

Keywords Advertising: Issues of Trademark Infringement

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Abstract. The Internet has become a crucial advertising tool for modern-day businesses. Increasingly, business enterprises are opting for online presence, and this phenomenon has significantly transformed advertising techniques. Consumers wish to spend less time and gain optimal results whilst searching for products and services on the Internet. In this setting, enterprising entities, such as Google, have sought to make maximum use of the need for online presence which has given rise to Internet advertising schemes such as Google's 'AdWords'. The purpose of this paper is to assess the merits (or otherwise) of the recent ruling of the European Court of Justice (ECJ) in *Google v Louis Vuitton*.¹ The analysis will compare it with the approach of courts in the United States and also draw on English jurisprudence. The discussion undertaken by this paper is topical given the recent decision of the French Supreme Court (Cour de Cassation) which appears to have followed the reasoning of the ECJ. The topicality is heightened given the absence of judicial precedence in France, and the decision to remand the cases back to the Court of Appeal for a case by case decision on Google's civil liability.

1. Introduction

The Internet has become a crucial advertising tool for modern-day businesses. Increasingly, business enterprises are opting for online presence, and this phenomenon has significantly transformed advertising techniques. Consumers wish to spend less time and gain optimal results whilst searching for products and services on the Internet. In this setting, enterprising entities, such as Google, have sought to make maximum use of the need for online presence which has given rise to Internet advertising schemes such as Google's 'AdWords'. The purpose of this paper is to assess the merits (or otherwise) of the recent ruling of the European Court of Justice (ECJ) in *Google v Louis Vuitton*.² The analysis will compare it with the approach of courts in the United States and also draw on English jurisprudence. The discussion undertaken by this paper is topical given the recent decision of the French Supreme Court (Cour de Cassation) which appears to have followed the reasoning of the ECJ. The topicality is heightened given the absence of judicial precedence in France, and the decision to remand the cases back to the Court of Appeal for a case by case decision on Google's civil liability.³ However, prior to delving into the discussion it is useful to briefly outline the mechanics of the AdWords programme.

2. The AdWords scheme and Louis Vuitton's allegations

Google operates an Internet search engine, which can be used freely by Internet users to search for almost anything on the Internet. In addition, Google also provides an advertising service which enable advertisers to display the link to their websites when an Internet user performs a search and the search term matches the 'keyword' purchased by the advertiser. The link of the advertiser would be displayed in a section titled 'sponsored links'. Under this programme, advertisers are permitted to select a keyword of their choice which would be used as the trigger to display the advertiser's link. Thus if an advertiser 'A' opts for a keyword 'K', whenever an Internet user searches in Google using the search-term 'K', the link of advertiser 'A' will be displayed under *sponsored*

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¹ Case C-236/08. Note that there were two other connected cases, C-237/08 and C-238/08. The Opinion of the Advocate General (hereinafter "the AG's Opinion") and the Judgement of the European Court of Justice (hereinafter "the ECJ Judgement") are reported at [2010] ETMR 30

² Ibid.

³ Emma Barraclough, 'France's top court rules in Google AdWords case' *Managing Intellectual Property* [Online Resource] (23 July 2010)

links distinct and more prominent from the *natural results* for the search term. There could be several advertisers which have selected the same keyword, in which event the order of display would be dictated by the price paid by the advertiser to receive the service.

Under this scheme several scenarios may be envisioned. The first is where an advertiser selects a generic search term as the keyword. For example, a manufacturer of cars may select keywords such as 'cars', 'vehicles', 'four-wheel drives' and the like as a keyword. This scenario does not give rise to any trademark related issue. In contrast, the second scenario directly relates to the use of an existing trademark as the keyword. This envisages two distinct situations. One is where the owner of the trademark itself is the advertiser. Again, this would not give rise to any trademark issue, as the owner of a trademark is no doubt entitled to use its trademark in any manner it thought fit. The other, however, is where a third-party (not being the owner of the trademark) opts to use an existing trademark as the keyword to display its own advertised link linking its own website offering its own goods/services. For instance, advertiser 'X' purchases 'Adidas' as its keyword to display the link to its website selling clothing and footwear. This use of a trademark as the keyword by a third-party which is not the lawful owner of the mark was the factual background that underpinned the ECJ's ruling in *Google v Louis Vuitton* and the basis of Louis Vuitton's case against Google. The issues in contention were (1) was there trademark infringement when a third-party purchased a keyword which was identical or confusingly similar to a registered trademark, and (2) if so by whom.

3. Analysis of the ECJ's ruling

The reference and the ruling

At first instance and on appeal in France, Google was held liable for the infringement of Louis Vuitton's registered trademarks. Upon an appeal lodged by Google to the Cour de Cassation, that court stayed its proceedings and referred the following questions to the ECJ for a preliminary ruling. These questions were, among others, whether:

- Article 5(1)(a) and (b) of the Directive can be interpreted to mean that a provider of a paid referencing service (such as Google) who makes available to advertisers keywords reproducing or imitating registered trademarks and favourably displays, on the basis of those keywords, advertising links to sites offering infringing goods, is using those trademarks in a manner which the proprietor of the trademark is entitled to prevent;
- in the event that the trademarks have a reputation, the proprietor could oppose such use under Article 5(2) of the Directive.

The ECJ answered the first question in the negative exonerating Google from liability. However it added, specifically interpreting Article 5(1)(a) of the Directive, that a trademark proprietor is entitled to prohibit an advertiser from advertising on the basis of a keyword identical with the registered trademark where the latter has without the trademark owner's consent selected in connection with an Internet referencing service a keyword for identical goods or services and where the advertisement does not enable an average 'Internet user', or enables only with difficulty, to ascertain the actual source of the goods or services. In other words, an advertising service provider would not be liable for trademark infringement, though advertisers may be held liable.

Reasoning of the Advocate General and the Court

It is indeed interesting to analyse the reasoning of the ECJ in coming to the above conclusion, especially because it is different to the opinion of the Advocate General (AG). The AG and the Court came to the same conclusion as regards Google's liability but for different reasons. On the liability of advertisers, however, though the AG found that the use of a keyword under the AdWords scheme would not cause a likelihood of confusion, the ECJ took the opposite view.

Simplistically, a trademark is a 'sign' that is capable of distinguishing the goods or services of one enterprise from those of another. This feature of a trademark goes to the very heart of its core function, namely, the function of indicating trade origin. From a consumer's point of view, trademarks are needed to avoid consumer confusion. Therefore for the purpose of finding trademark infringement, the use by a third party of the trademark must necessarily prejudice or interfere with the functions of the mark. Such prejudice to its function would arise where the third party's use creates a likelihood of confusion. It is on this basis that Article 16:1 of the Agreement on the Trade Related aspects of Intellectual Property Rights (TRIPs) and the corresponding provisions in the Trade

Mark Directive of the European Communities (hereinafter, the Directive)⁴ are founded. Therefore, use by a third party of an identical or similar sign to that of the registered trademark may amount to infringement provided there is a likelihood of confusion. Though this forms the basis for a trademark infringement action, certain other requirements must be satisfied for there to be infringement. It was these aspects that made the ECJ's ruling most interesting, especially when it engaged in interpreting the Directive. As such, a brief perusal of the provisions in the Directive is desirable at this stage to illustrate the controversial aspects of the ECJ's ruling.

The focal point of the ECJ's decision was on Article 5(1) of the Directive titled '[r]ights conferred by a trade mark' which provides as follows:

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

The requirement of 'use'

In the case of Google, the AG was of the view that Google by providing advertisers with a keyword identical to that of the claimant's trademark, for a price, constituted 'use' by Google of the owner's trademark without any lawful consent.⁵ However, the AG's analysis as to certain further requirements was in greater detail. Those requirements were, (i) whether Google's use of the keyword identical/similar to the proprietor's mark was in the course of trade, (ii) in relation to identical/similar goods or services and (iii) whether it affected the essential functions of a trademark. It was observed that there were two types of use involved. The first concerned the act of providing the keyword (identical/similar to the trademark) for the selection of the third-party advertiser. The second was the use of the keyword at the time of displaying the advertisement of the third-party.

As regards the first form of use, the AG concluded that Google's use was for commercial gain, and hence was in the course of trade. On the issue whether Google's use took place in relation to identical/similar goods or services, it must be noted that this requirement does not envisage only situations where the mark is affixed to goods, as in the case of services such a requirement is simply inconceivable. Reference must be made to Article 5(3) of the Directive which provides a non-exhaustive list of possible scenarios in which the owner of a trademark may prohibit third-party use. Among others, these include, 'using the sign in advertising'. It was the contention of L'Oreal (and the other claimants) that Google's use came within the ambit of 'advertising', while Google argued that the keywords did not form part of the advertisements themselves and hence was mere internal use. On this issue, the AG opined that Google's use of the keyword for the advertiser's selection was not in relation to goods or services identical/similar to that of the trademark owner's, as at that stage there were no goods/services being sold to the public. Therefore, there cannot be a 'link' between the trademark (keyword) and goods/services that Google never supplied to the public. As such, undoubtedly, there was no use in relation to any goods or services.⁶ Accordingly, the AG deemed it unnecessary to consider whether the use by Google of keywords identical to that of the claimant's caused any prejudice to the functions of the trademark, given that the preceding requirement of 'use' remained unsatisfied.⁷

Similarly, in the second scenario, where Google displayed the advertisement when the keyword is triggered by an Internet user's search, such use is for commercial gain as much as the use contemplated during the selection process. Both these uses are intricately linked to one another. As such, the AG took the view that the use of the keyword identical to the trademark of the owner in displaying the third-party's advertised link was use in the course of trade. However, in contrast, this also was use in relation to goods or services identical to that of the trademark owner. The third-party advertisers, no doubt, supplied goods or services, and by Google, displaying the links to those websites when the keyword was triggered in a search, it created a 'link' between the keyword and

⁴ First Directive 89/104/EEC of the Council, of 21 December 1988, to Approximate the Laws of the Member States Relating to Trade Marks (OJ EC No L 40 of 11.2.1989)

⁵ The AG's Opinion, para AG54

⁶ Ibid, para AG66

⁷ Ibid, para AG67

the goods/services supplied via the third-party websites. As such, the AG opined that this aspect of Google's use was in relation to goods/services identical or similar to that of the trademark owner's.⁸ However, a prominent issue in this regard is that the AG failed to consider the fact that the goods or services in relation to which the link was made belonged to the advertiser and not Google itself. As such, though Google was said to have used a registered mark, it was never used in relation to Google's own goods or services. Of course, nowhere in Article 5 of the Directive has it been mentioned that the goods or services in relation to which a trademark is used must belong to the third-party. Nevertheless, it is the author's view that the AG in his consideration ought to have taken this fact into account, as this is one among many reasons that makes this dispute unique.

Since, it was the AG's opinion that Google's use of a registered mark established a link with goods or services identical or similar to those offered by the owner, it was necessary to assess whether the functions of the trademark were affected, most importantly, the origin function. The AG took the view that just as not all natural results relate to the trademark owner's official website (or to economically linked undertakings), not all 'sponsored links' would feature the trademark proprietor's websites. This fact was known to all Internet users. For instance, some may perform a search not to locate official websites of famous brands but to find reviews of goods/services comprising the brand. Thus, Internet users were well aware that a Google search in its natural results would provide all the information that the search algorithm captures on the Internet, and does not relate only to the official websites of a trademark owner. The AG expanded this argument to the case of sponsored links, and found that Internet users are unlikely to be confused as to the origin of the goods/services offered by the websites linked by the 'sponsored links'. As such, the conclusion in this regard was that a likelihood of confusion was not likely to occur.⁹ On the whole, therefore, Google's use of a keyword, identical or similar to that of a trademark owner was not regarded as constituting trademark infringement.

The ECJ came to a similar finding as the AG, yet for different reasons. The highlight of the reasoning is as follows:

[a]lthough it is clear from those factors that the referencing service provider operates "in the course of trade" when it permits advertisers to select, as keywords, signs identical with trademarks, stores those signs and displays its clients' ads on the basis thereof, it does not follow, however, from those factors that that service provider itself "uses" those signs within the terms of art.5 of Directive 89/104 and art.9 of Regulation 40/94.

In that regard, suffice it to note that the use, by a third party, of a sign identical with, or similar to, the proprietor's trade mark implies, at the very least, that that third party uses the sign in its own commercial communication. A referencing service provider allows its clients to use signs which are identical with, or similar to, trademarks, without itself using those signs.¹⁰

Unlike the AG who found that Google's use was 'in the course of trade', the ECJ did not even go to that extent. Instead, having introduced for the first time the concept of 'commercial communication' it found that use by Google of keywords identical to the claimants' trademark was not in its own commercial communication. At this point, one may wonder as to what the ECJ meant by commercial communication. For example, is descriptive use of a mark devoid of any 'commercial communication'? Clearly, from para 55 cited above, the ECJ was of the view that use by Google did not come within the purview of Article 5 of the Directive, but the use was not descriptive. Previously, in *Arsenal v Reed*,¹¹ the ECJ took the view that descriptive use was outside the ambit of Article 5 when it ruled that:

[t]he proprietor may not prohibit the use of a sign identical to the trade mark for goods identical to those for which the mark is registered if that use cannot affect his own interests as proprietor of the mark, having regard to its functions. Thus certain uses for purely descriptive purposes are excluded from the scope of Art.5 (1) of the Directive because they do not affect any of the interests which that provision aims to protect, and do not therefore fall within the concept of use within the meaning of that provision (see, with respect to a use for purely descriptive purposes relating to the characteristics of the product offered, Case C-2/00 Hölderhoff [2002] E.C.R. I-4187, paragraph 16).¹²

Accordingly, it may be thought that the ECJ has implied that there could be other uses, not amounting to descriptive use that could be excluded from the parameters of Article 5. Thus, use by an Internet referencing

⁸ Ibid, para AG79

⁹ Ibid, para AG92

¹⁰ The ECJ Judgement, para 55-56

¹¹ *Arsenal v Reed* [2003] ETMR 19

¹² Ibid, para 54

service provider (such as Google) for the purpose of providing advertisers with a selection of keywords is one instance. As to whether there could be other situations of use falling outside Article 5, only time will tell. Given the finding of Court as mentioned above, it was not necessary for it to consider whether Google's use was in relation to goods or services.

At this instance, it may be interesting to consider an English decision on cyber-squatting, namely, *British Telecommunications & Others v One in a Million & Others*¹³ In this case, the defendant had registered several domain-names including *britishtelecom.co.uk* and *britishtelecom.net* pre-empting the owners of those trademarks from registering the respective domain names. The claimants brought an action for both passing off and trademark infringement. They succeeded on both counts. As for trademark infringement, several interesting observations on *trademark use* warrant emphasis. The relevant portion of the judgment is reproduced as follows:

I am not satisfied that section 10(3) [of the English Trade Mark Act of 1994] does require the use to be trade mark use nor that it must be confusing use, but I am prepared to assume that it does. Upon that basis I am of the view that threats to infringe have been established. The defendants seek to sell the domain names which are confusingly similar to registered trademarks. The domain names indicate origin. That is the purpose for which they were registered. Further they will be used in relation to the services provided by the registrant who trades in domain names.¹⁴

In this case, the domain names which were "identical" to several reputed and registered trademarks were invidiously registered by the defendants, who offered to sell them to the claimants at an exorbitant price. No doubt, there was *use* by the defendants of the registered trademarks. However, for Section 10(3) Trade Mark Act (similar to Article 5(2) of the Directive) to apply, the infringer must have used the contentious mark *in relation to goods or services* which could even be "dissimilar" in the context of Section 10(3). In the judgement, as quoted above, the appellate judge observes that he is willing to hold that a "threat" to infringe has been established. This was quite true, because the defendants were not in reality infringing the registered marks. The defendants were not using the marks in connection with any goods or services. Thus, the almost certain future act of the defendants of selling the domain name to a third-party would be "instrumental" to infringement, as use by the potential third party in sale of goods or supply of services would clearly infringe the marks. Therefore, the court granted injunctive relief on the basis that there was a risk of imminent infringement. Thus, although there was no real use of the marks (domain names) in "trade in relation to goods or services" the court found a threat of infringement. However the Court of Appeal had an additional ground in mind, which was based on the idea that the defendants were trading in domain names. Accordingly, use of trademarks confusingly similar to those of the claimants' in the defendants' business of "trading in domain names" amounts to infringement (see, last sentence of the paragraph cited above). However, domain-names are intangible property. Therefore, domain names defy the definition of goods. Thus, the defendants cannot be regarded as trading in goods. Therefore, the judge's approach would have been correct, if the defendant's activity amounted to a service. However, the defendants cannot be said to be providing services relating to domain names. It is the Internet Corporation for Assigned Names and Numbers (ICANN) that is in reality providing the service. Even the defendants in this case would have registered the famous domain names (corresponding to the trademarks) through an agent that liaises with ICANN.¹⁵ Therefore, the defendants cannot be termed as providing a service in relation to domain names. Even if the argument that the use by the defendants was in the course of trade was accepted, it cannot be said that it was in relation to any goods or services. As such, neither the High Court, nor the Court of Appeal in *British Telecommunications* could have found trademark infringement. However, the finding of infringement, despite this glaring omission, may be explained on the basis of the mischief that was sought to be remedied, namely, the eradication of cyber-squatting.

Nevertheless, if *British Telecommunications* happen be decided after the ECJ's ruling in *Google*, it is highly doubtful that the English courts would adopt the same approach, given their general preference to follow ECJ precedence. This raises an important question. Just as in *British Telecommunication*, should the ECJ have disregarded debilitations placed in the name of technicalities, such as the *use* requirement, in finding Google liable?

¹³ *British Telecommunications & Others v One in a Million & Others* [1999] F.S.R. 1 (English Court of Appeal decision)

¹⁴ *Ibid*, at p.25

¹⁵ See, *Getting a domain name involves registering the name you want with an organisation called ICANN through a domain name registrar*- <http://www.thesitewizard.com/archive/registerdomain.shtml> (visited 08.08.2010)

4. Across the Atlantic: The US Approach

The answer to the above query becomes even more pertinent in the light of the US decision against Google, on the exact same facts that lay before the ECJ. This of course was the infamous *Rescuecom v Google*¹⁶ dispute. Rescuecom operated a computer-services franchising business under the trademark RESCUECOM and the domain name 'rescuecom.com'. Google under its AdWords scheme not only sold the keyword 'Rescuecom' to the claimant but also to third-parties who wished to take advantage of the reputation of RESCUECOM. Rescuecom sued for *inter alia* trademark infringement.

At first instance, the District Court for the Northern District of New York dismissed Rescuecom's claim on the basis that the claimant had failed to establish that Google had used the claimant's trademark 'in commerce'. This was a requirement imposed by Section 32 of the United States Lanham Act¹⁷ which reads as:

(1) Any person who shall, without the consent of the registrant-

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive;

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive. (emphasis added)

The term 'use in commerce' has been defined in Section 45 of the Lanham Act as:

For purposes of this chapter, a mark shall be deemed to be in use in commerce-

(1) on goods when-

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

It was Google's contention that its use of the plaintiff's mark was not use in commerce. In doing so Google relied on *I-800 Contacts v WhenU*,¹⁸ a case that was decided by the District Court for the Southern District of New York. The District Court held in favour of Google and followed *I-800 Contacts*.

On appeal, however, the original finding, that the case at hand was on all fours with *I-800 Contacts*, was disturbed and the issue of 'use in commerce' was revisited in great detail. The appellate court's reasoning stemmed from factors that were capable of distinguishing *I-800 Contacts* from *Rescuecom*. Firstly, in *I-800 Contacts* the defendant used the plaintiff's website address (and not its trademark), which according to court was materially different to that of the trademark. Secondly, the defendant's act did not amount to use in commerce, in that, the plaintiff's mark was not "used or displayed in the sale or advertising of services". The defendant in *I-800 Contacts* never sold any trademark to third-parties, nor was the third-party ads displayed on the entering of a specific keyword that was identical to a trademark. Instead, the ad was displayed based on the category associated with a keyword and not the keyword itself. These factors together were significantly different to Google's AdWords scheme. In fact, "...Google's recommendation and sale of Rescuecom's mark to its advertising customers [were] not internal uses" but uses that entailed economic gain.

¹⁶ *Rescuecom v Google*, United States Court of Appeal for the 2nd Circuit, decided on 3 April 2009

¹⁷ 15 USC Ch.22

¹⁸ *I-800 Contacts v WhenU*, 309 F.Supp.2d 467 (S.D.N.Y., Dec. 22, 2003)

More importantly, in an appendix to the judgement in *Rescuecom*, the appellate court took the view that ‘use in commerce’ as defined in Section 45 was inapplicable in the context of Section 32 of the Lanham Act. It highlighted the fact that Section 45 begins with the qualification “[i]n the construction of this chapter, unless the contrary is plainly apparent from the context” and that the phraseology of the definition of ‘use in commerce’ in Section 45 did not fit the context of Section 32 which deals with infringement. Section 45 ‘use in commerce’ begins with “[t]he term ‘use in commerce’ means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark.” Accordingly, the definition envisaged in Section 45 is in the context of acquisition and maintenance of trademark rights rather than infringement or dilution. Court observed that:

[t]he requirement that a use be bona fide use in the ordinary course of trade in order to be considered “use in commerce” makes clear that the particular definition was not intended as a limitation on conduct of an accused infringer that might cause liability. If [Section 45’s] definition is applied to the definition of conduct giving rise to liability in [Sections 32 and 43], this would mean that an accused infringer would escape liability, notwithstanding deliberate deception, precisely because he acted in bad faith... Liability would fall only on those defendants who acted in good faith...¹⁹

As such, the appellate court gave an independent meaning to ‘use in commerce’ in the context of the infringement provisions of the Lanham Act. Thus, to this extent, ‘use in commerce’ does not seem to be anything different to use ‘in the course of trade’ found in European law. However, the difference of judicial opinion takes place at the next level of analysis on the issue of similarity of the goods/services of the trademark owner *vis a vis* the third party for which the marks were being used. Unlike Article 5 of the Directive, Section 32 and 43(a) of the Lanham Act are differently worded. The Directive in Articles 5(1) (a) and (b) envisage trademark infringement to arise when a third-party uses the trademark proprietor’s mark in relation to identical or similar goods or services. On the other hand, the Lanham Act’s Section 32 dealing with infringement refers to use of a registered trademark by a third-party in relation to ‘any’ goods or services. Thus, though the ECJ could not find a violation of Article 5(1)(a) as Google did not trade in goods identical to Louis Vuitton’s products, the Lanham Act gave the US court more leeway, as it relates to *any* goods/services including the services provided by Google’s own AdWords scheme, to spread the garb of liability around Google. Therefore, despite the same set of facts, the difference of national (or regional) legislation gave rise to opposite conclusions as regards Google’s liability.

5. The AdWords Scheme: Is it really innocent business?

The question that was raised earlier in this paper on whether technicalities such as *use* should matter in deciding the liability of Internet referencing service providers cannot be directly answered with reference to US jurisprudence. However, would the US court have decided differently if the wording of Section 32 of the Lanham Act reproduced terminology identical to that found in the Directive? Even in the US there seems to be divergence of opinion between its various states. Reference must be made to a decision of the District Court of the Eastern District of Virginia where Google was exempt from liability²⁰ (a different view to that of the appellate court for the 2nd circuit). Here, court distinguished between two situations. The first was where the sponsored link in itself utilised the contentious trademark. The second was where it did not. (See diagrams)

Diagram 1



Note on diagram 1: An example where the actual mark is used in the sponsored link, where ‘Adidas’ is used as the search-term (keyword). The first appears to be the Official Website of Adidas, whereas the second is of JD Sports, an entity authorised to sell original Adidas products. (Search performed on 1.8.2010)

¹⁹ *Rescuecom*, supra, n.16 at p.18

²⁰ *GEICO v Google*, US District Court for the Eastern District of Virginia (Alexandria Division) - Case No: 1:04cv507

Diagram 2

<p>Cheap Flights to Europe with Ryanair - Cheap Flights from UK ☆ Ryanair offer cheap flights to Europe. Choose from over 150 European destinations. Book your cheap flight from UK today on Ryanair.com. ✚ Show stock quote for RYAA www.ryanair.com/ - Cached - Similar</p> <p>UK Flights to Europe - Book Flights ... Route Map Live Flight Info Travel Questions</p> <p>Contact Customer Services Ireland Flights to Europe - Book ... Knock Top European Destinations</p> <p>More results from ryanair.com »</p>	<p>Sponsored links</p> <p>£10 Flight Sale Last Minute Flights From Only £10 Great Flights Offers At Dealchecker dealchecker.co.uk/Flight_Sale</p> <p>bmibaby Low Cost Flights From £9.99 to 30 UK & European Destinations. Book online now! www.bmibaby.com</p>
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Note on diagram 2: The search result for Ryanair. On the left are the natural (organic) results, whereas on the right are the sponsored links. Notice, both the links do not appear to use the term Ryanair. (Search performed on 1.8.2010)

In a written opinion issued by the Virginia court dated 15 December 2004, it observed that in the latter case (as depicted in *diagram 2*) there was no trademark infringement. This was because the actual mark was not used in the advertisement itself. Technically speaking, when a user types in the search-term, neither the advertiser nor the referencing service provider uses the registered trademark. The displaying of the advertiser's link corresponding to the keyword is an internal process unseen by the Internet user. As such, when a link is displayed as a result of a search-term triggering a result, the advertiser does not in a real sense use in commerce the registered trademark. In the case of the referencing service provider, any use is internal and is not visible to the eyes of the Internet user. In these circumstances, it is highly doubtful that the advertisers or the referencing service provider could be found liable for infringement. This is precisely why the Virginia court had to distinguish between two situations as set out above. In fact, a former decision of an English court confirms this position. In *Wilson v Yahoo!*²¹ Morgan J was presented with facts that resembled the *Google* dispute. The claimant argued that 'Mr. Spicy' being the contentious trademark, was used by the defendants in a manner so as to interfere with the origin function. The defendants, to the contrary, argued that neither the service provider (Yahoo) nor the advertisers used the trademark at any point (the actual ads being free of any infringing text). The court upholding the defence held that:

[t]he trade mark in this case is not used by anyone other than the browser who enters the phrase "Mr. Spicy" as a search query in the defendants' search engine. In particular, the trade mark is not used by the defendants. The response of the defendants to the use of the trade mark by the browser is not a use of the trade mark by the defendants. That is enough to decide the case in the defendants' favour²²

However, the ECJ in this regard was steadfast in finding infringement, notwithstanding the actual links being clean from any infringing text. Having dealt with the more straightforward facts concerning Louis Vuitton's case (where the link itself incorporated the registered trademark), the ECJ contrasted the other two references in light of a crucial difference. The relevant portion of the judgement is reproduced as follows:

[i]n C-237/08 and C-238/08, by contrast, there is no use in the third party's ad of a sign identical with the trade mark.

64 Google submits that, in the absence of any mention of a sign in the actual ad, it cannot be argued that use of that sign as a keyword equates to use in relation to goods or services. The trade mark proprietors challenging Google and the French Government take the opposite view.

In this connection, it should be borne in mind that art.5(3) of Directive 89/104 and art.9(2) of Regulation 40/94 provide only a non-exhaustive list of the kinds of use which the proprietor may prohibit (Arsenal Football Club [2003] E.T.M.R. 19 at [38]; Gillette Co v LA-Laboratories Ltd Oy (C-228/03) [2005] E.C.R. I-2337; [2005] E.T.M.R. 67 at [28]; and Adam Opel [2007] E.T.M.R. 33 at [16]). Accordingly, the fact that the sign used by the third party for advertising purposes does not appear in the ad itself cannot of itself mean that that use falls outside the concept of "[use] ... in relation to goods or services" within the terms of art.5 of Directive 89/104.

²¹ *Wilson v Yahoo!*, [2008] EWCH 361 (Ch)

²² *Ibid*, para 64; See also, Cornthwaite, 'AdWords or bad words? A UK perspective on keywords and trademark infringement', *EIPR* 31, no.7 (2009): 347 at p.350

Furthermore, an interpretation according to which only the uses mentioned in that list are relevant would fail to have regard for the fact that that list was drawn up before the full emergence of electronic commerce and the advertising produced in that context. It is those electronic forms of commerce and advertising which can, by means of computer technology, typically give rise to uses which differ from those listed in art.5(3) of Directive 89/104 and art.9(2) of Regulation 40/94.²³

Though it is admirable of the ECJ to have considered the developments in Information Technology, and more specifically, e-commerce, the correctness of the ECJ's analysis may be doubted. Article 5(3) referred to above is no doubt non-exhaustive, given the express use of 'inter alia' which leaves open other possibilities that can exist other than those specified in the provision itself. The type of conduct that is sought to be prohibited by Article 5(3) is where the third-party seeks to establish a link between the registered trademark and the goods or services of the third-party. All the instances specified in Article 5(3) require the third-party to make this connection to render the overall conduct offensive. Thus, for instance, affixing the protected sign to goods or packaging, using it for the purposes of placing third-party goods in the market or offering services under a protected sign, importing or exporting goods under a protected sign or using it in business papers or advertising are instances of prohibited conduct. In all these instances, it is the third-party by its affirmative act that must create the link between the goods/services offered by the third-party and the registered trademark. In contrast, under Google's AdWords scheme, it is the Internet user who enters the search term and thus uses the trademark. The link, if any, which may be created between the advertised link and the trademark, is clearly not a result of the advertiser using the trademark. On the other hand, when the advertiser purchases the keyword from Google, it is a transaction solely between Google and the advertiser and as such cannot amount to use being made in relation to any goods or services of the advertisers. Therefore, the reasoning of the ECJ that Article 5(3) is wide enough to cover situations where use of a registered trademark is made by a person (Internet user) other than the entity allegedly seeking an undue advantage is not free from flaws. Perhaps, the ECJ could have developed a concept of 'constructive use' where use of the keyword by the Internet user is attributed to that of the advertiser in ruling that advertisers which make use of the AdWords scheme uses the claimant's trademark in the sense understood by Article 5(3). The justification of such an approach may be the knowledge an advertiser possesses that its link would be displayed upon a search being performed using the registered trademark as the keyword. The possession of such knowledge, which seems to exceed the boundaries of *bona fide* practices of trade would have been a better approach of finding advertisers liable for causing consumer confusion and disturbing the other functions (such as the advertising function) of a protected trademark.

The likelihood of confusion

The structure of Article 5 dictates three possible situations of liability. First, where the third-party's mark is identical to that of the owner's mark and is used in relation to identical goods/services.²⁴ Second, where the third-party's mark is identical *or similar* to that of the owner's mark and is used in relation to goods/services identical *or similar* to that of the owner's.²⁵ Third, where there is sign/mark identity or similarity, but in relation to goods/services that are dissimilar.²⁶ Insofar as the second and third scenarios are concerned, liability ensues only if the claimant can establish a likelihood of confusion (Article 5(1) (b)) or that the infringer's use, without due cause, takes unfair advantage of or causes detriment to the distinctive character or repute of the protected mark (Article 5(2)). As for Article 5(1) (a), the identity of the goods/services and the sign/mark identity lead to a presumption of confusion.²⁷ It appears that Article 5(1)(a) gives effect to the second sentence of Article 16:1 TRIPs which reads as "[i]n case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed." In fact the AG in *LTJ Diffusion SA v Sadas Vertbaudet SA*²⁸ observed that:

[w]here rigorously identical signs or marks are used in the course of trade for identical goods or services, it is difficult if not impossible to conceive of circumstances in which all likelihood of confusion could be ruled out. In such cases, it would be both redundant and extravagant to require proof of that likelihood ... I take the view that the protection afforded to trade mark

²³ The ECJ Judgement, paras 63-66

²⁴ The Directive, Article 5(1)(a)

²⁵ *Ibid*, Article 5(1)(b)

²⁶ *Ibid*, Article 5(2)

²⁷ Griffiths, A., 'The trade mark monopoly: an analysis of the core zone of absolute protection under Art.5(1)(a)', IPQ 3 (2007): 312

²⁸ *LTJ Diffusion SA v Sadas Vertbaudet SA* (Case C-291/00), AG's opinion reported at [2002] E.T.M.R. 40, paras A37-A39

proprietors under the relevant provisions is predicated essentially on the existence of a likelihood of confusion, proof of which is superfluous where both the marks (or the mark and the sign) and products covered are not merely similar but identical ... since likelihood of confusion can be presumed without further investigation²⁹

The subsequent judgement of the ECJ³⁰ in *LTJ Diffusion* seems to have followed the reasoning of the AG, albeit with less elaboration, when it observed that “Art.5 (1) (a) of the directive does not require evidence of such a likelihood in order to afford absolute protection in the case of identity of the sign and the trade mark and of the goods or services.”³¹

In this background, the ECJ’s ruling in *Google* on the likelihood of confusion seems erroneous and distant from its previous findings. Paragraphs 75 to 90 of the judgement had been devoted to discuss the issue of confusion out of which para 84 is worth quoting. In discussing when the origin function of a trademark is affected in the online context, the ECJ observed that:

84. The function of indicating the origin of the mark 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 (see, to that effect, Céline [2007] E.T.M.R. 80 at [27] and the case law cited).³²

From the language of court it may be thought that the claimant, to succeed, must establish that the advertiser’s link fails to enable normally informed and reasonably attentive Internet users, or enables them only with difficulty, to ascertain the source of the goods or services referred to by the link. However, the ECJ observed this in interpreting Article 5(1) (a), in which case infringement is automatic. Under that Article, infringement is presumed, and therefore, the national court would not necessarily have to deal with the issue of confusion. Of course, the presumption may be rebutted,³³ and therefore, it becomes incumbent on the defendant to establish the converse, i.e. that reasonably attentive Internet users are capable of identifying the origin of the goods/services attached to the link. The entire analysis of the ECJ as regards origin confusion becomes superfluous as insofar as the advertisers are concerned (at least in the case of Louis Vuitton) their alleged use of the registered mark came within the scope of Article 5(1) (a).

In fact, the presumption of likelihood of confusion is extremely important in the context of the Internet. Given that consumers (Internet users) are never in a position to physically inspect the goods/services offered by the advertisers, in cases under Article 5(1) (a) of the Directive, unless the defendant can establish the opposite, courts must without hesitation find infringement, as this is exactly what the presumption dictates. Further, Google’s AdWord scheme contributes to the confusion by using the title ‘Sponsored Links’. Sponsorship implies financial backing, and it is highly likely that Internet users may believe that all ads under sponsored links are advertisements sponsored or under the patronage of the original supplier of the goods/services searched for.³⁴ Thus, the belief that an economic link exists between the entities behind the ads and the trademark owner cannot be disregarded.

6. Implications for Sri Lankan businesses

Whatever is the opinion on the liability of referencing service providers, the liability of advertisers is concretised by the ECJ’s decision. Even though the ruling has its flaws (as pointed out above), it is likely that the position will be followed by national courts around Europe. This trend should concern Sri Lankan businesses which deal with luxury goods incorporating well-known marks.

²⁹ Ibid, at paras A36-39

³⁰ *Diffusion SA v Sadas Vertbaudet SA*, [2003] E.T.M.R. 83, para 48-49

³¹ Griffiths, supra, n.26 at p.319

³² The ECJ Judgement, para 84

³³ Stoll, P, Busche, J. & Arend K. (ed.), *WTO–Trade-Related Aspects of Intellectual Property Rights* (Martinus Nijhoff Publishers: Germany, 2006): 319 - “In consequence, the “double identity” of sign and product leads to a shifting of the burden of proof in favour of the trademark owner and on account of the third party” See also, Correa, C.M., *Trade Related Aspects of Intellectual Property Rights: A Commentary on the TRIPS Agreement* (Oxford University Press: Oxford, 2007): 187

³⁴ The term “sponsor” has been defined in the Concise Oxford Dictionary as a “...[p]erson or organisation that pays for or contributes to the cost of an event or broadcast in return for advertising” - Concise English Dictionary 11th ed. (2006)

Sri Lankan businesses are increasingly advertising in digital media, and the Internet is no exception. In a survey conducted for the purposes of this paper it was found that 80 percent of businesses surveyed were aware of Google's AdWords scheme, while 70 percent confirmed that they would utilise the scheme for future advertising purposes. 70 percent of these businesses already advertise on the Internet. These results are indicative of the fact that Sri Lankan businesses have online presence, and as such, knowledge of potential liability for advertising in schemes such as Google's AdWords is crucial.

In Sri Lanka trademark infringement is found under Section 121(1) of the Sri Lankan Intellectual Property Act,³⁵ which provides as follows:

Without the consent of the registered owner of the mark third parties are precluded from the following acts:

(a) any use of the mark, or a sign resembling it in such a way as to be likely to mislead the public, for goods or services in respect of which the mark is registered or for similar goods or services in connection with which the use of the mark or sign is likely to mislead the public

The scenario where an advertiser sells counterfeit goods clearly amounts to infringement. In that event, the trademark proprietor has a direct cause of action against the advertiser for trademark infringement. Hence, businesses in Sri Lanka dealing with counterfeit goods, whether or not party to an Internet referencing service, would be liable for trademark infringement (liability under Section 121(1)(a) - *likely to mislead the public*) and any online advertisement displayed through an Internet referencing service could be restrained from being displayed.

Liability could also arise where a business sells its own products, not being counterfeit goods. This is where the business utilises an Internet referencing scheme, such as AdWords, to display a link to its own website. Notwithstanding the fact that the advertiser may not use the protected trademark in the advertised link itself, it may be argued (as it was successfully urged before the ECJ) that Section 121(1) (a) is wide enough to cover such a situation. However, unlike under the Directive, the question under the IP Act would be whether the link generated consequent to the referencing service *misleads* consumers. While the term 'mislead' is defined in the Concise Oxford English Dictionary as "... cause to have a wrong impression about ... something", 'confuse' is defined as "... [to] identify wrongly". It seems therefore, to establish infringement under Sri Lankan law would be more difficult, given that, to establish that a consumer was misled entails a higher burden than proving mere confusion.

The second limb of the infringement provision further expands liability. Section 121(1)(b) prohibits "any other use of the mark, or of a sign or trade name resembling it, without just cause and in conditions likely to be prejudicial to the interests of the registered owner of the mark." This provision is wide enough to capture use of protected marks that is likely to dilute the distinctiveness or repute of the mark or which without just cause takes undue advantage of the mark to the prejudice of the trademark owner. Accordingly, a more controversial, and less straightforward, situation is where the advertiser (which has advertised its link on AdWords) sells, among its own goods, the goods of the trademark owner. Probably, the advertiser would have purchased the goods from the trademark owner or a producer authorised thereof. Under these circumstances, since the advertiser re-sells goods which are authentic, the trademark proprietor would ideally not have a cause of action for origin confusion. However, there may be a good cause of action against the advertiser for diluting the distinctiveness or repute of the trademark. For example, where a re-seller sells luxury goods (normally sold in luxurious outlets) in a manner that could detract from the reputation associated with the product, the result may be prejudicial to the trademark owner's interest. It must be further noted that the term used in paragraph (b) of Section 121(1) above is 'interests' as opposed to rights, which has significantly wide implications. Therefore, a trademark owner could arguably prevent goods which are otherwise authentic from being sold in ways that could harm its reputation or goodwill thereby causing prejudice to the interests of the trademark owner. This is similar to the exception to the rule of exhaustion well known in European law found in Article 7(2) of the Directive. Drawing an analogy with the physical world, if an advertiser's link lead Internet users to a website that is cheaply hosted in a manner unfit to feature luxury goods, notwithstanding the fact that the goods in reality are authentic, a trademark proprietor may be able to restrain the link to the third-party's website from being displayed whenever the search-term (identical to the proprietor's mark) is used in an Internet search engine, such as Google.

Accordingly, the implications of the ECJ's ruling in *Google v Louis Vuitton* are global. Arguments accepted by the ECJ as regards those who advertise with Internet referencing service providers apply to Sri Lankan businesses with equal force. Given that intellectual property laws in most jurisdictions are based on the TRIPs standards, rulings of the ECJ underpinned by the latest developments in marketing and information technology are very relevant in the Sri Lankan context. This is a consequence of the international harmonisation of intellectual property laws.

³⁵ Sri Lankan Intellectual Property Act No 36 of 2003 (hereinafter, IP Act)

7. Conclusion

The variance of judicial opinion between courts in different continents and regions therein, on facts that raise an identical legal issue, demonstrate that law and its application changes with time and space. Trademark law is no exception to this phenomenon. The *use* of trademarks in the context of infringement has been subject to considerable debate especially in the case of Internet advertising. Though the ECJ's ruling was in favour of Internet referencing service providers, such as Google, the possibility of advertisers being caught up for infringement is extremely high. This is so, even in cases where the advertiser technically never uses the registered trademark for the purposes of advertising its own goods or services. Though, the reasoning of the ECJ may be criticised on that point, the conclusion seems fitting, given the nature of Internet transactions and the significantly greater likelihood of confusion amongst Internet users. Perhaps, a better reasoning based on 'constructive use' of a registered mark may be an avenue for finding liability insofar as advertisers are concerned.

Though trademark rights are territorial, given the increasing harmonisation of trademark laws, one cannot ignore the implication of the ECJ's ruling. As such, businesses across the globe that engage in advertising on the Internet through Internet referencing service providers must be made aware of the potential liability that entails such use. As demonstrated by the survey, given the increasing presence of Sri Lankan businesses on the Internet, and the likelihood of online schemes, such as AdWords, being used, it is imperative that Sri Lankan businesses are made aware of their rights and liabilities under trademark law, especially in the online context.