

Uniformity v. Diversity of Internet Intermediaries' Liability Regime: Where does the ECJ stand?*

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Abstract. This paper seeks to determine the scope of the ECJ's decision of 23 March 2010 and its impact upon the laws of Member state. Thereby it attempts to stress the different sources of conflicts that can arise when national judges have to deal with the tricky issue of Internet intermediaries' liability. At the same time this paper tries to give a sense of what is the institutional function of European private law in a multilevel system of governance. Whereas the first begins with examining the means used by the Court to bring national laws closer through a uniform interpretation of key European provisions, the second part highlights the significant regulatory leeway granted to Member states. This leeway explains why horizontal and diagonal conflicts are likely to persist until a constructive inter-normative dialogue between national courts takes place, following in step with traditional top down method of harmonisation.

1. Introduction

Formalism is sometimes seen as a way to enhance the legitimacy of a decision-making process¹. But within a legal order that is sectorial and multi-level, formalism can blur the message of the decision-maker, in particular when the balance of the interests at stake is difficult to strike. In cyberspace, the quid pro quo between freedom of expression, freedom of commerce, and intellectual property rights is still hotly debated. Despite the recent intervention of the European court of justice (ECJ) in the joint cases C-236/08, C-237/08 and C-238/08², it is not sure that national judges have been offered clear guidelines as regards the manner of comprehending the conduct of Internet intermediaries.

Truly, it is vain, positively and normatively, to wait for uniformization of law through the process of harmonisation. "European law is legitimated to instigate innovation and change, to organize diversity, and to ensure the compatibility of diversity with Community concerns—its vocation is not to produce uniformity"³. Still European law should aim at solving horizontal conflicts be it through vertical pre-emptive effects⁴ or horizontal allocation of Member states competences as well as vertical and "diagonal conflicts"⁵. Yet, one could

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¹ CHRISTIAN JOERGES, *The challenges of Europeanization in the realm of private law: a plea for a new legal discipline*, 14 Duke Journal of Comparative & International Law 149, at 172 (2004).

² ECJ, 23 March 2010, joined cases Case C-236/08, Google France SARL, Google Inc. v. Louis Vuitton Malletier SA ; Case C-237/08, Google France SARL v. Viaticum SA, Luteciel SARL ; Case C-238/08, Google France SARL v. Centre national de recherche en relations humaines (CNRRH) SARL, P.-A. Thonet, B. Raboin

³ JOERGES, at 195.

⁴ Pre-emption "à l'europeenne" is more flexible than classical pre-emption. S. R. WEATHERILL, *Pre-emption, harmonisation and the distribution of competence to regulate the internal market*, in *The law of the single European market, unpacking the premises*, (C. Barnard & J. Scott eds., 2002), at 41 ff; SIMON DEAKIN, *Legal diversity and regulatory competition: which model for Europe?*, 12 European Law Journal 440, at 452 (2006). See also ROBERT SCHÜTZE, *Supremacy without pre-emption? The very slowly emergent doctrine of community pre-emption*, 43 Common Market Law Review 1023 (2006).

⁵ In the words of C. Joerges, "It is typical in the European Union that the European level is competent—sometimes even exclusively—to regulate one aspect of a problem, whereas Member States remain competent to regulate another. As a result, the term "diagonal conflict" is useful to distinguish such constellations from "vertical" conflict resolutions where Community law trumps national law on the one hand, and from "horizontal" conflicts which arise from differences Member

argue that the Directive 2000/31/EC on electronic commerce has not provided for a successful conflict methodology since a recent trend towards greater liability among Member states have been observed⁶.

The Directive on e-commerce has been presented as a partial instrument harmonizing a few essential components of intermediaries' liability regimes in order to render more "attractive the exercise of the freedom of establishment and the freedom to provide services"⁷. While being partial, this attempt to harmonise special rules of civil liability has been conceived as setting a floor that the Member states cannot pull down, although they remain competent to extend the domain of these rules of exemptions in favour of the services providers that are established on their territory.

Even if the intent of the European legislator could seem straightforward, in particular in the light of the state of digital technology in 2000, intermediary providers are now offering a complex set of services which cannot easily be labelled using the terminology of the drafters of the Directive on e-commerce. This is true in particular for search engines, which offer paid referencing services through which they sell to their clients-advertisers the right to link advertising to keywords entered by Internet users during their search. Search engines store at the request of its clients the keywords selected by the latter, the advertising links and the accompanying commercial messages, as well as the address of their clients' websites. In some cases these keywords reproduce protected trademarks and most of the time, no authorization is asked to trademark holders when the right to link is sold.

More precisely, both the construction of the domain of Articles 12, 13, 14, and 15 and the implementation of the test exempting intermediaries from liability raise questions. Consequently, there is room for horizontal as well as diagonal conflicts.

This paper thus seeks to determine the scope of the decision of 23 March 2010 and its impact upon the national laws of Member state, and thereby, stress the different sources of conflict. At the same time it tries to give a sense of what is the institutional function of European private law in a multilevel system of governance. Whereas the first part of the paper begins with examining the means used to try to bring national laws closer through a uniform interpretation of key European provisions, the second part highlights the significant regulatory leeway granted to Member states. This leeway explains why horizontal and diagonal conflicts are likely to persist until a constructive inter-normative dialogue between national courts takes place, following in step with traditional top down method of harmonisation.

2. Aiming at uniformity: referencing service providers are not trade mark infringers

The rigidity of trade mark law in Europe in view of the decentralized nature of Internet (B) explains why the ECJ has felt it necessary to provide for a uniform interpretation of the notion of use in the course of trade and thereby refuse to consider paid referencing service providers as trade mark infringers (A).

States and belong to the realm of private international law on the other". JOERGES, at 183. In the field of tort law such as product liability "diagonal conflicts" have sometimes been ignored.

⁵ PATRICK VAN EECKE & MAARTEN TRUYENS, *Recent events in EU Internet law*, 14 Journal of Internet Law 20 (2010); PATRICK VAN EECKE & BARBARA OOMS, *ISP liability and the e-commerce directive: a growing trend toward greater responsibility for ISPs*, 11 Journal of Internet Law 3 (2007).

⁵ Directive on e-commerce, Recital (5). *among the legal systems of Member States and belong to the realm of private international law on the other*". JOERGES, at 183. In the field of tort law such as product liability "diagonal conflicts" have sometimes been ignored.

⁶ PATRICK VAN EECKE & MAARTEN TRUYENS, *Recent events in EU Internet law*, 14 Journal of Internet Law 20 (2010); PATRICK VAN EECKE & BARBARA OOMS, *ISP liability and the e-commerce directive: a growing trend toward greater responsibility for ISPs*, 11 Journal of Internet Law 3 (2007).

⁷ Directive on e-commerce, Recital (5).

2.1 The means: the restrictive interpretation of the notion of use in the course of trade

One of the most significant contributions of the decision of 23 March 2010 on the topic of intermediaries' liability is certainly its refusal to consider that selling the right to link advertising to trademarks of third party holders is a use in the course of trade in pursuance of Article 5, paragraph 1, a) and paragraph 2 of the Directive 89/104, or when a European trade mark is involved, in pursuance of Article 9, paragraph 1, a) and c) of Regulation 40/94. In the words of the court:

“An internet referencing service provider which stores, as a keyword, a sign identical with a trade mark and organises the display of advertisements on the basis of that keyword does not use that sign within the meaning of Article 5(1) and (2) of Directive 89/104 or of Article 9(1) of Regulation No 40/94”⁸.

Even if a paid referencing service provider offers a service against payment and has obviously designed the architecture of its service, when storing the keywords selected by its clients it does not use the protected signs within the terms of Article 5 of Directive 89/104 and Article 9 of Regulation 40/94. Indeed, a paid referencing service provider does not “use the sign[s] in its own commercial communication” unlike its clients-advertisers¹⁰.

Although the foregoing makes sense, one could be critical of the criterion introduced by the court. Indeed it narrows down the traditional approach of the court usually content with the fact that the use “takes place in the context of commercial activity with a view to economic advantage and not as a private matter”¹¹. While a paid referencing service provider does not use protected signs in commercial communication to directly attract consumers, it uses them to attract advertisers and indirectly render its service valuable for consumers. As the Advocate general observed, “allowing advertisers to select in AdWords keywords which correspond to trade marks, so that ads for their sites are presented as results for searches involving those keywords”¹² is a

⁸ §121. The preliminary question raised by the *Cour de cassation* is the following: “Must Article 5(1)(a) and (b) of [Directive 89/104] be interpreted as meaning that a provider of a paid referencing service who makes available to advertisers keywords reproducing or imitating registered trademarks and arranges by the referencing agreement to create and favourably display, on the basis of those keywords, advertising links to sites offering goods identical or similar to those covered by the trade mark registration is using those trade marks in a manner which their proprietor is entitled to prevent?”.

⁹ ECJ joined cases C-236/08, C-237/08, C-238/08, §57.

¹⁰ ECJ joined cases C-236/08, C-237/08, C-238/08, §56. The use of the advertiser is clearly part of his advertising strategy. The explanation given by the ECJ is the following: “From the advertiser's point of view, the selection of a keyword identical with a trade mark has the object and effect of displaying an advertising link to the site on which he offers his goods or services for sale. Since the sign selected as a keyword is the means used to trigger that ad display, it cannot be disputed that the advertiser indeed uses it in the context of commercial activity and not as a private matter”. See also ECJ, 25 March 2010, Case C-278/08, *Die BergSpechte Outdoor Reisen und Alpinschule Edi Koblmüller GmbH v. Günter Guni, trekking.at Reinsen GmbH* §41: “article 5(1) of Directive 89/104 must be interpreted as meaning that the proprietor of a trade mark is entitled to prohibit an advertiser from advertising, on the basis of a keyword identical with or similar to that trade mark which that advertiser has, without the consent of the proprietor, selected in connection with an internet referencing service, goods or services identical with those for which that mark is registered, in the case where that ad 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 an undertaking economically connected to it or, on the contrary, originate from a third party”.

¹¹ See e.g. Case C-206/01, *Arsenal Football Club Plc v. Reed*, [2002] E.C.R. I-10273, §40. To be sure, a use in the course of trade under EU Law implies that it “affects or is liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods”. §51. Therefore, “The 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 Article 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”. §55. See also Case C-2/00 *Hölderhoff* [2002] ECR I-4187, §16.

¹² Opinion of advocate general P. Maduro delivered on 22 September 2009 in the joined cases C-236/08, C-237/08 and C-238/08, §50+. The advocate general distinguished two different uses, the second being the more problematic in terms of liability: “In reality, not one but two uses are involved: (a) when Google allows advertisers to select the keywords (this use

commercial activity made in the course of trade. What poses a problem though is that this use is not made in relation to goods or services¹³, which are identical or similar to those covered by the trade marks.

This being said, the court gives a clear answer to the debated threshold question of whether the activity of selling the right to link advertising to trademarks of third party holders is not a use¹⁴ that the former are entitled to prevent. It provides for a uniform interpretation of Directive 89/104 and Regulation 40/94. This is in line with the court's understanding of EU trade mark law. As it held in previous cases:

“Article 5(1) of the Directive carries out a complete harmonisation and defines the exclusive rights of trade mark proprietors in the Community”¹⁵. Therefore “In order to prevent the protection afforded to the proprietor varying from one State to another, the Court must [...] give a uniform interpretation to Article 5(1) of the Directive, in particular the term ‘use’ which is the subject of the questions referred for a preliminary ruling in the present case”¹⁶.

The scope of its decision is even broader in terms of regulated activities. Generally speaking, the doctrine of the use in the course of trade is interpreted in such a way as to reject claims implicitly targeting secondary infringers¹⁷. This is true, be the act of selling the right to link advertising at issue or the act of displaying these advertising. Besides, it is a means to make sure that free referencing service providers will not be considered as trademark infringers in the future, something that the Advocate general had expressly feared¹⁸. When running its paid referencing service and its free referencing service a service provider does not use protected trade marks in the context of its own commercial communication.

The justification given for such a ruling is to be found in the opinion of the Advocate general who compares the appropriateness of trade mark laws in Europe with general rules of civil liability in order to comprehend the behaviour of referencing service providers.

2.2 The justification: the rigidity of trade mark law in Europe

It is the rigidity of trade mark laws in Europe of which test is not adapted to the nature of the role played by referencing service providers in cyberspace which explains the preference given to general rules of civil liability. As a result, resorting to trade mark laws would be likely to extend too much the relative monopoly of trade mark holders to the detriment of the free flow of information. On the contrary,

“Liability rules are more appropriate, since they do not fundamentally change the decentralised nature of the internet by giving trade mark proprietors general – and virtually absolute – control

being somewhat internal to the operation of AdWords), so that ads for their sites are presented as results for searches involving those keywords; and (b) when Google displays such ads, alongside the natural results displayed in response to those keywords”.

¹³ For an interpretation of this requirement see Case C-17/06 *Céline* [2007] ECR I-7041.

¹⁴ In the United States a parallel debate has also emerged. Compare MARK A. LEMLEY & STACEY L. DOGAN, *Grounding trademark law through trademark use*, 92 Iowa Law Review 1669 (2007) with GRAEME B. DINWOODIE & MARK D. JANIS, *Confusion over use: contextualism in trademark law*, 92 Iowa Law Review 1597 (2007). See the appendix “On the Meaning of ‘Use in Commerce’ in Sections 32 and 43 of the Lanham Act” to the decision *Rescuecom Corp. v. Google, Inc.* 562 F.3d 123, 129 (2nd Cir. 2009) and also *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir.2004); *Government Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700 (E.D. Va. 2004); *Google, Inc. v. American Blind and Wallpaper* 2005 WL 832398 (N.D.Cal. 2005).

¹⁵ Case C-206/01, *Arsenal Football Club Plc v. Reed*, [2002] E.C.R. I-10273, §43. See also Joined Cases C-414/99 to C-416/99 *Zino Davidoff and Levi Strauss* [2001] ECR I-8691, §39; Case C-355/96 *Silhouette International Schmied* [1998] ECR I-4799, §25 and 29.

¹⁶ Case C-206/01, *Arsenal Football Club Plc v. Reed*, [2002] E.C.R. I-10273, §45. See also about the concept of “consent”, joined cases C-414/99 to C-416/99 *Zino Davidoff and Levi Strauss* [2001] ECR I-8691, §42-43.

¹⁷ Compare with the position of LEMLEY & DOGAN.

¹⁸ Opinion of advocate general in the joined cases C-236/08, C-237/08 and C-238/08, §72+.

over the use in cyberspace of keywords which correspond to their trade marks. Instead of being able to prevent, through trade mark protection, any possible use – including, as has been observed, many lawful and even desirable uses – trade mark proprietors would have to point to specific instances giving rise to Google’s liability in the context of illegal damage to their trademarks”¹⁹.

According to the Advocate General, the rigidity of trade mark laws in Europe comes from the absence of any theory of secondary liability:

“The goal of trade mark proprietors is to extend the scope of trade mark protection to cover actions by a party that may contribute to a trade mark infringement by a third party. This is usually known in the United States as ‘contributory infringement’, but to my knowledge such an approach is foreign to trade mark protection in Europe, where the matter is normally addressed through the laws on liability”²⁰. Yet, “The trade mark proprietors are urging the Court to go even further: to rule, in effect, that the mere possibility that a system – in the present cases, AdWords – may be used by a third party to infringe a trade mark means that such a system is, itself, in infringement”.²¹

The Advocate general thus implies that the theory of contributory infringement is the natural ground for comprehending the behaviour of paid referencing service providers. Such an approach, thought, has not prevailed yet among US courts²².

Even if it is more likely that a defendant be considered as an infringer when the European requirement of “use in the course of trade” is met than when the US requirement of “use as a trademark” is met²³, the rigidity of trade mark laws in Europe should have been nuanced by two considerations, one coming from the analysis of European law, one from the analysis of national laws.

First, it seems to be assumed by the ECJ, that if selling the right to link advertising to trademarks of third party holders were characterized as a use in the course of trade, the liability of paid referencing service providers would follow in many instances. Yet, it remains for trademarks holders to demonstrate at a minimum that the contentious uses affect or are liable to affect the essential function of the trade mark – which is to guarantee to consumers the origin of the goods or services²⁴. It is true that in some cases national courts²⁵ have easily accepted the existence of a likelihood of confusion²⁶.

¹⁹ Opinion of advocate general in the joined cases C-236/08, C-237/08 and C-238/08, §123.

²⁰ Opinion of advocate general in the joined cases C-236/08, C-237/08 and C-238/08, §48.

²¹ Opinion of advocate general in the joined cases C-236/08, C-237/08 and C-238/08, §49.

²² See SOPHIE STALLA-BOURDILLON, *Should search engines begin to worry?*, Journal of Internet Law, forthcoming, (2010).

²³ NOAM SHEMTOV, *Mission impossible? Search engines’ ongoing search for a viable global keyword policy*, 13 *see id.* 3 (2009).

²⁴ The proof of likelihood of confusion will not be necessary if both the signs and the products or services are identical under Article 5(1) of the Directive 89/104. Four requirements are generally necessary to make a trade mark infringement case. Case C-533/06 *O2 Holdings and O2(UK)*, [2008] ECR I-04231, §57; Case C-206/01 *ArsenalFootball Club* [2002] ECR I-10273; Case C-245/02 *Anheuser-Busch* [2004] ECR I-10989; Case C-120/04 *Medion* [2005] ECR I-8551; Case C-48/05 *Adam Opel* [2007] ECR I-1017; and Case C-17/06 *Céline* [2007] ECR I-7041.

²⁵ Compare CA Versailles, 23 March 2006, Société Google France v. S.A.R.L. CNRRH, www.gazettedunet.fr with Wilson v. Yahoo !UK Ltd & Anor [2008] EWHC 361 (Ch).

²⁶ Yet, as the Advocate general shows it when examining the use consisting of displaying “ads, alongside the natural results displayed in response to those keywords”, the risk of confusion only lies in the ad and the advertised website. Opinion of advocate general in the joined cases C-236/08, C-237/08 and C-238/08, §89+. It must be noted that the sole use of “allowing advertisers to select in AdWords keywords which correspond to trade marks, so that ads for their sites are presented as results for searches involving those keywords” is at issue. See also ECJ, Case C-278/08.

Moreover, surprisingly enough, the scope of Article 14 of the Directive on e-commerce, which lays down a horizontal liability regime, has been construed restrictively. Nothing states in the Directive on e-commerce that Articles 12, 13, 14, 15 are not applicable when trade mark infringements are at issue. However, this is what the Cour de cassation and the ECJ seem to assume given the way the preliminary questions are drafted and the way they are dealt with²⁷.

Second, while theories of secondary infringement are traditionally foreign to trade mark laws in Europe, national laws are always evolving under the influence of the judicial law-making process. To take the example of French law, while it is true that in several instances paid referencing service providers have been held liable for trademark infringement, judges have most of the time used a subjective approach to comprehend the behaviour of the defendants and have thereby tried to characterize the wrong committed by the latter: either they knew of the infringing activity or they had the technical capacity to reduce the risks of trade mark infringement²⁸.

This being said, probably wary of the tendency of national judges to favour the interests of trade mark holders, the ECJ has opted for a radical strategy: excluding the activity of referencing service providers from the domain of trade mark law at the European level²⁹. Nonetheless this has been searched for without prohibiting the recourse to other national provisions such as general rules of civil liability. While the first prong of the strategy definitely aims at promoting uniformity of trade mark law in Europe, the second is likely to maintain diversity alive.

3. Re-introducing diversity: referencing service providers can be wrongdoers on the ground of general rules of civil liability

The refusal to hold that paid referencing service providers are neutral intermediaries (A) amounts to resorting to national laws to set the conditions of liability of hosting providers within the relatively light framework set by the Directive on e-commerce (B).

3.1 The means: the refusal to hold that paid referencing service providers are neutral intermediaries

In 2000, when the European legislator adopted the Directive on e-commerce it was to react against³⁰:

“Both existing and emerging disparities in Member States' legislation and case-law concerning liability of service providers acting as intermediaries”, which “prevent[ed] the smooth functioning of the internal market, in particular by impairing the development of cross-border services and producing distortions of competition”.

The European legislator thus laid down three special liability regimes governing the activities of “mere conduit”, caching and hosting. Although the Directive on e-commerce is clearly a response to the adoption of the Digital Millennium Copyright Act of 1998³¹ by the American federal legislator, its drafters decided not to expressly address the question of the requirements for the exoneration of providers of hyperlinks and information location tools. In this line, Article 21 of the Directive provides that: “In examining the need for an adaptation of this Directive, the report shall in particular analyse the need for proposals concerning the liability of providers of hyperlinks and location tool services”. Therefore, one could have legitimately thought that providers of

²⁷ The Advocate general himself does not put into question this interpretation of the scope of Article 14. Opinion of advocate general in the joined cases C-236/08, C-237/08 and C-238/08, § 52.

²⁸ See e. g. CA Paris, 4e ch., A, 28 June 2006, *Google France v. Louis Vuitton Malletier*, www.legalis.net and CA Versailles, 23 March 2006, *Société Google France v. S.A.R.L. CNRRH*, www.gazettedunet.fr.

²⁹ There was an argument to state that paid referencing service providers can behave as trade mark infringers when they display the ad of their clients if the essential function of the trade mark is deemed altered. This is so in particular if the activity of the referencing service providers is not clearly distinguished from that of the advertisers.

³⁰ Recital 40.

³¹ 15 U.S.C § 512.

hyperlinks and location tool services had been excluded from the domain of the Directive on e-commerce. This was all the more warranted that given the state of technology at the time of the adoption of the Directive, the term “hosting” was construed restrictively.

However, this is not the position taken by both the Advocate general and the ECJ who have opted for a broad interpretation of “hosting”, which includes Internet referencing services³². In addition, the court has not drawn any distinction between paid referencing service providers and free referencing service providers.

Thus said, the court did not hold that paid referencing service providers shall always benefit from the special liability regime set in Article 14. Besides, it refused to follow the path of the Advocate general and to hold that paid referencing service providers are excluded from the domain of Article 14³³. In the words of the court: “the rule laid down therein [Article 14 of Directive 2000/31] applies to an internet referencing service provider in the case where that service provider has not played an active role of such a kind as to give it knowledge of, or control over, the data stored”³⁴. The ECJ has thus granted substantial leeway to national judges.

On the one hand, paid referencing service providers cannot be considered as using trade marks in the course of trade when they sell the right to link advertising to keywords corresponding to third parties’ trademarks. But on the other hand they can be held liable on the ground of national general rules of civil liability when in particular they wrongly cause damages to trademark holders³⁵. There is thus room for diagonal conflicts between European law and Member state law, especially if the framework within which the conditions of liability of hosting providers are set is not very demanding.

While the decision of the 23 March 2010 marks a step further in the sense that it is now clear that the category of hosting providers is largely open, it does not add much to the letter of Article 14³⁶. Indeed the criteria of knowledge and control come directly from Article 14, which provides that a hosting provider is exonerated from liability if it does not have knowledge of the unlawful activity on its system, or if upon getting that knowledge it has promptly reacted, and does not control the activity of the recipient.

Given the way Article 14 has been drafted, its construction is not straightforward. In particular, it is unclear which degree of certainty is required³⁷. Does the receipt of a notification suffice to characterize the knowledge

³² Opinion of advocate general in the joined cases C-236/08, C-237/08 and C-238/08, § 133. Internet referencing providers have been easily considered as information society services. ECJ joined cases C-236/08, C-237/08, C-238/08, § 110.

³³ “The provider of the paid referencing service cannot 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 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 (‘Directive on electronic commerce’).” Opinion of advocate general in the joined cases C-236/08, C-237/08 and C-238/08, § 155.

³⁴ ECJ joined cases C-236/08, C-237/08, C-238/08, § 121.

³⁵ See e. g. TGI Paris, 3e ch., 2e, 8 December 2005, *Kertel v. Google, Cartephone*, www.legalis.net infirmed by CA Paris, 4e ch., B, 1 February 2008, *Gifam et a. v. Google France*, www.legalis.net; TGI Paris, 3e ch., 2e section, 27 April 2006, *AUTO IES v. Google et autres*, www.legalis.net; TGI Paris, 3e ch., 2e section, 9 March 2006, *Promovacances, Karavel v. Google France*, www.legalis.net; TGI Paris, 3e ch., 3e section, 7 January 2009, *Voyageurs du Monde, Terres d’Aventure v. Google et autres*, www.legalis.net.

³⁶ “1. Where an information society service is provided that consists of the storage of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the information stored at the request of a recipient of the service, on condition that:

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

2. Paragraph 1 shall not apply when the recipient of the service is acting under the authority or the control of the provider.”

³⁷ See Montero ETIENNE MONTERO, *La responsabilité des prestataires intermédiaires sur les réseaux*, in *Le commerce électronique sur les rails? Analyse et proposition de mise en oeuvre de la directive sur le commerce électronique*, (Etienne Montero ed., 2001), at 287.

of the unlawful content or is it necessary that the content be also manifestly unlawful? If the first interpretation is the good one then it amounts to making the intermediary decide upon the lawfulness of the content and in the case of a paid referencing service provider to making it decide upon the lawfulness of the use of keywords by its clients-advertisers.

As regards the criterion of control, the Directive does not say much either. Does it mean that the service provider shall not be at the origin of the decision to store the content, and in the context of keying, that the service provider shall not be at the origin of the decision to select and store the keyword that will trigger the sponsored link? Because the criteria of knowledge and control seem to be alternative, this interpretation seems too narrow, even if it encompasses the act of inducing advertisers to select keywords in such a way as to infringe upon third parties' trademarks. To follow the logic of alternative criteria, there should be a case in which the service provider does not have knowledge of the unlawful content but still control the data stored. In other words, control of stored data could be characterized in cases in which it does not lead to constructive or actual knowledge of the stored data. This thus means that the notion of control could be understood quite loosely. Is it then sufficient to suggest keywords to advertisers to characterize the control of the service provider upon its clients' activity?

Truly, the ECJ has brought important precisions. It is not enough to note that the Internet referencing service providers offer a service subject to payment and that the keyword sold corresponds to search terms entered by Internet users. More than the intervention of the service provider at the stage of the selection of the appropriate keywords, it is its intervention at the stage of drafting the advertisement that seems to critical for the characterization of the control exercised over the data stored. The ECJ explained that "in the context of the examination referred to in paragraph 114 of the present judgment, the role played by Google in the drafting of the commercial message which accompanies the advertising link or in the establishment or selection of keywords is relevant"³⁸. Indeed,

"[w]ith regard to the referencing service at issue in the cases in the main proceedings, it is apparent from the files and from the description in paragraph 23 et seq. of the present judgment that, with the help of software which it has developed, **Google processes the data entered by advertisers and the resulting display of the ads is made under conditions which Google controls**. Thus, Google determines the order of display according to, inter alia, the remuneration paid by the advertisers"³⁹.

These precisions are certainly useful given the solutions adopted in some Member states. This is true in particular in France where the fact that the hosting service was offered against payment has been considered as conclusive for the exclusion of the application of Article 14 as transposed by Statute n°2004-575⁴⁰.

Still, it is not sure that the French solutions are condemned since even when judges have grounded their decisions upon trademark infringement they have tried to characterize the knowledge and/or the control exercised by the service provider over the data stored⁴¹. Besides, the criterion of control seems to be understood

³⁸ ECJ joined cases C-236/08, C-237/08, C-238/08, §118.

³⁹ ECJ joined cases C-236/08, C-237/08, C-238/08, §115. (Words underlined by the author).

⁴⁰ See for example CA Versailles, 23 March 2006, *Société Google France v. S.A.R.L. CNRRH*, www.gazettedunet.fr. Compare with CA Paris, 4e ch., A, 28 June 2006, *Google France v. Louis Vuitton Malletier*, www.legalis.net.

⁴¹ See for example CA Paris, 4e ch., A, 28 June 2006, *Google France v. Louis Vuitton Malletier*, www.legalis.net and CA Versailles, 23 March 2006, *Société Google France v. S.A.R.L. CNRRH*, www.gazettedunet.fr grounded on trademark infringement. See also on the ground of negligence TGI Paris, 3e ch., 2e, 8 December 2005, *Kertel v. Google, Cartephone*, www.legalis.net infirmed by CA Paris, 4e ch., B, 1 February 2008, *Gifam et a. v. Google France*, www.legalis.net; TGI Paris, 3e ch., 2e section, 27 April 2006, *AUTO IES v. Google et autres*, www.legalis.net; TGI Paris, 3e ch., 2e section, 9 March 2006, *Promovacances, Karavel v. Google France*, www.legalis.net; TGI Paris, 3e ch., 3e section, 7 January 2009, *Voyageurs du Monde, Terres d'Aventure v. Google et autres*, www.legalis.net. Few courts have held that the provider of sponsored links at issue could not be held liable on the ground of negligence. See for example TGI Strasbourg, 1re ch. civ., 20 July 2007,

broadly. The implementation of filtering measures to prevent the choice of other keywords⁴², or the running of a program to ease contacts between advertisers and Internet users, and in particular a program to suggest keywords to advertisers⁴³ have sufficed to discover a duty to prevent infringements or to take precautionary measures not to facilitate infringements.

Given the relatively narrow scope of the pre-emptive effect of the provisions of the Directive on e-commerce, one could put into the question the strategy of harmonisation. This however would be a restrictive understanding of the institutional function of European private law⁴⁴.

3.2 The justification: the malleability of tort laws in Europe

The Directive on e-commerce is neither a measure of minimum harmonisation nor a measure of complete harmonisation as these notions are traditionally understood⁴⁵. Indeed with regard to the provisions dealing with the liability of intermediary providers, it was the intent of the EU legislator to set the minimum conditions under which intermediary providers can be immune from liability. Therefore, Member states can in theory go further and set less stringent conditions of exoneration, as long as they regulate service providers established on their territory, in pursuance of the country of origin principle⁴⁶. Furthermore, they are competent to set the conditions of liability of local intermediary providers when these conditions of exoneration are not met.

If Member states are given a significant leeway as regards the content of the conditions of liability, the definition of the domain of these regimes, that is to say the definition of the activities regulated remains of the competence of the EU legislator. What about the conditions of exoneration?

The peculiarities of the Internet as a permanently evolving architecture making it vain to provide for general definitions of Internet actors maybe more than the allocation of competence between the EU legislator and Member states underlining the Directive on e-commerce, explain the ECJ's refusal to give a clear-cut solution. Given the characteristics of the Internet, relying on the mechanisms of evolution of national private laws could reveal to be more satisfying than setting once and for all the matter at the European level. National judges can more easily adapt the wording of the law to the complexity of the environment within which private actors operate. This is all the more true that an "inter-normative" dialogue⁴⁷ between national courts has initiated⁴⁸. The foregoing does not mean that national judges do not need guidelines in their work, in particular when these guidelines aim at creating a common framework facilitating comparison between national solutions. These guidelines should nonetheless render the nature of the regulatory strategy pursued at the EU level clear in order to avoid horizontal and diagonal conflicts. This certainly requires less formalism in the way the decisions of the ECJ are drafted and in particular identifying the fundamental interests at stake.

Atrya v. Google France et autres, RLDI 2007/30, n° 996, comm. E. Tardieu-Guigues, www.legalis.net; TGI Nice, 3^e ch., 7 February 2006, *TWD Industries v. Google France, Google Inc.*, www.legalis.net.

⁴² TGI Paris, 3^e section, 12 July 2006, *Gifam et a. v. Google France*, www.legalis.net.

⁴³ TGI Paris, 3^e ch., 3^e section, 7 January 2009, *Voyageurs du Monde, Terres d'Aventure v. Google et autres*, www.legalis.net. See also TGI Paris, 3^e section, 12 July 2006, *Gifam et a. v. Google France*, www.legalis.net.

⁴⁴ "Harmonisation may mean less than it first appears to mean, in the sense that it cannot mean precise uniformity, but it may simultaneously mean more than it seems to mean, insofar as its impact may spill over, beyond the formal reach of the harmonised regime". S. R. WEATHERILL, *Can there be common interpretation of European private law?*, 31 Georgia Journal of International and Comparative law 139, at164 (2002).

⁴⁵ See the presentation of E. Crabit who while using the term full harmonisation recognises that as regards the provisions dealing with intermediary providers' liability the intent of the EU legislator was to set the lowest common denominator. E. CRABIT, *La directive sur le commerce électronique*, 4 Revue du Droit de l'Union Européenne, 749(2000).

⁴⁶ Indeed these conditions would belong to the coordinated field and not to the harmonised field anymore. To recall, the coordinated field is defined very broadly. See Article 2 of the Directive on e-commerce, which speaks about "requirements laid down in Member States' legal systems applicable to information society service providers or information society services, regardless of whether they are of a general nature or specifically designed for them".

⁴⁷ Which is not to be confused with regulatory competition on the ground of the country of origin principle. Besides, Article 14 is clearly within the harmonised field where the country of origin principle should not apply.

⁴⁸ See in particular the well-informed decision of the English High Court *L'Oreal SA v eBay International AG*, [2009] EWHC 1094 (Ch).

Yet, the regulatory strategy pursued by the drafters of the Directive on e-commerce is not easily identifiable. Truly, this piece of legislation seems designed to offer guarantees to neutral intermediaries, which are said to actively contribute to the promotion of freedom of speech in cyberspace and thereby in real space. As a result, the conduct of hosting providers (as well as mere conduits and caching providers) is understood to be “merely technical, automatic and passive”⁴⁹. However, these “neutral” intermediary providers have still at least potentially the means to break their neutrality as the third paragraphs of Article 12, and 14 and the second paragraph of Article 13 imply it, since these provisions allow Member states to organise procedures aiming at enjoining service providers to terminate or prevent unlawful content⁵⁰.

Besides, it is not sure that the conduct of Internet referencing service providers is always neutral, even if they offer services of natural search. The unilateral decision taken by certain search engines such as Google to delist some of their clients casts doubts on their claimed neutrality⁵¹. Truly, the Advocate general offers a more optimistic description of the situation:

“(…) Google’s search engine, (…) is neutral as regards the information it carries. Its natural results are a product of automatic algorithms that apply objective criteria in order to generate sites likely to be of interest to the internet user. The presentation of those sites and the order in which they are ranked depends on their relevance to the keywords entered, and not on Google’s interest in or relationship with any particular site. Admittedly, Google has an interest – even a pecuniary interest – in displaying the more relevant sites to the internet user; however, it does not have an interest in bringing any specific site to the internet user’s attention”⁵².

Going further, offering guarantees to neutral intermediaries should imply that giving incentives to intermediaries not to engage into private regulation of content transmitted on their systems or networks. However, it does not seem that the drafters of the Directive on e-commerce have completely excluded the strategy of private regulation, as the recitals show it⁵³.

4. Conclusion

It may be too optimistic to state that the decision of the ECJ marks a clear turn towards the exemption of paid referencing services⁵⁴. Assuming the national transpositions of Article 12, 13, 14 and 15 of the Directive on e-commerce do not clearly conflict with these provisions, there remain some sources of horizontal conflicts at the Member state level as well as diagonal conflicts between the European level and the Member states level.

Although the ECJ, interpreting European trade mark law, has opted for a radical strategy excluding the activity of paid referencing service provider from the scope of the latter, it has maintained diversity alive. The

⁴⁹ ECJ joined cases C-236/08, C-237/08, C-238/08, §114.

⁵⁰ In the field of intellectual property, this is more than a mere possibility offer to Member states. See Articles 9, 11 of Directive 2004/48/EC on enforcement of intellectual property rights.

⁵¹ See e. g. in the *United States Langdon v. Google*, 474 F.Supp.2d 622 (D.Del. 2007) but also *King, Inc. v. Google Technology, Inc.*, 2003 WL 21464568 (W.D.Okla 2003); *Kinderstart.com, LLC v. Google, Inc.*, 2007 WL 831806 (N.D.Cal. 2007). See in France Decision n° 10-MC-01 30 June 2010 relative à la demande de mesures conservatoires présentée par la société Navx.

⁵² Opinion of advocate general in the joined cases C-236/08, C-237/08 and C-238/08, § 144.

⁵³ Recital 40: “*this Directive should constitute the appropriate basis for the development of rapid and reliable procedures for removing and disabling access to illegal information; such mechanisms could be developed on the basis of voluntary agreements between all parties concerned and should be encouraged by Member States; it is in the interest of all parties involved in the provision of information society services to adopt and implement such procedures; the provisions of this Directive relating to liability should not preclude the development and effective operation, by the different interested parties, of technical systems of protection and identification and of technical surveillance instruments made possible by digital technology within the limits laid down by Directives 95/46/EC and 97/66/EC*”.

⁵⁴ See however DAVID FRANKLYN, *The European Court of Justice rules on keywords ads and trademark rights*, 14 Intellectual Property Law Bulletin 89, (2010).

content of Internet intermediaries' liability regimes will thus be determined at the national level. While this could seem at first glance a failure of the harmonisation undertaken at the European level, it may well be that on the long run it will feed a process of legal innovation at the initiative of Member states. Thus said, it will hold true only to the extent the regulatory strategy set at the European level has been clearly understood by Member states, something which remains to be seen.