



## European Court of Justice Rules on Google's AdWords Program

March 24, 2010

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On March 23, 2010, the European Court of Justice ("ECJ") issued its long-awaited opinion in a series of cases dealing with Google's liability for selling trademarks as keywords. The ECJ limited its opinion to the specific questions posed to it by the referring court – the French Cour de Cassation.

Ruling on an issue that has dominated United States opinions in this space for the last several years, the ECJ held that Google (and other "referencing service providers") does not use a mark in the course of trade when it sells a mark as a keyword, stores the mark on its servers, and displays advertisements on the basis thereof. The ECJ noted that the "fact of creating the technical conditions necessary for the use of a sign and being paid for that service does not mean that the party offering the service itself uses the sign." Joined Cases C-236/08 to C-238/08, *Google France and Google Inc. et al. v. Louis Vuitton Malletier et al.*, <http://curia.europa.eu> (Mar. 23, 2010), at ¶ 57. This is in contrast to the prevailing view in the United States courts that Google's sale of trademarks as keywords does constitute "use in commerce" under the Lanham Act. See, e.g., *Rescuecom Corp. v. Google, Inc.*, 562 F.3d 123 (2d Cir. 2009); *Int'l Profit Assocs. v. Paisola*, 461 F. Supp. 2d 672 (N.D. Ill. 2006); *Buying for the Home, LLC v. Humble Abode, LLC*, 459 F. Supp. 2d 310 (D.N.J. 2006); *800-JR Cigar, Inc. v. GoTo.com, Inc.*, 437 F. Supp. 2d 273 (D.N.J. 2006); *GEICO v. Google, Inc.*, 330 F. Supp. 2d 700 (E.D. Va. 2004); *Google Inc. v. American Blind & Wallpaper Factory, Inc.*, 2007 U.S. Dist. LEXIS 32450 (N.D. Cal. April 18, 2007). Thus, the ECJ's opinion means that Google cannot be held liable for trademark infringement by way of the sale of trademarks as keywords.

Additionally, the ECJ held that Google can qualify for protection under the European E-commerce Directive's safe harbor provisions. The Directive, which is somewhat similar to the U.S. Digital Millennium Copyright Act ("DMCA"), protects hosts of Internet content from liability created by the content posted on their systems. As under the DMCA, an Internet content host can lose the safe harbor protection of the E-commerce Directive if it fails to act expeditiously to remove or disable unlawful content after being made aware of such content. The ECJ held that Google could be immune from liability for the infringing content of its advertisers, so long as the company's role "is



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neutral, in the sense that its conduct is merely technical, automatic and passive, pointing to a lack of knowledge or control of the data which it stores." Joined Cases C-236/08 to C-238/08, *Google France and Google Inc. et al. v. Louis Vuitton Malletier et al.*, <http://curia.europa.eu> (Mar. 23, 2010), at ¶ 114. The ECJ noted that the fact that Google gets paid to display the ads does not mean that Google takes an active role in content, but noted that the role Google plays "in the drafting of the commercial message" and the "selection of keywords" are relevant considerations. *Id.* at ¶ 118. Ultimately, the ECJ left it to the national courts to determine on a case-by-case basis whether Google can take advantage of the Directive's safe harbor.

The ECJ's ruling was not as beneficial to the individual advertisers that use Google's AdWords service, as the opinion also addressed whether advertisers can be liable for purchasing their competitors' trademarks as keywords. Here, the ECJ found that an advertiser does engage in a use of another's trademark when it purchases a keyword consisting of that trademark. In order to hold the advertiser liable for such use, the advertisement that is displayed through use of the trademarked keyword must have an adverse effect on the mark's ability to indicate origin. As the ECJ noted, the mark's ability to indicate origin is "adversely affected if the ad does not enable normally informed and reasonably attentive internet users, or enables them only with difficulty, to ascertain whether the goods or services referred to by the ad originate from the proprietor of the trade mark or an undertaking economically connected to it or, on the contrary, originate from a third party." *Id.* at ¶ 84. Translated into U.S. trademark law parlance, it appears that an advertiser can be held liable if the resulting ad is likely to cause confusion about the origin of the goods.

The ECJ also discussed whether trademark owners could attack keyword-triggered ads on the grounds that they impair the "advertising function" of the trademark. Under European law, trademark owners can prohibit a use of their mark that "adversely affects the proprietor's use of its mark as a factor in sales promotion or as an instrument of commercial strategy." *Id.* at ¶ 92. The ECJ initially noted that Google's practices lead to trademark owners purchasing their own marks as keywords – and paying a higher price to do so – in order to insure that their ads appear above competitors' and infringers' ads. In the very next paragraph, however, the ECJ stated that "those repercussions . . . do not of themselves constitute an adverse effect on the advertising function of the mark." *Id.* at ¶ 95. The ECJ noted that the sponsored listings are set out above or next to the free organic listings. Thus, the "visibility to internet users of the goods or services of the proprietor of the trade mark is guaranteed, irrespective of whether or not that proprietor is successful in also securing the display, in one of the highest positions, of an ad under the heading 'sponsored links'." *Id.* at ¶ 97.

The ECJ's ruling on Google's safe harbor certainly appears to be good news for the search giant; however, this decision leaves individual trademark holders in stormier waters, as they must pursue each of their competitors in order to win infringement cases in the European courts for keyword advertising infractions.

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