTIONARY 51.

271. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 114 (allowing the restriction of liability only in situations where the information society service provider has neither knowledge of nor control over the information which is transmitted or stored).

272. *Id.* ¶ 116.

273. *Krazit*, *supra* note 63.

274. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 56 (emphasis added).

275. See *id.* ¶ 120 (noting that Google can be held liable where it does not remove or disable unlawful data).

to act. Because the Court implicitly establishes that an agency relationship exists between an advertiser and a referencing service provider, it follows that Louis Vuitton, the injured third party, should be able to state a cause of action against Google (the agent) for its action in using Louis Vuitton's trademarks in providing advertising for trademark infringers (the principals).

This is good public policy because trademark infringers and counterfeiters often do not have enough money to compensate trademark owners for their injuries. Google certainly has the resources to provide an additional source of remedies for injured third parties.²⁷⁶ Without this option, the only recourse trademark owners have is to go after each individual trademark infringer. Under an agency relationship analysis, an injured third party could file complaints against the agent, who in this case is "using" a trademark in the course of business and should be held accountable. Alternatively, even though the Court should have held that Google used Louis Vuitton's trademarks in the course of trade or business, the Court was correct to exempt Google from liability under applicable statutory authority.

D. The Court Correctly Exempted Google from Liability

An exception to liability is present if a statute immunizes an agent from liability while the agent was acting within the scope of employment or duty.²⁷⁷ Directive 2000/31 exempts information society service providers from liability where the provider's activity is limited to

[the] technical process of operating and giving access to a communication network... for the sole purpose of making the transmission more efficient; this activity is of a mere technical, automatic and passive in nature, which implies that the information society service provider has neither knowledge of nor control over the information which is transmitted or stored.²⁷⁸

The liability exemption is limited to service providers who merely serve as a conduit, and are in no way involved with the information transmitted.²⁷⁹ However, if a service provider "deliberately collaborates with one of the recipients of his service in order to undertake illegal acts," then they cannot benefit from the liability exemptions.²⁸⁰ In order for a service provider to benefit from the exemption, upon obtaining actual knowledge or awareness of illegal activities, they must act expeditiously to remove or disable access to the information.²⁸¹

Nothing suggests that Google deliberately collaborated with advertisers in order to harm third parties. Google views AdWords as a service that

276. RESTATEMENT (THIRD) OF AGENCY § 7.01 cmt. b.

277. *Id.* By way of example, there are statutes "limiting a plaintiff injured by a tort committed by an agent of a public body to a claim against only the body." *Id.*

278. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 42.

279. *Id.* ¶ 43

280. *Id.* ¶ 44.

281. *Id.* ¶ 46.

enables businesses to target select audiences for products and services, not as a way to sell counterfeit goods to the public.²⁸² The Court has sent a message to Google: it has encouraged a multi-billion dollar internet referencing provider to avoid actual knowledge in order to avoid liability. If Google obtains actual knowledge, then the statute requires the search engine to remove any illegal material.²⁸³ The statute is driven by public policy encouraging the free-flow of information on the internet and providing a positive user experience.²⁸⁴ It is proper to use statutory mechanisms to immunize Google from liability in order to promote this public policy. Although, in this case, the end result would have been the same, establishing that an agency relationship exists could nevertheless change the outcome in countries where such liability exemptions do not exist.

E. Asserting a Breach of the Fiduciary Duty of Loyalty to Combat Counterfeit Goods

Louis Vuitton's claim against Google focused on two actions: (1) the display of ads for counterfeit products when internet users typed in Louis Vuitton's trademarks as keywords, and (2) Google allowing keyword advertisers to purchase Louis Vuitton's trademarked phrases in conjunction with words denoting counterfeit, such as "imitation," "replica," and "copy."²⁸⁵ Louis Vuitton is a staunch anti-counterfeiting advocate, and even dedicates a portion of the luxury brand's website to raise awareness of the illegality of counterfeiting.²⁸⁶ The site proclaims, "[i]n 2004, the brand's firm stance led to over 13,000 legal actions, more than 6,000 raids, over 947 arrests and the seizure of fake printing cylinders."²⁸⁷

SiteJabber, a website that allows shoppers to rate and review products, assembled a list of the top ten most counterfeited products for the 2010 holiday season.²⁸⁸ Out of the ten spots, seven of the items were specific brand name products.²⁸⁹ Included on the list, in their respective place, are: (1) UGGS, (2) Coach handbags and leather items, (3) Tiffany's, (6) Nike sneakers, (7) Ed

282. See *What is Google AdWords?*, *supra* note 46 (describing AdWords as a service that allows an advertiser to create and run ads for a particular audience).

283. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 46.

284. COMMISSION OF THE EUROPEAN COMMUNITIES, FIRST REPORT ON THE APPLICATION 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 COMMERCE, IN THE INTERNAL MARKET 3 (2003).

285. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 29.

286. *Counterfeiting Information: Fake Louis Vuitton*, LOUIS VUITTON <http://www.louisvuitton.com/info/fake/index.html> (last visited Feb. 5, 2010).

287. *Id.*

288. Chris Morran, *Here Are the Most Counterfeited Products for the Holidays*, THE CONSUMERIST (Dec. 7, 2010), <http://consumerist.com/2010/12/here-are-the-most-counterfeited-products-for-the-holidays.html>.

289. *Id.*

Hardy and Juicy Couture brands, and (9) North Face.²⁹⁰ When an internet user types any of these brand names into Google's search engine, with the exception of Ed Hardy, the company's website appears as an advertisement in the search results. Thus, highly counterfeited brands typically purchase advertising space through Google's AdWords program.

Since an agency relationship exists, the agent owes a fiduciary duty of loyalty to the principal and must act in the principal's interest as well as on the principal's behalf.²⁹¹ Accordingly, there exists a potential cause of action for a business who engages Google in an AdWords contract and is subsequently harmed by another keyword advertiser who infringes the business's trademark. That business could assert a breach of the fiduciary duty of loyalty against Google.²⁹²

An agent has a duty "not to use property of the principal for the agent's own purposes or those of a third party."²⁹³ This is the inverse of the principal's right to exclude others from using the property.²⁹⁴ This duty exists whether or not the agent who uses the principal's property competes with or causes harm to the principal through its use.²⁹⁵ An agent can breach this duty even if the agent's use is beneficial to the principal.²⁹⁶ Most importantly, an agent is subject to liability to the principal for any profit made by the agent while using the principal's property.²⁹⁷ Of course, if a principle gives consent to a certain action, then an agent would not violate this duty.²⁹⁸

However, Louis Vuitton's advertisement does not appear on the search results page when an internet user types in "Louis Vuitton," "Vuitton," or "LV" as keywords. From these search results, it does not appear that Louis Vuitton uses Google's AdWord program, or has engaged Google for their online advertising services. Thus, Louis Vuitton has not formed an agency relationship with Google and could not state a claim for Google's breach of the fiduciary duty of loyalty. In the future, however, if Louis Vuitton engages Google as an agent, then it is possible Louis Vuitton could use a breach of fiduciary duty to enjoin Google from using its trademarks as keywords for trademark infringers.²⁹⁹ Additionally, Louis Vuitton could be entitled to the profit Google earned from selling the keywords to those infringers, which could prove very lucrative.³⁰⁰

Companies concerned with counterfeit businesses may seek to halt

290. *Id.*

291. RESTATEMENT (THIRD) OF AGENCY § 1.01 cmt. e.

292. *Id.*

293. *Id.* § 8.05.

294. *Id.* § 8.05 cmt. b.

295. *Id.*

296. *Id.*

297. RESTATEMENT (THIRD) OF AGENCY § 8.05 cmt. b.

298. *Id.* § 8.05 cmt. a.

299. *See id.* § 1.01 cmt. e.

300. *See id.* § 8.05 cmt. b.

advertising for those illegal products by going to the source—the enabler, Google. If those companies are using Google's AdWords program, then they could assert a claim against Google for a breach of the fiduciary duty of loyalty. Trademarks, as a form of intellectual property, provide exclusive rights to owners.³⁰¹ These owners, as principals, can limit Google, as an agent, from using their property to benefit third parties.³⁰² This would not forbid third parties from using trademarks for comparative advertising purposes, which is legal. Accordingly, this could give companies concerned with counterfeiters recourse against not only counterfeiters, but also online advertising providers, such as Google.

F. How can Brand Owners Protect Trademarks?

Trademark owners should first and foremost register trademarks with the proper offices in all countries where they use their trademarks.³⁰³ The onus is on the trademark owner to carefully monitor sponsored links appearing in search results for its trademarks³⁰⁴ in order to stop the use of its marks as keywords.³⁰⁵ Multinational trademark owners must understand that the same activity may have different legal consequences in different jurisdictions.³⁰⁶ In situations where the trademark owner believes the advertised sites cause confusion, the owner should notify the keyword advertiser and bring this to Google's attention.³⁰⁷ Trademark owners are encouraged to use the complaint procedures offered by Google to report such instances.³⁰⁸ If Google fails to expeditiously act, then the trademark owner may be able to initiate trademark proceedings against not only the advertiser, but against Google as well.³⁰⁹ Search engines, especially Google, usually have deeper pockets than advertisers, which makes Google an attractive target for a lawsuit.³¹⁰

In order to recover against an advertiser, the trademark owner must show that the keyword triggers an online advertisement that either falsely

301. *Google France SARL v. Louis Vuitton Malletier SA*, *supra* note 107, ¶ 3.

302. *Id.*

303. Jane Tucker, *Up in the Air of Cyberspace – Keyword Advertising and Trademark Infringement*, COPYRIGHT AND TRADEMARK LAW BLOG (Aug. 21, 2010, 4:59 PM), <http://www.lexisnexis.com/community/copyright-trademarklaw/blogs/copyrightandtrademarklawblog/archive/2010/08/22/up-in-the-air-of-cyberspace-keyword-advertising-and-trademark-infringement.aspx>.

304. Aoife Nic Lochlainn, *European Union: Google Adwords And Online Advertising: Trade Mark Infringement? ECJ Decision*, MONDAQ BUS. BRIEFING (Mar. 31, 2010), <http://www.mondaq.com/article.asp?articleid=96866>.

305. Tucker, *supra* note 303.

306. Luepke, *supra* note 14.

307. Tucker, *supra* note 303.

308. *Id.*

309. Lochlainn, *supra* note 304.

310. Luepke, *supra* note 14.

suggests an economic link between the trademark owner and advertiser, or that it is vague enough to cause confusion.³¹¹

G. Warning to Advertisers – Proceed with Caution in Online Keyword Advertising

An obvious implication of the decision is that advertisers should be careful not to cause confusion among the average internet user, as to the origin of the goods or services.³¹² “This decision is not a ‘carte blanche’ for the use of AdWords.”³¹³ While trademark owners cannot prevent advertisers from purchasing trademarks as keywords, if confusion exists, then trademark owners most certainly can bring infringement proceedings against the advertiser.³¹⁴ This opinion does not focus on insulating advertisers from liability. In light of the decision that trademark proprietors may be very limited in their ability to bring suit against a search engine, advertisers may be scrutinized even more than before.³¹⁵ Advertisers could seek permission to use the trademark from trademark owners in order to be fully protected from liability, but such permission may be costly, as a trademark owner most likely would not want to allow others to use their trademarks.³¹⁶

V. CONCLUSION

The expanding role of the internet in business is changing the nature of advertising. Companies can now target particular audiences based on the keywords internet users search for online. While engaging in comparative advertising by using another’s registered trademark may seem like a savvy business decision, advertisers should proceed with caution as to whether their advertising will confuse the average internet user. By selling keywords, search engines are maximizing advertising revenue and helping tailor advertising needs for businesses. These referencing service providers should make the process highly technical, with little involvement in the choice of keywords and the commercial message. In *Google Inc. v. Louis Vuitton MalletierSA*, the European Court of Justice wrongly concluded that Google did not *use* trademarks in the course of its trade or business. By examining Google’s relationship with advertisers through agency law, Google’s actions within the scope of that relationship constitute *use* under trademark law. The European Union, however, has recognized the importance of search engines on the internet and exempts certain service providers from liability. It was proper for the Court to classify Google as an information society service provider and require Google only to remove illegal material when it had actual

311. Tucker, *supra* note 303.

312. Lochlainn, *supra* note 304.

313. *Id.*

314. *Id.*

315. *Id.*

316. *Id.*

knowledge of its existence. Moving forward, courts in all countries should engage in agency analyses to determine whether Google, and other search engines which sell keywords for advertising purposes, are using trademarks in their trade or business. The only means by which a country can insulate search engines from liability for an unlawful use of a trademark is through statutory measures.