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**Article**

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## **THE PRELIMINARY RULING DECISION IN THE CASE OF GOOGLE VS LOUIS VUITTON CONCERNING THE ADWORD SERVICE AND ITS IMPACT ON THE COMMUNITY LAW**

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### **Abstract**

The internet user after entering the keywords obtains two kinds of search results – natural and sponsored ones. The following paper deals with the issue of using keywords which correspond to trademarks registered by a third party for advertising purposes through internet search portals such as Google, Yahoo, Bing, Seznam, Centrum etc. (in principle web search portals). The objective of this article is to analyze decided cases dealing with the AdWords service issued by the Court of Justice of the European Union and compare them also with the attitude in similar disputes in the U.S. Within this knowledge it is necessary to determine the impact of these decisions on further national courts decisions of European Union member states. Moreover there is also legal impact on copyright law and responsibility of internet search engines deduced. The method of the analysis of courts decisions is used and the method of legal comparison is applied to different attitudes in similar cases. Where a third party uses a sign which is identical with the trademark in relation to goods or services identical with those for which the mark is registered, the trademark proprietor is allowed to prohibit such use if it is liable to affect one of the functions of the mark (particularly the function of indicating origin). Regarding the liability of the Internet search engine itself, decisions of the courts in matters of Internet search engines in the European Union vary from state to state. Whereas the German courts tend to currently access the responsibility for the outcome of the search engines more freely, the French courts are often more stringent. Differently, we can say much more liberal, is the access of the U.S. courts to this issue. Preliminary ruling decision in case of Louis Vuitton Malletier SA vs. Google, Inc. and community practice in further cases follow similar (liberal) decisions of the courts of the U.S.

**Keywords:** keyword advertising, Google Adwords, Louis Vuitton, preliminary ruling decision, protection of consumer, search portal, trademark protection

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## Introduction

Every user of the Internet uses some of the search engines. None of us knows the web addresses for gaining information that we need. Thus, there is an opportunity for services that do the required search and offer us the results. This kind of service providers are, e.g. google.com, yahoo.com or national search engines (the most important in the Czech Republic is seznam.cz). The world most widespread one is the search engine of Google, Inc. Due to the specificity of the environment of the Internet and to the gaps in law (Černý and Telec, 2005) the company listed above was party to many disputes in European countries and in the USA. The results of several litigations were taken into account while writing this paper. Points of law related to search engines concern especially points related to Trademark Law, Unfair Competition Law, Copyright law and others. The relationship between trademark law and the internet has already been objective in several studies. Marshall (1998) explains how the process of globalization influences trademark law. It is out of any doubt that trademarks play an important role in the global market place. The question is, whether legal protection is sufficient and further cases demonstrate legal gaps in this field. Goldman (2005) points out other problems of searching engines using the content identical to registered trademarks when trademark protection is excessive so that “jeopardize the Internet’s potential as an information resource”. It is an important task to find suitable protection of intangible assets on the Internet. Keyword advertisement in several decisions of the Court of Justice of the European Union has already been in some aspects described by Gielen (2010), who points out problems of a vague definition of legal terminology. Theoretical base with the stress on market transparency and the main purpose of trademarks was defined by Seftleben (2011).

The Internet user after entering the keywords obtains two kinds of search results – natural and sponsored ones. There can be a problem, when an advertiser chooses keywords equivalent to the protected intangible assets (typically trademarks) and brings users through the sponsored link to his own websites offering competitive products or services, or imitations. The main research question focuses on responsibility of subjects involved in registering keywords identical (similar) to registered trademarks. The method of the analysis of courts decisions has been used to get legal background of this problem.

National courts have already solved tens of these problems, e.g. decisions in „presipiraten“ or „bananabay“ trademarks cases in Germany, decision in the case „rentabiliweb“ or „citadines“ in France. For example, from Google’s liability point of view, German and French courts solved the similar factual basis often in a different way. The method of legal comparison will be applied to different attitudes in similar cases in several states in the European Union. Moreover, comparison with U.S. courts decisions will be made.

In the end, the issue of the AdWords service was decided at the European Union level in a few cases. It concerns decisions of the Court of Justice of the European Union (the Court below), especially decision in Google vs. Louis Vuitton and others (from 23. 3. 2010), BergSpechte vs. trekking.at Reisen (from 25. 3. 2010), Portakabin vs. Primakabin (from 8. 7. 2010), L’Oréal vs. eBay (from 12.7.2011), Interflora vs. Marks & Spencer (22.10.2011). The issue of venue jurisdiction is solved in decision in Wintersteiger vs. Products 4U Sondermaschinenbau, but we leave it aside.

The problem of keyword advertising is not only the legal issue but has an economic impact and technical and marketing aspects as well. From the economic point of view the problem

of information is described by “the economics of information” originally used by Stiegler in 1961. We can also mention for our problem Griffiths’ (2008) idea of reducing consumers’ costs for searching by identifying commercial origin of goods. In addition, we can mention also technical aspects of search portals and e-commerce in general as it is described by Vymětal and Suchánek (2011). Marketing attributes of consumers’ protection and risks in connection with e-commerce is defined in Pelau and Bena (2010).

The structure of the paper is influenced by the timetable of decision making by the Court of Justice of the European Union. It is necessary to start the first chapter with the basic decision in case Google vs. Louis Vuitton which has created legal background for further cases. Other cases influenced by previous one are described in Chapter two. On the basis of this analysis it is possible in Chapter three to determine implications of these decisions on the national court decision in several cases. Chapter four applies results of the case of Google vs. Louis Vuitton also on the copyright law. Chapter five extends the comparison of European courts practices also to decisions of U.S. courts. The conclusion summarizes implications of the paper and predicts further development.

### **1. The decision of the Court of Justice in Google vs. Louis Vuitton and other subjects**

There will appear results after inserting a keyword or several keywords into the search engine. These are especially so-called natural results of the search and they are displayed in descending order according to the pre-defined criteria of relevance. According to these results, when using the google.com search engine, a paid referencing service called ‘AdWords’ (Advertising Words) can be used. The essence of this subject is in the ability to influence the search results and display them in different (special) column (bar) called „sponsored links“. This service enables to display the links to the advertiser’s websites on a special place as a response to inserting the keywords into the search engine. The AdWords service is automated and it allows advertisers to select their own keywords as well as influencing the order. A number of advertisers can reserve the same keyword. The order in which their advertising links are then displayed is determined according to, in particular, the maximum price per click, the number of previous clicks on those links and the quality of the ad as assessed by Google Inc.

The first of decisions was issued on 23 March 2010 and it was a preliminary ruling decision in joined cases C-236/08 to C-238/08. The mentioned cases covered the dispute between Google Inc. (Google France SARL) and Louis Vuitton Malletier SA, Viatikum SA, Luteciel SARL and other subjects. Considering the importance of this decision for the Member States of the European Union and for further interpretation and conclusions of this paper, the mentioned decision will be closer explained in the following sentences.

In this dispute the company Vuitton, known for its luxury leather goods, owns the national trademark „Louis Vuitton“ and „LV“ as well as the Community trademark „Vuitton“. When you enter these terms constituting its trademarks into the Google’s search engine triggered the display, under the heading ‘sponsored links’, of links to sites offering imitation versions of Vuitton’s products. Of course, Vuitton Company defended against such action and brought proceeding against Google with a view, inter alia, to obtaining a declaration that Google had infringed its trademarks through offering these sponsored links. Google was found guilty of infringing Vuitton’s trademarks by a judgment of the Tribunal de grande instance de Paris (Regional Court, Paris), and subsequently, on appeal, by

judgment of the Cour d'appel de Paris (Court of Appeal, Paris). Google has brought an appeal on a point of law (cassation) against that latter judgment. In those circumstances, the Cour de cassation (French Court of Cassation) decided to stay the proceedings and to refer the following questions to the Court for a preliminary ruling:

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

2) In the event that the trademarks have a reputation, may the proprietor oppose such use under Article 5(2) of [Directive 89/104] and Article 9(1)(c) of [Regulation No 40/94]?

3) In the event that such use does not constitute a use which may be prevented by the trademark proprietor under [Directive 89/104] or [Regulation No 40/94], may the provider of the paid referencing service be regarded as providing an information society service consisting of the storage of information provided by the recipient of the service, within the meaning of Article 14 of [Directive 2000/31], so that that provider cannot incur liability until it has been notified by the trademark proprietor of the unlawful use of the sign by the advertiser?“

From our point of view there can be two key questions dealing with the liability of the internet search engines:

- Is using the trademark by the provider of the paid referencing service within the meaning of the mentioned Directive, not to say national acts (e.g. in the case of the Czech legal system in the use in commerce within the meaning of § 8, § 3 of Marks Act 2003. s.8 and s.3.) that implemented it?

- May the provider of the paid referencing service be regarded as providing an information society service within the mentioned EC Directive No 31/2000, not to say national acts that implemented it (in the case of the Czech law it is Certain Society Services Act 2004)?

The Court of Justice drew the conclusion, in the case of the first question, that the internet referencing service provider which stores, as a keyword, a sign identical to those for which trademark is registered does not use that sign within the meaning of mentioned Directives. The Court argued, referring to Article 9 (1) EC Regulation No 40/94, that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical (or similar) with the trademark. This is true under the condition that trademark is in relation to goods or services which are identical with those for which the trademark is registered, and affects, or is liable to affect, the functions of the trademark (Gielen, 2010). According to Gielen (2010) the use of a sign identical with a trademark constitutes use in the course of trade where it occurs in the context of commercial activity with a view to economic advantage and not as a private matter (for further details see the Court of Justice case no C-206/01 on Arsenal Football Club, s. I-10273, point 40). The Court argued that to the referencing service provider, it is common ground that it is carrying out a commercial activity “with a view to economic advantage when it stores as keywords of its clients, signs which are identical with

trademarks and arranges for the display of ads based on those keywords” (Gielen, 2010). However, for fulfilling the meaning of the Directive, the use, by a third party, of a sign which is identical with (or similar to), the proprietor’s trademark implies, at the very least, that that third party uses the sign in its own commercial communication. The referencing service provider allows his clients using identical (or similar) signs, which is not use of the sign itself. According to the Court (decision in Case C-237/08, point 57) “that conclusion is not called into question by the fact that that service provider is paid by its clients (advertisers) for the use of those signs. The fact of creating the technical conditions necessary for the use of a sign and being paid for that service does not mean that the party offering the service itself uses the sign. To the extent to which it has permitted its client to make such a use of the sign, its role must, as necessary, be examined from the angle of rules of law other than the mentioned EC Directive No 31/2000 (hereto see below).”

On the contrary, the Court found that the choice of the keyword, which is identical with trademark, made by the advertiser is using that sign within the meaning stated above. Gielen (2010) claims that 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. The fact that the sign used by the third party for advertising purposes does not appear in the ad cannot mean by itself that the use falls outside the concept of using signs selected as a keyword in relation to goods or services.

The using itself is not the only prerequisite that must be fulfilled to enable trademark proprietors to prohibit a using of the trademark by third parties. Article 5(1)(a) of ES Directive No 89/104 enables proprietors of the trademark to prohibit a third party from using sign selected as a keyword identical with those products or services for which that trademark is registered. Therefore the Court claims (Case C-236/8) that “the exercise of that right must therefore be reserved to cases in which a third party’s use of the sign affects or is liable to affect the functions of the trademark.” The Court then continues “those functions include not only the essential function of the trademark, which is to guarantee to consumers the origin of the goods or services (*‘the function of indicating origin’*), but also its other functions, in particular that of guaranteeing the quality of the goods or services in question and those of communication, investment or advertising”.

Relevant functions to be examined are the function of indicating origin and advertising. Regarding the advertising function, the Court found that use of a sign identical with another person’s trademark in the referencing service such as „AdWords“ service, is not liable according to Gielen (2010) to have an adverse effect on the advertising function of the trademark. It follows from those factors that, when internet users enter the name of a trademark as a search term, the home and advertising page of the proprietor of that mark will appear in the list of the natural results, usually in one of the highest positions on that list. That display is independent on what appears under the heading „sponsored links“ and therefore, it is not liable to affect the advertising function of the trademark. According to Boháček and Menčíl (2012) this conclusion of the Court is doubtful because the prerequisite to appearing in one of the highest positions in the list of natural results must be actually fulfilled.

Regarding the function of indicating origin, the question whether the advertising function is negatively affected when are shown to internet users, when using the keyword identical with a mark, a third party’s ad. According to Gielen (2010) 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 (average 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 trademark or an undertaking economically connected to it or, on the contrary, originate from a third party. Court (in Case C-238/08 claims that “if the use by the third party of the sign identical with the mark as a keyword triggering the display of that ad is liable to create the impression that there is a material link in the course of trade between the goods or services in question and the proprietor of the trademark”, it is adversely affecting the function of indicating origin.

It is necessary to summarize that a proprietor of the trademark is entitled to prohibit an advertiser to advertise his products or services which are identical to registered trademark, through a sign selected as a keyword identical with the trademark. All this on condition that ad does not enable an average internet user, or enables him only with difficulties to distinguish whether the goods which are referred to by the advertisements originate from a proprietor of the trademark or undertaking economically connected to it or originate from a third party. Such a consideration will depend on the particular national court, but it may again cause the different approaches to this case.

The Court found that the EC Directive No 31/2000 must be interpreted as meaning that the rule laid down therein 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. If it has not played such a role, that service provider cannot be held liable for the data which it has stored at the request of an advertiser, unless, having obtained knowledge of the unlawful nature of those data or of that advertiser’s activities, it failed to disable access to the data. The conclusions noted above are based on Section 4 of EC Directive No 31/2000 entitled „Liability of intermediary service providers“.

In connection with the decision, it can be stated that the Google AdWords service is an information society service and that the restrictions of liability in Article 14 of the Directive can be applied to it. Gielen (2010) claims that the concept of information society covers services which are provided at a distance, by means of electronic equipment for the processing and storage of data, at the individual request of a recipient of services, and normally in return for remuneration. With regard to the characteristics of the search engine, the Court came to the conclusion that the Google AdWords service includes all the features of the definition. A referencing service provider transmits information from the recipient of that service, namely the advertiser, over a communications network accessible to internet users and stores, that is to say, holds in memory on its server, certain data, such as the keywords selected by the advertiser, the advertising link and the accompanying commercial message, as well as the address of the advertiser’s site.

In order for the storage by a referencing service provider to come within the scope of Article 14 of EC Directive No. 31/2000, it is further necessary that the conduct of that service provider should be limited to that of an ‘intermediary service provider’ within the meaning intended by the legislature in the context of Section 4 of that directive. In that regard, it follows from recital 42 in the preamble to EC Directive No 31/2000 that “the exemptions from liability established in that directive cover only cases in which the activity of the information society service provider is of a mere technical, automatic and passive nature, which implies that that service provider has neither knowledge of nor control over the information which is transmitted or stored”. 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. It was pointed out by Gielen (2010) that the mere facts that the referencing service is subject to payment, that Google sets the payment terms or that it provides general information to its clients cannot have the effect of depriving Google of the exemptions from liability provided for in EC Directive No 31/2000 (notwithstanding see, e.g. the Court of First Instance in MySpace or Dailymotion in France, where the court ruled a violation of copyright and responsibility for publishing content of their users). Otherwise, it would be necessary to punish also internet service providers or webhosting services providers because their services are also paid and indirectly allow e.g. wide spreading of the copyrights they did not create by themselves.

The Article 15 in the Directive, entitled „No general obligation to monitor“, can also be applied to providers of this service: „Member States shall not impose a general obligation on providers, when providing the services covered by Articles 12, 13 and 14, to monitor the information which they transmit or store, nor a general obligation actively to seek facts or circumstances indicating illegal activity“.

## **2. Other decisions of the Court of Justice in similar cases**

### **2.1. The decision of the Court of Justice in BergSpechte vs. trekking.at Reisen**

BergSpechte Company is the proprietor of the Austrian figurative and word mark which is registered, inter alia, for company organising tours and sport and cultural activities, Specifically, Class 25, 39 and 41 of the Nice Agreement concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks of 1957. Similarly, the company trekking.at Reisen deals with the organization of travelling. When an internet user entered the word ‘Bergspechte’ as a search term in that search engine, a trekking.at Reisen advertisement appeared as a ‘sponsored link’ under the heading ‘Äthiopien mit dem Bike’ (‘Ethiopia by bike’). And it was similar to entering a phrase „Edi Koblmüller“ which forms part of the BergSpechte trademark.

In its decision issued a few days after the decision in Google vs. Louis Vuitton, the Court of Justice came to conclusions based on previous decisions. In particular, that the trademark proprietor is allowed to prohibit advertising, in case when the keyword is identical with or similar to that trademark which that advertiser has, without the consent of that proprietor, selected in connection with an internet referencing service, goods or services identical with those for which that mark is registered. There is always required so-called test of normally informed and reasonably attentive internet user, that is to say, whether that advertising 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 trademark or by an undertaking which is economically connected to it or, on the contrary, originate from a third party (Gielen, 2010). So, if the use of the trademark in this way is liable to affect one of the basic functions of the trademark, namely the function of indicating origin.



## 2.2. The decision of the Court of Justice in Portakabin vs. Primakabin

Portakabin Ltd manufactures and supplies mobile buildings and is the proprietor of the Benelux trademark PORTAKABIN. Primakabin sells and leases new and second-hand mobile buildings. Apart from manufacturing and marketing its own units, such as work shelters or temporary offices, Primakabin is also engaged in selling and leasing used units, including those manufactured by Portakabin. For the 'AdWords' referencing service, Primakabin chose the keywords 'portakabin' and its other derivatives. Originally, the heading of Primakabin's ad, which appeared once one of the aforementioned words had been entered into the search engine, was 'new and used units'. Subsequently, that heading was amended by Primakabin to 'used portakabins'.

It is settled case-law (e.g. CASE C-337/95, CASE C-63/97) that, when trade-marked goods have been placed on the market in the European Economic Area by the trademark proprietor, a reseller, besides being free to resell those goods, is also free to make use of the trademark in order to bring to the public's attention the further commercialisation of those goods. In our case ( CASE C-558/08) trademark, the Court came to conclusion that the "fact that the reseller, through its advertising based on a sign identical with, or similar to, the trademark, gives the impression that there is a commercial connection between the reseller and the trademark proprietor, and in particular that the reseller's business is affiliated to the proprietor's distribution network or that there is a special relationship between the two undertakings, also constitutes a legitimate reason."

The Court of Justice then leaves the consideration whether there is such legitimate reason in given case to the national courts. But it also mentions some clues for such a decision. Therefore, it cannot be held, merely on the basis of the fact that an advertiser uses another person's trademark with additional wording indicating that the relevant goods are being resold, such as 'used' or 'second-hand', that the ad creates according to the Court (CASE 558/08 paragraph 84) "the impression that the reseller and the trademark proprietor are economically linked or that the ad is seriously detrimental to the reputation of that mark". According to Gielen (2010) also a specialist reseller of second-hand goods under another person's trademark cannot be prohibited from using that mark to advertise to the public its resale activities which include, in addition to the sale of second-hand goods under that mark, the sale of other second-hand goods, unless the resale of those other goods, in the light of their volume, their presentation or their poor quality, risks seriously damaging the image which the proprietor has succeeded in creating for its mark.

## 2.3. The decision of the Court of Justice in L'Oréal vs. eBay

In this case, there was a dispute between L'Oréal Company and eBay Company. The issue was also the use of the AdWords service, except that the dispute between the seller of detrimental products and Google Inc joined actively another subject – eBay Company. eBay enables prospective buyers to bid for items offered by sellers. It also allows items to be sold without an auction, and thus for a fixed price, by means of a system known as 'Buy It Now'. Sellers can also set up online shops on eBay sites. An online shop lists all the items offered for sale by one seller at a given time. It also advertises some of the products sold on its marketplace using search engine operators such as Google to trigger the display of advertisements.

eBay Company has a special position because it acts both as a provider of information society services and as a customer of the Google AdWords service, but it does not stand as a direct user of the trademark.

eBay, by selecting in the Google search engine keywords corresponding to L'Oréal trademarks, caused to appear, as soon as internet users performed a search including those words with that search engine, a sponsored link to the website [www.ebay.co.uk](http://www.ebay.co.uk), accompanied by a marketing message about the opportunity to buy, via that site, goods bearing the trademark searched for. In such a situation, the operator of the online marketplace is an advertiser.

Unlike advertising their own services of online marketplace, eBay used keywords corresponding to L'Oréal trademarks to promote its customer-sellers' offers for sale of goods bearing those marks, that use related to goods and services identical with those for which trademarks are registered. In that regard, the words 'in relation to goods or services' do not relate solely to the goods or services of a third party which is using signs corresponding to the trademarks but may also refer to the goods or services of third parties.

In regard to the fulfillment of the other condition necessary for the exercising of the right of the trademark proprietor to prohibit other people from using it, that is to say that using a keyword identical to his trademark is able to affect the functions of the trademark, the criterion of an average user should be applied (see decision above). From eBay' liability point of view, the Court of Justice came to the same conclusions as in the case of the decision above in Google Inc vs. Louis Vuitton. The Article 14 (1) of the EC Directive No 31/2000 (exemptions from liability) shall apply to operators of online marketplace only if that the operator does not play an active role of such a kind as to give it knowledge of, or control over, those data. In our case eBay vs. L'Oréal it plays such role. This is seen in assisting sellers in order to enhance their offers for sale and to promote (e.g. in entering the keywords in the AdWords service).

#### **2.4. The decision of the Court of Justice in Interflora vs. Marks & Spencer**

Interflora Inc. operates a worldwide flower-delivery network. The network of Interflora Inc. and Interflora British Unit (together 'Interflora') is made up of florists with whom customers may place orders in person or by telephone. Interflora also has websites that enable orders to be placed via the internet, those orders then being fulfilled by the network member closest to the place where the flowers are to be delivered. Marks & Spencer is one of the main retailers in the United Kingdom. One of those services is the sale and delivery of flowers. It is common ground between the parties that M & S is not part of the Interflora network. Using the 'AdWords' referencing service, M & S selected keywords 'Interflora', as well as variants made up of that word.

The Court reiterated the conclusions of previous decisions, especially of Google vs. Louis Vuitton and in our view added an interesting conclusion as to the condition of affection of trademark functions. We have already mentioned the criteria for intervention in the function of indicating origin, we have also said that within the search engine optimization services, there is no interference in the advertising function. The Court expressed itself to the intervention into one of other functions of the trademark, to the investment function. There is an intervention to the investment function, if the use of the trademark substantially

prevents the proprietor from using his trademark to acquire or maintain the reputation which allows attracting consumers and retaining their loyalty.

### **3. Implications of decisions regarding Google vs. Louis Vuitton on the decisions of the national courts in the case of Google AdWords**

The decision about Google vs Louis Vuitton should influence the decisions of the national courts of the Member States of the European Union and unite the often contradictory approaches outlined earlier. To illustrate this, let us mention here a few examples of decisions in this matter (Drawn from reports of the German Federal Court of Justice BGH, No. 17/2009.). Factual basis for these disputes is the use of Google AdWords by advertisers who have chosen keywords as signs corresponding to trademarks, if you like names of companies without the consent of the competent bodies.

That's what happened in the case directly of "bananabay" (I ZR 125/07). The plaintiff, the owner of the trademark "bananabay" in this case demanded that the defendant, his competitor in the market, ought to stop using signs corresponding to that mark as a keyword for the Google AdWords optimized search engine. The Federal Court of Justice (hereinafter referred to as "BGH") is also in this case referred to the Court with a request for a preliminary ruling. It was necessary to determine whether in these cases the third party uses the sign as a trademark and whether the use may result in an infringement of intellectual property rights arising. Given that the Court in this case (C-97/09) ruled only a few days after the above mentioned decision in the matter of Vuitton, the conclusions of the decision were based on this. The owner is entitled to prohibit an advertiser to use in advertising keywords identical with or similar to a trademark without the consent of the owner of the goods and services which are identical with those for which the trademark has been registered. However, this applies only if the advertisement does not enable an average internet user to distinguish the goods or services listed in the advertisement originate from the trademark proprietor, eventually economically linked subject to the owner or contrary from a third party.

Let's mention also the case of "Beta Layout" (I ZR 30/07). This case differs from the previous one by a protected designation, used as a keyword, not a trademark, but the company name. It is therefore not possible to apply to this case harmonized legislation marks but national German legislation. The Court of Appeal in this case concluded that the defendant - the advertiser does not violate the law to protect the name of the company, because there is no confusion between the plaintiff and defendant, as users of search engines can distinguish between advertising (sponsored link) and natural search results. The BGH confirmed this decision with the Court of Appeal that the sponsored links are visually separated from the natural search results. Because there is not harmonized legislation in this matter, there was not filed request to the Court. It leads to the conclusion that the protection of company names and marks in factually similar cases may lead to different decisions. Such a situation is certainly not a desirable state, which is to be achieved by legal regulations. In light of the Court's decision, which affects the trademarks, but the argument does not hold water visual distinction between sponsored and natural search results.

Different approaches to decision making can be observed in matters of the trade intermediaries type of electronic auction house eBay, which is not related to the Court's decision in the case "Vuitton", however, can give an interpretative guide to the intervention

of the functions of the mark. The use of sponsored links was the matter of dispute in France between Louis Vuitton SA Company and eBay Inc., which the latter one lost. eBay paid for the AdWords service to offer users links to its auction site that sells previously mentioned goods of Louis Vuitton SA Company. The Court considered such conduct of eBay as free-riding on the reputation of Louis Vuitton and its trademarks and therefore imposed eBay to pay damages in amount of 200,000 euros and for each additional violation of the rights of the trademarks and other intangible assets 1,000 euros. That decision is exactly the opposite of the Belgian court decision in a similar case. Belgian appeals court last year ruled factually a similar case between Polo / Lauren Corporation and eBay, Inc. concerning the trademark of "Rach Lauren" and came to the opposite decision than the French court. But I have to wait for the opinion of the Court on the business intermediaries' type of eBay. In 2008, the Dutch Supreme Court asked for a preliminary ruling (C-558/08) in this case. So far, however, the decision has been rendered.

#### **4. Implications of decisions regarding Google vs. Louis Vuitton on the decisions in the area of copyright protection**

The conclusions drawn from the Court's decision in the case "Vuitton" serve wider applicability than just issues related to infringement to the function of trademarks in connection with Google AdWords. The visual field also reaches issues related to copyright protection. Shortly after the publication of that decision, the Court rendered the BGH's decision, which refers to the decision of the Court, and deals with the protection of the copyrights associated with the images that appear as Google search engine results.

In this decision (I ZR 69/08 Vorschaubilder, from 29. 4. 2010) the BGH ruled that Google does not infringe copyright protection in situations when there are previews of images that are the result of the search. It should be noted that in the previous two cases registered under File No. 308 and 308 O42/06 O248/07, addressed to the court in Hamburg, Google disputes to view thumbnails of copyrighted works lost. It was a trial with photographer Michael Bernhard and cartoonist Thomas Horn. The court in these cases indicated that the use of photographs in the previews is not by nature a new part, therefore, must be based on the consent of the author.

The Google search engine makes it possible by entering keywords to display Internet users the thumbnails placed on various websites. Images that are displayed as search results, are reduced to the original scale as the previews. Previews also include a hyperlink that allows the user to access the website where the original image is located. In order to speed up the search process, the Google search engine periodically scans the Internet and stores these images on their servers. This procedure allows to display the search results almost immediately after you enter keywords into a search engine.

In this case, the artist - a painter sued Google because after entering keywords containing her name it displayed thumbnails of her paintings that she placed on her website. The court ruled that Google did not infringe copyright because the artist could, by simple technical means prevent Google from indexing her sites and thus prevent unwanted display in the search results, but she did not do so. From the copyright protection point of view, the argumentation is strange because the use of the work generally requires the consent of the author. In this case, however, the author herself was expected to prevent indexing of her

own site. Therefore, it implies that the author's consent is contained in the very publication of copyright works on the Internet.

Programs of various companies (this program used by Google, Inc. is known as „Googlebot“) scan the websites and create temporary copies of their content in order to streamline the search process and the achievement of its results. However, the authors can, through simple commands in the programming code web sites, prevent the indexing or disable directly only indexing of images.

In the mentioned decision, the court also spoke to the situation where the images were posted on the Internet by a third party without the prior consent of the author. The court said that in these cases, Google was responsible for search results only if it has been informed of such copyright infringement and did not remedy it. Even in this case, therefore, the above mentioned principles of liability of information society services apply, which result from the EC Directive No 31/2000.

### **5. The decisions in similar cases at USA courts**

These conclusions of the BGH regarding Vorschaubilder also correspond to attitudes of American courts. One of the most famous disputes in the previews is a dispute between Perfect 10, Inc. and Amazon.com, Inc. and Google Inc companies (decision no 508 F.3d 1146, 9th Cir. 2007). Perfect 10, Inc. sued Google for alleged copyright infringement by displaying thumbnails of photos published on the website of the plaintiff. While the Court of First Instance vindicated Perfect 10, Inc. the appellate court ruled in favor of Google. The Court of Appeal described the copying and previewing of photos as "fair use." In short, the use of the principle of "fair use" allows limited use of copyrighted works without the necessary permission. An example of such use may be a comment to a literary work and his criticism, used for teaching purposes, etc.

To consider it as the use of copyright works under the principle of "fair use", an American court had to use in the case of thumbnail images customized by the Google search engine four factors to support the conclusion of such uses:

- the purpose and character of the use of a work (including an assessment of whether the use is of a commercial or non-profit use for educational purposes),
- the nature of the copyrighted work,
- the amount and substantiality of the portion taken, and
- the effect of the use upon the potential market.

The conclusion of the court in case of Perfect 10 vs. Google relied mainly on that the thumbnail images of the original work are substantially transformed, and serves as an electronic reference tool for public in searching. Their purpose of use is completely different from the original. This situation is likened to a court decision regarding the American court's decision of parodies, whose work generally comes in the principle of "fair use." In addition, preview images differs from the perspective of the application of this principle by the fact that the search engines provide a completely new way to use the Work (search), while a parody is typically used for entertainment purposes, the same as the

original work. The conclusions of the trial were relied on mainly search engines and social benefits of an entirely different use of the work relative to the original.

U.S. courts in 2010 also dealt with the YouTube service of Google. Through this service you can place video recordings on the internet. This service, however, can be exploited to disseminate copyrighted works, which was the reason that led Viacom Company (owner of MTV, Paramount Pictures, etc.) to sue Google, demanding a billion dollars for that YouTube spread tens of thousands of video recordings protected by copyright. However, the Court concluded that Google cannot be held responsible for the content hosted by third parties through the services, unless the specific violation in a particular case is not reported. The copyright infringement of the YouTube service provider is insufficient because of only general awareness of such options. Decision also states that Google does not actively seek out illegal content. This conclusion is based on § 512 (c), (m) and (n) of the Digital Millennium Act (DMCA), which contains a limitation of liability of providers of online services. Viacom Company appealed against the decision. The result of the appeal proceedings is not yet known.

Regarding disputes of the factual basis in the use of Google AdWords, also in the U.S., Google, Inc. was sued several times. One example is the dispute with Rescuecom Corporation (case Rescuecom Corporation v. Google, Inc., 2d 06-4881-cv, 3. 4. 2009). In this case it was the trademark of "Rescuecom" which was used as the key word in the above Google AdWords. The court in this case dismissed the action because of the fact that there is no violation of these rights, because Google has that mark in commerce use. We can say that the European Court of Justice has the same conclusion and justification as an appeal court in that decision.

Another problem - electronic auction can be demonstrated in terms of solving a dispute between Tiffany (NJ) Inc. and eBay, Inc. The Court of Appeal upheld the dismissive decision of the trial court in proceedings concerning infringement of trademark rights by selling counterfeit goods via electronic auction house eBay. Sellers, through eBay online auctions, offered silver jewelry under the brand name of "Tiffany", substantial part of which (more than three quarters), were fakes. The key question in this case from our point of view is whether eBay is liable for complicity in the violation of intellectual property rights (e.g. by facilitating the sale of counterfeit). Tiffany Company particularly drew attention to the fact that eBay knew or had reason to believe that vendors violate the trademark of Tiffany merchandise. Although the court acknowledged that eBay had a "general awareness" of violations of intellectual property rights, it said such awareness is insufficient to order eBay to remedy the situation. As to be liability on eBay, it must therefore be shown that in the particular case of trademark infringement, eBay was informed and did not respond to this notice.

A similar case was solved earlier in Germany between Montres Rolex SA and Ebay Inc.. As in the case of Tiffany, there was a sale of counterfeits of original products of known companies. Also in this case it was decided that eBay is not liable for violations of the rights of the trademark. However, the court imposed in this case, eBay has an obligation to prevent further violations of these rights if it was informed about this and it should prevent the same situation from occurring again. Therefore, the Court imposed a duty to monitor the virtual marketplace after the operator was informed of the violations and prevent the future sale of imitations of the product. Due to the technical complexity of the problem and

the above-mentioned principle of the EC Directive No 31/2000, the decision leads to more questions rather than answers.

### Conclusions

Designation selected by advertisers for a keyword within the service search engine optimization is a tool that is used to run the advertiser's display advertising, so use "in commerce" within the meaning of the EC Directive 89/104 on trademarks. The use of the products or services of an advertiser, moreover, is even when a sign which was chosen as a keyword appears in the advertisement itself.

However, the trademark proprietor cannot oppose the use of the sign which is identical or similar to his trademark, unless all of the conditions set out in Article 5 of EC Directive No 89/104 and the case law of the European Court of Justice on this article are fulfilled. According to Gielen (2010) where a third party uses a sign which is identical with the trademark in relation to goods or services identical with those for which the mark is registered, the trademark proprietor is allowed to prohibit such use if it is liable to affect one of the functions of the mark (particularly the function of indicating origin). In another situation referred to in Article 5, paragraph 1, point. b) of this directive, where a third party uses a sign identical or similar, the trademark proprietor may prevent the use of that sign if there is a possibility of confusion. These questions need to be viewed from the perspective of the "average internet user". But, who is it? Unfortunately the European Court of Justice hasn't specified what this term exactly means. What can lead us is the definition of an "average consumer" as "reasonably well informed and reasonably observant and circumspect, taking into account social cultural and linguistic factors". But, we should specify him more precisely. Is he more informed, observant, circumspect than an average consumer in general? According to the author's opinion, the internet is very specific space and more and more people are connected to the global market. Maybe two decades ago the internet was just matter of experts but the technology of internet access is so easy now that all generations of people can use it. According to the author's opinion it is necessary to specify the "average internet user" as a visitor of the internet whose observance is limited by special attributes of the internet. It is especially true in cases when commercial connection between the trademark proprietor and third person using keyword ads without permission is created.

The internet as an information channel decreases the "costs of searching" in the terminology of the economics of information. In Stigler's model, the price for information is created by cost of search. For consumers the cost of search may be taken as approximately proportional number of sellers approached, for the chief cost in time. Stigler (1961) points out limitations of advertising caused by expenses of ads, especially in cases of goods which have a few potential buyers. In case of using web services such as AdWords the costs of "one click" are low in comparison with the benefits which can be made. The influence on customers can be crucial because natural results and sponsored links will appear at the first places of searching page. The question (mentioned above) is whether the "average internet user" is able to distinguish them. The connection between the economics of information and keywords advertisement can be objective of further research.

Regarding the liability of the Internet search engine itself, as we have seen above, the decisions of the courts in matters of Internet search engines in the European Union vary

from state to state. For example, whereas the German courts tend to currently access the responsibility for the outcome of the search engines more freely, the French courts are often more stringent. Differently, we can say there is much more liberal access of U.S. courts to this issue. The analyzed decisions of the Court in the case of Louis Vuitton Malletier SA vs. Google, Inc. suggest further European development as well as a series of related decisions that lead to similar (liberal) conclusions of the courts of U.S.

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