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Buying Your Competitors'
Trademarks
- A Comparative Look at Treatment of
Keyword Advertising under EU and U.S.
Trademark Law

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Sammanfattning

Internet innebär nya utmaningar för den juridiska världen. En av dessa, som på senare tid har uppmärksammats och genererat många domslut, är försäljningen av någon annans varumärke som sökord i olika sökmotorers annonseringstjänster på internet. Sökmotorerna har stora intäkter på sina annonseringsprogram, och det största annonseringsprogrammet på marknaden idag är Google AdWords.

Då en internetanvändare söker efter en vara eller en tjänst via Googles söktjänst visas både de resultat som bäst korresponderar med de sökord internetanvändaren har skrivit in i Google samt "sponsrade länkar". För att placeras under sektionen "sponsrade länkar", kan annonsörer köpa sökord som säkerställer att deras annons visas som en sponsrad länk då en internetanvändare gör en sökning på Googles sökmotor baserad på de köpta sökorden. Det kontroversiella med annonseringstjänsterna är att annonsörer tillåts köpa andras varumärke som sökord. Varumärkesinnehavare har därför tagit saken till domstol, där de stämt både innehavaren av annonseringstjänsten, vilket i de flesta fall är Google, samt de annonsörer som använt sig av annans skyddade varumärke som sökord.

Inom den Europeiska Unionen regleras varumärkesrätten av Varumärkesdirektivet och Förordningen av gemenskapsvarumärken. Artikel 5 i Varumärkesdirektivet och Artikel 9 i Förordningen av gemenskapsvarumärken beskriver de situationer då en varumärkesinnehavare har rätt att stoppa tredje mans användning av varumärkesinnehavarens varumärke. Många medlemsstaters nationella domstolar har under år kämpat med hur Varumärkesdirektivet och Förordningen av gemenskapsvarumärken ska tolkas i frågan angående tredje mans användning av annans varumärke som sökord i ett annonseringsprogram på internet. Domstolarna har kommit till olika slutsatser vid tolkningen och har därför begärt förhandsavgörande av EU-domstolen, som under 2010 avkunnat tre domar i frågan. Dessa tre domar markerar början av en uppbyggnad av rättspraxis inom varumärkesrätten gällande internet, och fler domar väntas avkunnas av domstolen inom kort.

I USA regleras varumärkesrätten av Lanham Act. Section 32 beskriver de situationer när personer som utan tillåtelse använder ett federalt registrerat varumärke ska anses skyldiga till varumärkesintrång. Section 43 av Lanham Act ger common law varumärken ett liknande skydd. För att varumärkesintrång ska föreligga krävs, enligt amerikansk rättspraxis, att varumärket är giltigt, att den tilltalade har använt varumärket "in commerce" utan tillstånd från dess innehavare samt att det otillåtna användandet "is likely to cause confusion". I sökordsbaserad annonseringsmålen har "use in commerce" och "li-

kelihood of confusion” varit de rekvisit de amerikanska domstolar-
nas domslut centrerat kring.

Summary

The Internet poses new challenges to the legal world. One of those challenges is the sale of someone else's trademark as a keyword in different referencing service programs on the Internet. This issue has, in the recent years become an important topic and a much-litigated issue. The referencing service providers earn big profits on their referencing service programs and the biggest provider for a referencing service on the market today is Google and its AdWords program.

When an Internet user searches for a product or a service on the Google search engine, the results that best correspond to the keywords the Internet user has typed into Google, and the "sponsored links" are both shown to the user. To have one's website shown under the "sponsored links" section, an advertiser can buy keywords to trigger the display of their advertisement when an Internet user does a search on the Google search engine based on the purchased keywords. The controversy of keyword-triggered advertisements arises when the referencing service allows advertisers to select protected trademarks as keywords and as a result trigger the display of advertisements that link to third-party websites not associated with the trademark owners.

Within the European Union, the Trademark Directive and the Community Trademark Regulation govern the European Union trademark law. Article 5 of the Trademark Directive and Article 9 of the Community Trademark Regulation sets out circumstances where a trademark owner has the right to prohibit a third party's use of the trademark owner's trademark. Many Member States' national courts have struggled with the question of whether or not an unauthorized use of someone else's trademark as a keyword in an advertisement on the Internet constitutes trademark infringement. Given that the Member States' courts have reached different conclusions on the issue, national courts have referred questions to the Court of Justice of the European Union for the Court to interpret the Trademark Directive and the Community Trademark Regulation. The Court of Justice of the European Union began to rule on the issue in 2010, when it reached decisions in three different cases it was faced with. These three judgements mark the formulation of the Community case law regarding keyword-triggered advertising within the EU, and the Court is expected to hand out more verdicts in the near future.

In the United States, the Lanham Act governs trademark law. Section 32 of the Act provides the basis for infringement of a federally registered trademark, while section 43 of the Act provides the basis for common law trademarks. For trademark infringement to be

found, the trademark has to be valid, the accused infringer must have used the trademark in commerce without the permission from the trademark owner and the unauthorized use has to be likely to cause confusion concerning the source or origin of the goods or service. The U.S. case law on keyword-triggered advertising has mostly focused on the requirements “use in commerce” and “likelihood of confusion”.

Preface

Thank you,

David Frydinger, senior associate at Advokatfirman Lindahl KB in Stockholm, for introducing me to this interesting and new area of the law.

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Abbreviations

CJEU ¹	Court of Justice of the European Union
CTM Regulation ²	The Council Regulation 40/94 / The Council Regulation 207/2009 (codified version)
EU	European Union
EEA	European Economic Area
Trademark Directive ³	The Council Directive 89/107/EEC / The Council Directive 2008/95/EEC (codified version)
U.S.	United States

¹ With the entry into force of the Treaty of Lisbon, the European Court of Justice changed its name to the Court of Justice of the European Union. Reference to the CJEU will therefore be given and not to the prior name of the court.

² Will be referred to as the CTM Regulation and not the repealed or the codified version.

³ Will be referred to as the Trademark Directive and not the repealed or codified version.

1 Introduction

1.1 Background

*“The act of typing a keyword into an internet search engine has become part of our culture, its results immediately familiar. The actual inner workings of how those results are provided are, it is fair to say, mostly unknown to the general public. It is simply assumed that if you ask, it shall be given to you; seek, and you shall find.”*⁴ These words delivered by the Advocate General Poiares Maduro capture the essence of an Internet search.

Imagine being in front of the computer. You are looking for a pair of new running shoes and therefore search for Adidas on a search engine on the Internet. You get around 263 000 000 search results on the computer screen and along the top and the side of your search result a number of websites are highlighted. Without noticing that those websites are in a section called “sponsored links”, you click on a link that directs you to the webpage of Nike.

This described scenario is subject to a new area of trademark law, where the Internet poses new challenges to the legal world. Internet search engines earn big profits by selling advertisements to appear next to search results, while it causes problems to trademark owners when their trademarks are auctioned by the search engine to competitors as keywords to trigger the display of advertisement of the competitor when an Internet user searches for the trademark owner’s website. In the recent years, the issue of using trademarks as keywords in referencing services has become a much-litigated issue, both in the European Union (hereinafter EU) and in the United States (hereinafter U.S.)

1.2 Purpose

This thesis examines the trademark legislation regarding keyword-triggered advertisement both within the European Union and within the United States.

The legal position regarding keyword-triggered advertising within the EU and the U.S. will be explained by examining, first, whether it is trademark infringement to use someone else’s trademark as a keyword in a referencing service according to the legal rules and case law in both jurisdictions and, second, which conditions have to

⁴ Joined cases C-236/08-C-238/08, Opinion of Mr. Advocate General Poiares Maduro, Sept 22, 2009, at 1.

be satisfied in order to establish trademark infringement in keyword-triggered advertisement cases. Further, the newly established legal situation within the EU will be discussed based on the Court of Justice of the European Union's (hereinafter CJEU) recently handed out cases and based on the opinions by legal writers. Finally, the differences and similarities between the legal situation on keyword-triggered advertisement in the EU and the U.S. will be analyzed.

1.3 Delimitations

When examining these questions, the focus has been on EU legislation and case law. The topic of trademark infringement in a keyword-triggered advertisement situation is relatively new within the EU, and the CJEU recently started developing the Community case law regarding the issue. In the European Union part of this thesis, the recently decided case law will be examined and analyzed based on the judgements of the CJEU and based on the comments by legal writers.

In the U.S. part of this thesis, the legal situation and relevant case law will only briefly be examined. However, the U.S. part of the analysis will be sufficiently described to provide a foundation for the final comparison between the two jurisdictions. Given that the emphasis of this thesis is the EU legislation, only the legal rules of U.S. trademark law and relevant case law will be examined.

Only cases where a decision had been reached, at the time of the writing of this thesis, will be examined. Cases that are currently before the court in the EU⁵ will therefore not be considered in this thesis.

Chapter 2 of this thesis will provide an explanation on how advertisement services on the Internet works. Nearly every search engine on the Internet has a paid referencing service that offers online advertising to its clients. For example, Google has the AdWords, Yahoo! has the Yahoo! search marketing program and Bing has the Microsoft adCenter. Google is the biggest search engine on the Internet today, and its AdWords program is the referencing service that has attracted the most lawsuits both in the EU and in the U.S. Therefore, this thesis will utilize Google AdWords to illustrate the operation of a keyword-triggered advertisement. Keep in mind that what is said about Google AdWords in this thesis applies to all Internet referencing services on the Internet.

The exceptions to a trademark owner's exclusive right to its trademark will only be described in relevant parts. The CJEU has dealt

⁵ C-91/09, C-323/09, C-324/09.

with the issue in a recently given case regarding keyword-triggered advertisement, but U.S. courts do not seem to have used the exception in a case on keyword-triggered advertisement. Therefore, a deeper analysis of the exceptions to the trademark owner's exclusive right will not be made.

1.4 Method and material

In this thesis, the aim is to provide a legal analysis by applying a legal dogmatic method combining a descriptive and analytical study of the EU and the U.S. legislation, case law and doctrine on the issue of keyword-triggered advertising. Research regarding keyword-triggered advertisement and trademark infringement has been made in order to examine the above-mentioned aspects and questions. The sources of law have primarily consisted of the legal instrument such as legal rules and case law, both originating from the CJEU and the U.S. federal courts. Because keyword-triggered advertisement is a relatively new area within the EU, only law review articles have addressed the issue. These articles have been examined in order to establish what legal writers within the EU think about the legal situation regarding keyword-triggered advertising. To establish the legal situation in the U.S., law review articles that explain the legal situation have been examined. They have provided an outline of the legal situation within the country.

In addition, a comparative method has been used in order to analyze the legal differences on the issue in the two jurisdictions as well as *de lege ferenda* inputs on how to improve the trademark legislation to ensure that the trademark owner enjoys the same protection on the Internet no matter where the infringement occurs.

1.5 Disposition

This thesis is divided into six chapters. Chapter 2 illustrates keyword-triggered advertisements based on Google and its AdWords service. Chapter 3 explains the legal rules and recently established case law regarding trademark infringement based on keyword-triggered advertisements within the EU, which also will be analyzed based on the comments of legal writers. Chapter 4 explains the legal situation in the U.S. regarding keyword based trademark infringement. The legal situation regarding keyword-triggered advertising in the EU is compared to the legal situation in the U.S. in chapter 5. Finally, chapter 6 presents the conclusions.

2 Keyword-triggered advertising

2.1 Google AdWords: how it works

Google runs a search engine on the Internet. When an Internet user performs a search by typing words into the Google search engine, the search engine will display links to websites that best correspond to the Internet user's typed words. This display of results is called "natural" result of a search. Google also offers a paid referencing service called "Google AdWords".⁶ In the AdWords program, advertisers can purchase words as keywords. When an Internet user perform a search on Google, using those keywords, the advertisements for companies that have purchased those specific keywords are triggered and displayed under the heading "sponsored links". The "sponsored links" are displayed alongside the "natural" search results.⁷ Each advertising link is followed by a short commercial message. Together, the link and message constitute the advertisement that is displayed on Google.⁸

To get an advertisement placed as high on the list as possible, under the "sponsored links" result, a high "quality score" is needed. This quality score is defined and calculated by Google based on the price the advertiser pays per click, how many clicks the advertiser's link has gotten in the past and how relevant the selected keywords are to the advertising text. Many advertisers can purchase the same keyword/keywords to trigger to their advertisements and based on the fact that all advertisements cannot be displayed at the same time, the company that pays the most per click for their advertisement will end up having a better chance at being placed at the top of the "sponsored links" list.⁹ If the trademark owner wants to be certain that their advertisement is placed at the top of the "sponsored links" result list, they have to be willing to pay a higher price for the keyword than their competitors.¹⁰

⁶ Joined cases C-236/08-C-238/08, at 22-23.

⁷ Blakeney, 2010, p. 152.

⁸ Joined cases C-236/08-C-238/08, at 24.

⁹ Riis, 2010, p. 247.

¹⁰ Riis, 2010, p. 254.

2.2 The use of trademarks in keyword advertising

The controversy of keyword-triggered advertisements arises when the referencing service allows advertisers to purchase protected trademarks as keywords and when the search result triggers the display of advertisements that link to third party's websites, not associated with the trademark owners.¹¹ For example, Nike could buy the trademark for Adidas as a keyword, and when an Internet user conducts a search for Adidas, Nike advertisements would appear.¹²

Google AdWords actively recommends certain keywords to advertisers through the Keyword Suggestion Tool. The suggested keywords include trademarks of competitors and are recommended to the advertiser in order to allow advertisers to gain more exposure in advertisement and therefore generate more revenue for their products.¹³

2.3 The legal issue

A concern among trademark owners is that their trademarks are inappropriately exploited and compromised by their competitors and by counterfeits.¹⁴ Trademark owners have therefore filed actions in national courts in the EU and in the U.S against the referencing service providers, which in most cases is Google, and against the competitors who purchased the keywords.

¹¹ Blakeney, 2010, p. 152.

¹² Friedman, 2010, p. 355.

¹³ Friedman, 2010, p. 366-367.

¹⁴ Smith, 2010, p. 235.

3 Trademark legislation in the EU

3.1 Introduction

The EU prescribes two sets of laws that protect trademark owners' rights in the EU. The first set of law is the Trademark Directive. The Council Directive 89/104/EEC, to approximate the laws of the Member States Relating to Trade Marks, was introduced into EU law on December 21st 1988. The Council found it necessary to approximate the trademark laws of Member States since the Member States laws, at that time, contained substantial disparities that could potentially impede the free movement of goods, the freedom to provide services within the EU, and distort competition within the common market.¹⁵ Furthermore, the Council Directive 2008/95/EC, to approximate the laws of the Member States relating to trade marks (codified version), was adopted on October 22nd 2008. This codified version was created to clarify the content of the repealed Council Directive 89/104/EEC.¹⁶ The Council Directive 2008/95/EC does not contain any new substantive provisions and has only amended the provisions found in the repealed Directive 89/104/EEC.¹⁷ All case law based on Council Directive 89/104/EEC applies under the Directive 2008/95/EC.

The second set of law is the Community Trademark Regulation (hereinafter CTM Regulation), which governs community trademarks. The Council Regulation 40/94 on the Community trade mark was introduced into EU law on December 20th 1993.¹⁸ On February 26th 2009, the Council Regulation 207/2009 (codified version) was adopted to clarify the content of the repealed Council Regulation 40/94.¹⁹ The codified version has only amended the repealed version and reference to the repealed Regulation shall be construed as reference to the codified version.²⁰

The CJEU faces the issue with interpreting the Trademark Directive and the CTM Regulation and the question on whether trademark infringement can be found in keyword-triggered advertisement cases. Furthermore, the Court faces the issue on who should be held liable for the infringement and whether certain defences, available to

¹⁵ Directive 89/104/EEC, preamble 1.

¹⁶ Directive 2008/95/EC, preamble 1.

¹⁷ Directive 2008/95/EC, Article 17.

¹⁸ Regulation 40/94.

¹⁹ Regulation 207/2009, preamble 1.

²⁰ Regulation 207/2009, Article 166.

both the referencing service providers and the alleged infringing advertisers, could be available.

3.2 Trademark infringement

3.2.1 Legal rules

Article 5(1)(a) of the Trademark Directive and the corresponding Article 9(1)(a) of the CTM Regulation provide that

“[t]he proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade: (a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered. [...]”²¹

In order for trademark infringement to be found under Article 5(1)(a) of the Trademark Directive and Article 9(1)(a) of the CTM Regulation, a “use in the course of trade” has to be established. That use has to be “in relation to goods or services which are identical with those for which the trademark is registered”. A third requirement established by CJEU case law states that the third party’s use of someone else’s trademark must affect the functions of the trademark.²²

Article 5(1)(b) of the Trademark Directive and the equivalent provision in Article 9(1)(b) of the CTM Regulation stipulate that a trademark owner

“[...] shall be entitled to prevent all third parties not having his consent from using in the course of trade: [...] (b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark.”²³

For trademark infringement to be found under these provisions a “use in the course of trade” has to be established as well as a “likelihood of confusion”.

Both Articles 6 and 7 of the Trademark Directive provides for circumstances where the trademark owner not is entitled to prohibit a third party from using the protected trademark because the third party’s use of the trademark is not infringing on the trademark owner’s exclusive rights to the trademark. Article 6 states

²¹ Trademark Directive, Article 5(1)(a), CTM Regulation, Article 9(1)(a).

²² E.g. C-206/01 Arsenal Football Club, at 54, and C-487/07 L’Oréal and Others, at 58, 60

²³ Trademark Directive, Article 5(1)(b), CTM Regulation, Article 9(1)(b).

“1. The trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade: (a) his own name or address; (b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of goods or services; (c) the trade mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts; provided he uses them in accordance with honest practices in industrial or commercial matters. 2. The trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade, an earlier right which only applies in a particular locality if that right is recognised by the laws of the Member State in question and within the limits of the territory in which it is recognised.”²⁴

Article 7 states

“1. The trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trade mark by the proprietor or with his consent. 2. Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.”²⁵

Also present in keyword-triggered advertising cases in the EU is the E-Commerce Directive²⁶. The Directive does not contain a trademark provision; it rather sets out a liability exemption for certain activities of information service providers. The E-Commerce Directive is therefore relevant to search engines that provide keyword-triggered advertisement to advertisers within the EU.²⁷ Article 14 of the E-Commerce Directive states the following

“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

²⁴ Trademark Directive, Article 6(1).

²⁵ Trademark Directive, Article 7.

²⁶ Directive 2000/31/EC.

²⁷ Smith, 2010, p. 236.

(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.

3. This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement, nor does it affect the possibility for Member States of establishing procedures governing the removal or disabling of access to information.”²⁸

This legislative framework provides a background of how keyword issues are handled both with respect to trademarks registered under national laws of a Member State as well as community trademarks.

3.2.2 Case law

3.2.2.1 Introduction

National courts in the EU have struggled with the question of whether or not an unauthorized use of someone else's trademark as a keyword in an advertisement on the Internet constitutes trademark infringement according to the Trademark Directive and the CTM Regulation. The Member States' courts have reached different conclusions on the issue.²⁹ For example, French³⁰ courts have found an unauthorized use of online keywords to constitute trademark infringement, while UK³¹ and German³² courts have come to the opposite conclusion. This inconsistency of rulings from the Member States' courts has led to referrals to the CJEU from national courts for the Court to give preliminary rulings and interpret the Trademark Directive and the CTM Regulation.³³ The CJEU is currently deciding on the legal issue on whether it is trademark infringement to use someone else's trademark as a keyword in advertisements on the Internet or not. The decisions by the CJEU will hopefully clarify the

²⁸ E-Commerce Directive, Article 14.

²⁹ Cornthwaite, 2010, p. 352-253.

³⁰ E.g. *Pierre Alexis T. v. Google Fr.*, Tribunal de grande instance [TGI] [ordinary court of original jurisdiction] Nanterre, Dec. 14, 2004, *La Société Agence des Medias Numériques v. Espace 2001*, Tribunal de grande instance [TGI] [ordinary court of original jurisdiction] Paris, 3e ch., June 24, 2005, *Kertel v. Google Fr.*, Tribunal de grande instance [TGI] [ordinary court of original jurisdiction] Paris, 3e ch., Dec. 8, 2005, *Pierre Alexis T. v. Google Fr.*, Cour d'Appel [CA] [regional court of appeal] Versailles, 12e ch., Mar. 23, 2006.

³¹ E.g. *Reed Executive PLC v. Reed Bus. Info. Ltd.*, [2004] EWCA (Civ) 159, [5], [138] (Eng.), *Wilson v. Yahoo! U.K. Ltd.*, [2008] EWHC (Ch) 361, [4]-[5] (Eng.).

³² E.g. 32 *Neue Juristische Wochenschrift [NJW]* 2384, 2009, 32 *Neue Juristische Wochenschrift [NJW]* 2382, 2009.

³³ Dinwoodie, 2010, p. 1.

confusion and offer a conclusive and authoritative decision on this issue.³⁴

3.2.2.2 Joined cases C-236/08 – C-238/08

3.2.2.2.1 Background

Three companies, Vuitton (C-236/08), Viaticum (C-237/08) and CNRRH (C-238/08), brought actions against Google in French courts. All three companies claimed that Google, through its AdWords service, infringed their trademarks. The infringement claim is based on discoveries the three companies had made on Google. When Internet users searched for Vuitton on Google's search engine, links to sites offering replicas of Vuitton products were found under the heading "sponsored links". Google allowed advertisers to both choose keywords that corresponded to Vuitton's trademark and the possibility to combine Vuitton's trademark with terms indicating imitations. When Internet users searched for Viaticum and CNRRH's trademark on Google's search engine, advertisements to sites of competitors were shown under the heading "sponsored links". Such a result was made possible because Google offered advertisers the option to select keywords that corresponded to those protected trademarks. The lower French courts found Google liable of trademark infringement in all three cases. Google appealed the judgements all the way to the Cour de Cassation, the highest court in France. The Cour de Cassation decided to stay the proceedings in all three cases and referred questions to the CJEU for a preliminary ruling.³⁵

The Cour de Cassation wanted to know whether a referencing service provider, here Google, infringes on the trademark owner's exclusive right, established in Article 5(1) of the Trademark Directive and Article 9(1) of the CTM Regulation, by selling keywords to advertisers that are the same as or similar to someone else's registered trademarks. These keyword are used to show the advertisers website in prominent places in or around the natural result list.³⁶ The French court also wanted to know whether the advertiser, by purchasing someone else's trademark as a keyword to trigger the display of a link to the advertisers website could be held liable for trademark infringement according to Article 5 of the Trademark Directive and Article 9 of the CTM Regulation.³⁷ The Cour de Cassation also posed a question asking whether the referencing service provider, Google, would be held liable under the E-Commerce Directive in the event that trademark infringement cannot be found under the Trademark Directive and the CTM Regulation. The court wanted to know

³⁴ Cornthwaite, 2010, p. 353.

³⁵ Joined cases C-236/08-C-238/08, at 28-41.

³⁶ Joined cases C-236/08-C-238/08, at 32, 37, 41.

³⁷ Joined cases C-236/08-C-238/08, at 41.

whether the referencing service provider should be regarded as providing an information society service within the meaning of Article 14 of the E-Commerce Directive, with the result that the referencing service provider only can be held liable when the legitimate owner of the trademark has advised the referencing service provider of the infringing use of the trademark.³⁸

3.2.2.2 Judgement of the CJEU

The CJEU reached a decision on March 23rd 2010.³⁹ The Court distinguished the liability of referencing service providers and the liability of advertisers in its judgement.

Liability of referencing service providers

The use of a sign that is identical with a trademark constitutes a use in the course of trade when it occurs in the context of commercial activity with an aim to gain economic advantage but not as a private matter. The Court held that Google, the referencing service, carries out a commercial activity when its program AdWords stores signs identical to protected trademarks as keywords and when it arranges for those advertisements to be displayed on the basis of the selected keywords. Furthermore, the Court found that the referencing service, Google AdWords, offers competitors and imitators of trademark brands to select protected trademarks as keywords without the consent of the trademark owner. Despite the finding that the referencing service, Google AdWords, does operate “in the course of trade”, it does not itself “uses” those signs as required by Article 5 of the Trademark Directive and Article 9 of the CTM Regulation. According to the Court, Google only allows its clients to use the signs that are identical with or similar to trademarks in their course of trade, without using the signs itself. The fact the Google has created the service and is paid by its advertising clients does not mean that Google “uses” a trademark. The Court notes that the third party’s use of a sign identical with or similar to another’s trademark implies that the third party uses the sign in its own commercial communication.⁴⁰

Given that the Court did not find the condition “use in the course of trade” satisfied, the referencing service provider cannot be held liable for trademark infringement under the Trademark Directive and the CTM Regulation.⁴¹

The question referred to the CJEU regarding whether the referencing service provider may be liable according to Article 14 of the E-Commerce Directive also answered by the Court. For the Article to

³⁸ Joined cases C-236/08-C-238/08, at 32, 37, 41.

³⁹ Joined cases C-236/08-238/08.

⁴⁰ Joined cases C-236/08-C-238/08, at 50, 53-58.

⁴¹ Cornthwaite, 2010, p. 355.

be applicable, three requirements have to be satisfied. First, the reference service is an “information society service”,⁴² second, that the conduct of the referencing service is limited to that of an “intermediary service provider”⁴³ and, third, that the reference service remains neutral. Google, the referencing service provider, maintains a neutral role when two cumulative conditions are satisfied. First, when their conduct is merely technical, both automatic and passive. Secondly, when Google’s role points to a lack of knowledge or lack of control of the stored data.⁴⁴

The neutrality of Google was the main issue to be decided before the Court. The Court provide some guidelines on how national courts, which according to the CJEU are best placed to be aware of the actual terms of the case and whether the role of the referencing service provider should be considered neutral or not, should decide on the referencing service provider’s neutrality. A relevant factor in deciding neutrality is to establish the role the referencing service provider played in drafting the commercial messages that accompanies the advertising link, or in the establishment or selection of keywords.⁴⁵ The fact that the referencing service provider is subject to payment by clients using the advertisement service, that the referencing service provider sets the payment terms and that it provides general information to its clients does not deprive the referencing provider of the exemption from liability provided for in Article 14. Nor is the concordance between the selected keyword and the search term entered by an Internet user sufficient to prove that the referencing provider has the knowledge of or the control over the data entered into its system by its clients and stored in memory on the referencing provider’s server.⁴⁶

Liability of advertisers

The CJEU examined the conditions mentioned in Article 5(1)(a) of the Trademark Directive and Article 9(1)(a) of the CTM Regulation in order to establish whether the advertisers using someone else’s trademark as a keyword in a referencing service is infringing on that trademark.⁴⁷

(a) “Use in the course of trade”?

According to prior established case law, the use of a sign that is identical with a trademark constitutes a use in the course of trade when it occurs in the context of commercial activity with an aim to gain economic advantage and not as a private matter. The Court found that the purchase of an advertisement on a referencing service

⁴² Joined cases C-236/08-238/08, at 110.

⁴³ Joined cases C-236/08-238/08, at 112.

⁴⁴ Joined cases C-236/08-238/08, at 114.

⁴⁵ Joined cases C-236/08-238/08, at 119.

⁴⁶ Joined cases C-236/08-238/08, at 116-117.

⁴⁷ Joined cases C-236/08-C-238/08, at 49.

as well as the selection of a sign identical to someone else's trademark as a keyword constitutes a use in the course of trade. The advertiser's selection of a keyword identical with a trademark has the purpose and effect of displaying an advertising link to the site where the advertiser offers their goods or services. Given the fact that the sign the advertiser selects as a keyword for their advertisement is the means to trigger the display for that advertisement, the Court held that the advertiser uses the trademark in the context of commercial activity and not as a private matter.⁴⁸

(b) Is the use "in relation to goods or services which are identical with those for which the trademark is registered"?

The Court held that the use by an advertiser of a sign identical with or similar to a trademark as a keyword, in the context of an Internet referencing service, falls within the concept of use "in relation to goods or services". The CJEU held that this is the case both when the advertiser advertises alternatives to the goods or services of the trademark owner and when the advertiser seeks to mislead Internet users by offering imitations of the trademark owners goods or services.⁴⁹ The court also held that even though the sign used by the advertiser does not appear in the advertisement itself that does not mean that the advertisers use falls outside of the concept of "use in relation to goods or services".⁵⁰

(c) Is the use liable to have an adverse effect on the functions of the trademark?

According to prior established case law, the owner of a trademark can only oppose a third party's use of a sign identical with the trademark if that use is liable to cause harm to any functions of the trademark.⁵¹ To establish whether the advertisers use of the sign has an adverse effect on the functions of the trademark, the CJEU examined the function of the sign's indicating origin and the advertising function of the sign.⁵² In order to establish trademark infringement liability for the advertiser, this final condition has to be satisfied.

(i) Adverse effect on the function of indicating origin

The Court held that it depends on the manner in which the advertisement is presented to Internet users whether the function of indicating origin is adversely affected or not. The advertisement is considered to have an adverse effect on the function of the trademark's origin if it is presented in a way that does not enable "normally informed and reasonably attentive Internet users" to find out whether

⁴⁸ Joined cases C-236/08-C-238/08, at 50-52.

⁴⁹ Joined cases C-236/08-C-238/08, at 70-72.

⁵⁰ Joined cases C-236/08-C-238/08, at 65, C-206/01 Arsenal Football Club, at 38, C-228/03, Case C-228/03 Gillette Company and Gillette Group Finland, at 28, C-48/05 Adam Opel, at 16.

⁵¹ Joined cases C-236/08-C-238/08, at 76, 79.

⁵² Joined cases C-236/08-C-238/08, at 80-81.

the advertisement originates from the trademark owner (or an undertaking economically connected to the trademark owner), or if the advertisement originate from a third party. The same principle applies when “normally informed and reasonably attentive Internet users” only with difficulty enables to discover the distinction just referred to.⁵³ In cases were a third party’s advertisement suggests that an economic link between the third party and the trademark owner exist, there is an adverse effect on the function of indicating origin. Similarly, an adverse effect on the function of indicating origin is found in cases where the advertisement of the origin of the goods or services at issue is so vague, that based on the advertising link and the commercial message attached to it a normally informed and reasonably attentive Internet user is unable to establish whether the advertiser is a third party to the trademark owner or if the third party is economically linked to the trademark owner. It is at the national courts discretion to determine whether there is an adverse effect, or a risk of an adverse effect, on the function of indicating origin on a case-by-case basis.⁵⁴

(ii) Adverse effect on the advertising function

The Court held that when advertisers use a sign identical to someone else’s trademark as a keyword in a referencing service, such as Google AdWords, it leads to certain repercussions on the trademark owner’s own advertising use.⁵⁵ The repercussion of the mere use by a third party of a sign identical with the trademark owner’s trademark does, however, not constitute an adverse effect on the advertising function of the trademark.⁵⁶ The Court found that the advertisers use, in this case, did not have an adverse affect on the advertising function of the trademark. This decision was based on the fact that when Internet users perform a search entering the trademark as the search query, the home page and advertising page of the trademark owner will appear in the list of natural results. The display under natural results is free of charge and the trademark owner’s goods or services are visible for the Internet users. That display is guaranteed even though the trademark owner might not secure one of the highest positions under the heading “sponsored links”. As a result, the Court found that the repercussions in this specific case did not have an adverse effect on the trademark owner’s advertising function.⁵⁷

⁵³ Joined cases C-236/08-C-238/08, at 83-84.

⁵⁴ Joined cases C-236/08-C-238/08, at 88-90.

⁵⁵ Joined cases C-236/08-C-238/08, at 93.

⁵⁶ Joined cases C-236/08-C-238/08, at 95.

⁵⁷ Joined cases C-236/08-C-238/08, at 97-98.

3.2.2.3 Case C-278/08

3.2.2.3.1 Background

Two days after the verdict in the Joined cases C-236/08-C-238/08 was given, the CJEU came to a second judgement on the issue of keyword-triggered advertisements.⁵⁸ The case concerned a keyword that was formed of the main characteristic word of a combined mark. When Internet users searched for terms relating to the BergSprechte trademark “BergSprechte Outdoor-Reisen und Alpenschule Edi Koblmüller”, i.e. “BergSprechte” and “Edi Koblmüller”, advertisements to the competitor trekking.at was shown under the heading “sponsored links” on the referencing service Google AdWords. The Austrian courts were faced with the question whether trekking.at infringes on BergSprechte’s trademark according to Article 5(1) of the Trademark Directive. The Oberster Gerichtshof, the Austrian Supreme Court, decided to stay the proceedings and referred the question to the CJEU for a preliminary ruling. The question raised by the Austrian court was whether the described use by trekking.at is a use of the trademark owner’s trademark according to Article 5(1) of the Trademark Directive, and whether someone purchasing such a keyword is infringing on the owner’s trademark.⁵⁹

3.2.2.3.2 Judgement of the CJEU

The main issue before the Court was whether the signs “Edi Koblmüller” and “BergSprechte” are identical with or similar to the BergSprechte trademark as within the meaning of Article 5 of the Trademark Directive.⁶⁰ According to case law, “[a] sign is identical with a trade mark only where it reproduces, without any modification or addition, all the elements constituting the trade mark or where, viewed as a whole, it contains differences so insignificant that they may go unnoticed by an average consumer.”⁶¹ The sign “Edi Koblmüller” only reproduces a small part of the trademark owned by BergSprechte and therefore cannot be considered identical. Neither does the sign “BergSprechte” reproduce all the parts constituting the trademark. However, “BergSprechte” could be regarded containing irrelevant differences that an average consumer might be unnoticed of, and therefore be considered as identical to the protected trademark. If the national courts, which are the courts to assess whether the signs are identical or similar to a trademark, find that the sign “BergSprechte” is not identical with the trademark BergSprechte they should hold that the sign is “similar to” the trademark.⁶²

⁵⁸ C-278/08, at 8.

⁵⁹ C-278/08, at 11-15.

⁶⁰ C-278/08, at 24.

⁶¹ C-278/08, at 25.

⁶² C-278/08, at 25-28.

The CJEU then examined the condition of an adverse effect on the functions of the trademark, as required by case law and Article 5(1)(a) of the Trademark Directive. Both the function of indicating origin and the function of advertising was examined.⁶³ The Court referred to its verdict in the Joined cases C-236/08-C-238/08 and did not come to any new conclusions on when an adverse effect on the functions of the trademark is found in keyword-triggered advertisement cases.

The CJEU was also asked to interpret Article 5(1)(b), a provision that requires a “likelihood of confusion” for trademark infringement to be found. The Court has in prior established EU case law defined likelihood of confusion as “the risk that the public might believe that the goods or services in question come from the same undertaking or, as the case may be, from economically-linked undertakings”. The Court analogously applied the ruling from the Joined cases C-236/08-C-238/08, regarding an adverse effect on the function of indicating origin, when establishing whether likelihood of confusion exists in keyword-triggered advertisement cases.⁶⁴

3.2.2.4 Case C-558/08

3.2.2.4.1 Background

The most recent case the CJEU was faced with is the *Portakabin v. Primakabin* case. It regarded a reseller of second-hand products that used someone else’s trademark as a keyword to trigger advertisement for the resellers company’s website on a referencing service.

Primakabin, the reseller of products manufactured by Portakabin,⁶⁵ chose the words “portakabin”, “portacabin”, “portokabin” and “portocabin” as keywords in the Adwords reference service. The last three keywords were chosen as alternative spellings to avoid situations where Internet users, searching for units manufactured by Portakabin, might miss Primakabin’s advertisement because of a spelling mistake. Primakabin’s advertisement on Google originally had the heading “new and used units”, which was later changed to “used portakabins”. Portakabin, the trademark owner of the trademark Portakabin, brought action against Primakabin in national courts, which finally ended up before the Hoge Raad der Nederlanden, the Supreme Court of the Netherlands. Hoge Raad der Nederlanden decided to stay the proceedings and refer a couple of questions to the CJEU for a preliminary ruling.⁶⁶ The first questions raised the right of a trademark owner to “prevent an advertiser from using a sign

⁶³ C-278/08, at 29-37.

⁶⁴ C-278/08, at 38-40.

⁶⁵ C-558/08, at 13.

⁶⁶ C-558/08, at 16-21.

which is identical with, or similar to, that trade mark as a keyword for an Internet referencing service” in accordance with Article 5 of the Trademark Directive. Moreover, the other two questions referred to the exceptions, available to the reseller, mentioned in Articles 6 and 7 of the Trademark Directive, where the trademark owner cannot exercise their right according to Article 5 of the Trademark Directive.⁶⁷

3.2.2.4.2 Judgement of the CJEU

To respond to the first questions regarding the trademark owners right to prohibit advertisers from using a sign identical with, or similar to, the trademark owners protected trademark, the Court examined the issue by referring to prior case law (both the Joined cases C-236/08-C-238/08 and case C-278/08) where this question had already been solved.⁶⁸

The second question aimed to clarify whether an advertiser can rely on the exception in Article 6 of the Trademark Directive and use as a keyword a sign which it identical with, or similar to, a trademark in an Internet referencing service, even though this may constitute a use according to Article 5 of the same directive.⁶⁹

The Court held that the use by a third party of a sign identical with, or similar to, someone else’s trademark as a keyword in an Internet referencing service, in general is not intended to provide an indication of one of the characteristics of the goods or services offered by the third party that uses the sign, according to Article 6(1)(b) of the Trademark Directive. The Article does not cover such a use by a third party. However, under certain circumstances, a contrary finding than the main rule may be necessary, which is for the national court to determine based on a full examination of the case before it. The national court has to examine whether Primakabin is using descriptive indications, as required by the Article, when it uses signs identical with, or similar to the trademark Portakabin as keywords. The national court also has to take into consideration that the word “portakabin” has not been used as a generic name in the advertisement.⁷⁰

The Court then examined Article 6(1)(c) of the Trademark Directive, which states that when the use of the mark “is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts” the trademark owner cannot prohibit the advertiser from using the owner’s trademark in an advertisement. The

⁶⁷ C-558/08, at 22.

⁶⁸ C-558/08, at 23-53.

⁶⁹ C-558/08, at 56.

⁷⁰ C-558/08, at 60-61.

wording “as accessories or spare parts” is only cited as an example and the provision is not limited to that situation. Situations within the scope of the provision must be limited to those that correspond to the objective of the provision. The objective of the provision is to enable providers of goods or services, that are supplementary to the goods or services the trademark owner offers, to use the trademark to inform the public of the practical link between the trademark owner’s goods or services and theirs. It is at the discretion of the national courts to assess whether this exists or not.⁷¹

In the event the national court would come to the decision that either Article 6(1)(b) or (c) is applicable, it ultimately has to decide whether the condition “use is in accordance with honest practices in industrial or commercial matters” is satisfied for the Article to be applicable. To establish whether this condition is satisfied, the national court has to take into consideration if the third party’s use of a trademark has given the public, or at least a significant part of the public, reason to believe that there is a link between the third party’s goods or services and the trademark owner’s goods or services (or someone with permission to use the trademark owner’s trademark). It is also important to establish if the third party should have been aware of that. It is not possible for the advertiser to claim that he/she did not know that the advertisement caused ambiguity, given that they in the context of marketing and knowledge of the economic sector in which it operates has chosen a keyword corresponding to another’s trademark.⁷²

The third question referred to the Court dealt with the possible application of the exception in Article 7 of the Trademark Directive. Article 7 provides that the trademark owner does not have the right to prohibit third parties from using the mark when goods, under that trademark, have been placed on the market in the European Economic Area (hereinafter EEA) either by the trademark owner or with the consent of the trademark owner, unless there are legitimate reasons for the trademark owner to oppose further commercialization of the goods. Prior established case law holds that when trademarked goods have been placed on the EEA market by the trademark owner or with the consent of the trademark owner, a reseller is both free to resell those items as well as free to make use of the trademark in order to advertise and bring attention to the further commercialization of those goods. Given that Primakabin’s advertisement concerned the resale of used mobile buildings originally manufactured by Portakabin that had been put on the market in the EEA by Portakabin under its trademark and the fact that Primakabin’s resale of second-hand goods constitutes “further commercialization of the goods” within the meaning of Article 7, the Court looked into whether “legitimate reasons” to oppose the third party’s advertising existed or not. “Le-

⁷¹ C-558/08, at 62-65.

⁷² C-558/08, at 66-67, 70-71.

gitimate reasons” exist when the advertiser’s use of a sign identical with, or similar to, a trademark seriously damages the reputation of that trademark. “Legitimate reasons” are also found when the advertiser, which based its advertising on a sign identical with or similar to the trademark, gives the impression that a commercial connection exists between the reseller and the trademark owner.⁷³ It is at the discretion of national courts to assess whether “legitimate reasons”, according to Article 7(2) exists. However, the CJEU found it necessary to provide some non-exhaustive guidelines to make certain that the national courts rule appropriately on the issue of the resale of second-hand goods. The three aspects national courts should observe is, first, the interest of economic operators and consumers that sales of second-hand goods on the Internet not should be unduly restricted. The sale of trademarked second-hand goods is a well-established form of business that the average consumers are familiar with. The fact that the advertiser uses someone else’s trademark with additional words, such as “used” or “second-hand”, does not mean that the advertisement creates the impression of an economic link between the advertiser and the trademark owner. Neither does the advertisement seriously damage the reputation of that mark. The second aspect considers the need for clear information as to the origin of second-hand goods.⁷⁴ If the reseller removes the trademark from the goods and replaces it with a label that conceals the trademark owner’s trademark, the owner is entitled to prevent the reseller from using the trademark in the reseller’s advertisement of the resell.⁷⁵ Finally, the CJEU advises national courts to observe the fact that Primakabin’s advertisement, when referring to “used Portakabins”, led Internet users to offers for both the resale of Portakabin products and to for resale of goods from other manufacturers.⁷⁶ When the reseller specializes in the resale of another’s trademarked goods, the reseller cannot be prohibited from using that trademark to advertise its resale activities. This applies even though the reseller offers both second-hand goods from that trademark but also other second-hand goods. However, if the sale of the other goods risks to seriously damage the image that the trademark owner has succeeded in creating for its trademark, e.g. the volume, presentation or poor quality, the reseller can be prohibited from using that trademark in advertisements.⁷⁷

3.3 Analysis

The CJEU started building up the Community case law regarding keyword-triggered advertising on March 23rd 2010 when they ruled

⁷³ C-558/08, at 74-80.

⁷⁴ C-558/08, at 82-84.

⁷⁵ C-558/08, at 86.

⁷⁶ C-558/08, at 83.

⁷⁷ C-558/08, at 91.

on the issue for the very first time. The Court found referencing service providers not liable for trademark infringement according to the Trademark Directive and the CTM Regulation. That is a conclusion legal authors have challenged in different articles. One author thinks the CJEU very briskly reached a conclusion to Google's use, which is a question that has taken courts around the EU years to figure out. He finds it regrettable that the Court did not analyze this part of the judgement further and only devoted a few paragraphs to the issue. The author finds the conclusion as to whether Google "uses" a trademark or not unqualified.⁷⁸ Another author also disagrees with the Court's finding saying that it is part of Google's business plan, by allowing advertisers to purchase trademarks as keywords, to cause confusion in the online marketplace and sell replicas of trademark-protected goods. Furthermore, the author argues that Google actively facilitates and profits from the just described confusion. The opinion of the CJEU, in his view, seems "quaint and naïve" when it holds that Google takes on a passive role when this confusion arises. The author would have wanted the CJEU to take into consideration that Google's AdWords, through the Keyword Suggestion Tool, advises clients on which keywords they might want to buy, including names of their competitors. The author also points out that Google profits from a frenzy caused by the purchase of competitive trademark keyword. This frenzy led trademark owners to pay a high price to buy their own trademarks as a keyword to be certain that their advertisement is on the first page of a search result on Google.⁷⁹

I tend to agree with the authors. The CJEU only devoted a couple of paragraphs in the judgement to Google's "use" and they did not further explain why they do not regard that Google "uses" a trademark in their referencing service. The Court did however state that Google only facilitates for the advertisers to use someone else's trademark in an AdWords advertisement, while the referencing service provider stays passive. This passivity seems to be the only factor the Court found crucial when they determined this non-use. The last mentioned author listed a couple of factors he would have wanted the CJEU to consider. I, however, do not think those factors are legally relevant to this issue. The fact that Google provides the Keyword Suggestion Tool to potential advertisers does not mean that Google itself uses a trademark, as the Court also explained. Neither do I think that Google's business plan to allow advertisers to purchase trademarks as keywords and profit from this business means that Google and other referencing services uses a protected trademark. As the CJEU explained, the fact that Google allows advertisers to use trademarks as keyword does not mean that Google itself uses it. The fact that Google has come up with a way to earn a profit online does, according to the Court, not constitute the required use. I do think the Court should have explained more thoroughly why the referencing service

⁷⁸ Cornthwaite, 2010, p. 355.

⁷⁹ Franklyn, 2010, p. 92-93.

cannot be held liable, a question that has haunted national courts for years.

The CJEU instead found the advertisers liable for trademark infringement under the Trademark Directive in the joined cases C-236/08-C-238/08. After examining the conditions of Article 5(1)(a) of the Trademark Directive and Article 9(1)(a) of the CTM Regulation, the Court came to the conclusion that the trademark owner is entitled to prohibit an advertiser from advertising when the advertiser uses keywords that are *identical* to another's trademark. The Courts conclusion to this question has also been commented in different legal articles. Professor Riis questions the CJEU's introduction of the condition "own commercial activity". This condition was introduced by the Court to establish that the advertiser in fact does use the sign as required by Article 5 of the Trademark Directive and Article 9 of the CTM Regulation, while the referencing service provider does not use it. The judgement does not further explain this condition.⁸⁰ The condition is however defined in Directive 2000/31/EC as "any form of communication designed to promote, directly or indirectly, the goods, services or image of a company, organization or person pursuing a commercial, industrial or craft activity or exercising a regulated profession".⁸¹ Riis argues that the delimitation with this "own commercial activity" condition will result in that a very large number of different actions will be considered legally relevant trademark use, inter alia will it include the use of trademarks in a descriptive context, e.g. in comparative advertising. With the introduction of the demarcation criteria "own commercial activity" a disagreement with prior case law arises, e.g. could a toy manufacturer's use of OPEL's logo on a toy car in the Adam Opel AG v. Autec AG⁸² case not be considered a use of the logo in the toy manufacturer's own commercial activity.⁸³ The CJEU has, in the other judgements on keyword-triggered advertisement, not mentioned the condition "own commercial activity" any further, and no other legal writers have observed the introduction of this condition. Time will tell whether or not this newly introduced condition will have the result Riis predicts or if it will run by the Court and different parties unnoticed.

In the decision issued two days later, i.e. C-278/08, the Court clarified that the trademark owners also are entitled to prohibit an advertiser from using the owner's trademark when the advertiser uses keywords *similar to* someone else's trademark. Except for expanding the view that Article 5 of the Trademark Directive also applies to keywords similar to someone else's trademark, the Court pretty much referred to its verdict in the Joined cases C-236/08-C-238/08

⁸⁰ Riis, 2010, p. 259.

⁸¹ Directive 2000/31/EC, Article 2(f).

⁸² C-48/05.

⁸³ Riis, 2010, p. 258-259.

when it reached the decision in the latter case. Furthermore, C-278/08 sets the standard for whether the advertiser's use of someone else's trademark is liable to affect the essential function of the mark (the function of indicating origin). That standard is the same as the standard for whether the advertisers use of the trademark is likely to cause confusion. It is interesting to find out that the CJEU interprets the meaning of provision (a) and (b) of Article 5(1) of the Trademark Directive the same and it remains to find out if the national courts will interpret the provisions the same or differently regarding keyword-triggered advertisement. As the Court explained, national courts are best aware of the actual terms of a case and will therefore be the ones determining whether the function of indicating origin is affected and/or whether there is a likelihood of confusion. The CJEU held that it depends on the manner in which the advertisement is presented to an Internet user whether the function of origin is affected or not and whether there is a likelihood of confusion. Different Member States' courts might think differently on this issue, and it remains to see if an inharmonious legal situation will arise among the different Member States.

In C-588/08, the CJEU did not expand its judgement relating to Article 5 and only referred to what it had already stated in prior cases. Neither did the Court, in the two latest cases, examine the liability for the referencing service provider further. They seem to be satisfied with the verdict and the reasons they gave in the Joined cases C-236/08-C-238/08 and merely repeated that verdict in the newer ones.

The CJEU was also faced with a question regarding the possible defence applicable for the referencing provider and for the advertiser using the reference service. In C-558/08, the CJEU held under which circumstances Articles 6 and 7 of the Trademark Directive are applicable to the advertiser as a defence, which is up to the national courts to determine. In the joined cases C-236/08-C-238/08, the Court held that Article 14 of the E-Commerce Directive might be applicable to referencing service provider as a limitation of liability, but that is up to the national courts to assess based on the facts of the case. The Court did however set some guidelines on how they should come to their findings. One legal author has a reservation whether a referencing service provider ever can have the "knowledge", as required by the Article, to not be considered neutral, except in situations with counterfeiting advertisements. As the author explains, the CJEU paints the referencing service provider's, Google's, role as fairly passive in the context of keyword-triggered advertising cases. If Google steps out of that role as a passive party and somehow allows advertisements that confuse the Internet user to remain posted on the referencing service, the CJEU leaves open a possibility for the referencing service provider to be liable for the resulting confusion. Given the difficulty in accurately predicting what constitutes confusion in the keyword-triggered advertising context, the author won-

ders how and when the referencing service provider ever would have the required “knowledge” according to Article 14 of the E-Commerce Directive.⁸⁴ Another author finds the wording of the conclusion to be a concern for reference service providers, mainly because of the fact that the CJEU decided that it is up to the national courts to determine whether Internet reference service providers are neutral or not. As the author mentions, French courts have repeatedly dismissed Google’s attempted use of the defence in Article 14.⁸⁵ I agree with the last author. If the defence in Article 14 has been dismissed in national courts before this verdict, why would they accept it after this verdict? Especially given that the guidelines the Court gave are kind of vague and that it is up to national courts to determine the Article is applicable based on the actual terms of the case.

Legal writers have attempted to predict what the consequences of the CJEU’s judgements might be. One legal article mentions how the CJEU decision could be both good and bad for referencing service providers. Good in the sense that referencing service provider seems to be largely shielded from liability, but only if it follows the policy to take down those advertisements using another’s trademark, when the trademark owner complains to them. Bad in the sense that it more clearly states the possibility that the advertisers using someone else’s trademark could be liable for trademark infringement. That might lead to lower revenues for the referencing service provider given that fewer advertisers might want to purchase search terms in the referencing service.⁸⁶ Another article explains how lawyers around Europe started predicting that an outbreak of lawsuits would follow the judgement in the joined cases C-236/08-C-238/08. Especially since it, prior to this verdict, had been uncertain as to whether advertisers using trademark owners trademark as a keyword constitutes trademark infringement or not. Potential advertisers might, according to lawyers, now think twice before using a trademarked keyword and make absolutely sure to check that there is no confusion as to the origin of the advertisement and the economic link between the two.⁸⁷

Interesting to learn over time is how the national courts are going to interpret the recently handed out cases regarding keyword-triggered advertisement, especially the parts of the judgements where the CJEU leaves the interpretation of parts of the articles up to the national courts to decide. Even though the CJEU states some guidelines on how the national courts should rule on those issues, there is still the possibility that different national courts hand out judgements that are different from each other. Whether this will effect the legal situation on keyword-triggered advertisement within the EU or not will

⁸⁴ Franklyn, 2010, p. 93.

⁸⁵ Cornthwaite, 2010, p. 356-357.

⁸⁶ Franklyn, 2010, p. 91.

⁸⁷ Barraclough, 2010, p. 1.

probably be shown over time. As of now, there are cases pending before the CJEU in relation to online keyword advertising and referencing services. The Community law will hopefully be further established within this area when the Court gives those judgements. The cases before the CJEU are C-91/09, which originates from German courts, C-323/09 and C-324/09, both originating from the courts in the United Kingdom.

4 Trademark legislation in the U.S.

4.1 Introduction

The U.S. judicial system contains two separate court systems: the federal court system and the state court system. The federal courts exercise exclusive jurisdiction in trademark cases and will be the courts settling the issue on whether it is trademark infringement to use someone else's trademark as a keyword in a referencing service. The federal courts will also be the ones to determine who bears liability in event that trademark infringement is found in keyword-triggered advertising cases.⁸⁸

The federal court system consists of two types of courts. The first type is the Article III courts, where the courts derive their power from Article III of the US Constitution. The Article III courts are the courts that solve trademark issues and include the U.S. District Courts, the U.S. Circuit courts of Appeal and the U.S. Supreme Court, and also two special courts namely the U.S. Court of Claims and the U.S. Court of International Trade which are not present in trademark cases. The second type is the Special Courts Created by Congress, which includes magistrate courts, bankruptcy courts, the U.S. Court of Military Appeals, the U.S. Tax Court, and the U.S. Court of Veterans' Appeals.⁸⁹

There are 94 U.S. District courts and every state in the U.S. has at least one district court, some larger states may have more than one U.S. District court. The U.S. District courts are trial courts, or courts of original jurisdiction. That means that most federal cases are first tried in those courts.⁹⁰

The U.S. Circuit Courts of Appeal are divided into regional circuits. There are 13 U.S. Circuit courts of Appeal divided into 12 regional circuits. A party that is dissatisfied with the U.S. District court's verdict may appeal to the U.S. Circuit court within their geographical district.⁹¹

⁸⁸ www.uscourts.gov, Home > Educational Resources > Federal court Basics > Court structure > Understanding Federal and State Courts, last visited 2011-03-17.

⁸⁹ www.uscourts.gov, Home > Educational Resources > Federal court Basics > Court structure > Understanding Federal and State Courts, last visited 2011-03-17.

⁹⁰ www.uscourts.gov, Home > Educational Resources > Federal court Basics > Court structure > Understanding Federal and State Courts, last visited 2011-03-17.

⁹¹ www.uscourts.gov, Home > Educational Resources > Federal court Basics > Court structure > Understanding Federal and State Courts, last visited 2011-03-17.

The U.S. Supreme Court is the highest court of the court systems of the U.S. A party that is dissatisfied with the judgement of a U.S. Circuit court of Appeal can petition for the U.S. Supreme Court to finally hear and settle their case.⁹² The courts are bound by their prior decisions and by decisions from higher level appellate courts.⁹³ Consequently the Circuit courts are not bound by other Circuit courts decisions. However, when the U.S. Supreme Court rules on an issue all lower courts are bound by that decision. In the case of keyword-triggered advertisement and trademark infringement, only the Circuit courts have been presented with the issue and the legal situation remains uncertain until the Supreme Court finally settles the issue.

4.2 Trademark infringement

4.2.1 Legal rules

Until 1946, trademark law developed as a part of unfair competition common law at the federal level. In 1946, the U.S. Congress passed the Lanham Act to provide a framework for federal trademark law. The Act codified the then-existing trademark and unfair-competition common law.⁹⁴

Section 32 of the Lanham Act provides the basis for infringement of a federally registered trademark. The paragraph states that any person who, without the consent of the trademark owner, in commerce uses the trademark or a copy or an imitation of the trademark in connection with the sale or advertising of goods or services in such a manner that is likely to cause confusion or deceive the consumer shall be liable in a civil action for infringement.⁹⁵

The Lanham Act also provides a protection for the common law trademarks, found in section 43 of the Lanham Act. The paragraph provides, in relevant part, that “[a]ny person who, on or in connection with any goods or services, [...] uses in commerce any word, [...] or any false designation of origin, false or misleading description [or representation] of fact, [...] which is likely to cause confusion, or to cause mistake, or to deceive [...] shall be liable in a civil action [...]”.⁹⁶ As a result, even though a trademark is not federally registered it may still receive protection under section 43 of the Lanham Act.⁹⁷

⁹² www.uscourts.gov, Home > Educational Resources > Federal court Basics > Court structure > Understanding Federal and State Courts, last visited 2011-03-17.

⁹³ Podgor, Cooper, 2009, p. 16.

⁹⁴ Tan, 2010, p. 480.

⁹⁵ 15 U.S.C. § 1114(1)(a).

⁹⁶ 15 U.S.C. § 1125(a).

⁹⁷ Nelson Eng, 2008, p. 500.

U.S. trademark law does not confer a trademark owner the right to prohibit the use of the word/words. U.S. trademark law rather gives the trademark owner the right to prohibit the use of their registered trademark, in order to protect the owner's good will against the sale of someone else's product as theirs.⁹⁸ Two main types of defences are available under the doctrine of fair use of U.S. trademark law, one is found in the statute and the other is a development of case law.⁹⁹ One type is the classic fair use, found in Section 1115(b)(4) of the Lanham Act. The provision allows for the use of someone else's trademark when the mark is used in good faith as a mark and not as a trademark, to describe the goods or services or geographic origin of the product they offer.¹⁰⁰ The classic fair use allows third party's to use someone else's trademark to accurately describe a characteristic of the third party's goods,¹⁰¹ and also cover comparative advertising where companies use someone else's trademark to distinguish themselves from their competitors.¹⁰² The other type is the normative fair use, which applies where a defendant uses the trademark owner's trademark to describe the owner's product, though the defendant's main purpose is to describe his or her own product. An example of this is car repair shops that use the term "Volkswagen" to indicate that it repairs Volkswagen vehicles.¹⁰³ The Ninth Circuit has created a nominative fair use test to establish when the nominative fair use can be used as a defence to the defendant. First, the product or service in question has to be not readily identifiable without use of the trademark, second, only so much of the mark that is reasonably necessary may be used to identify the product or service, and third, the user is not allowed to do anything that, in combination with the trademark, would suggest sponsorship or endorsement by the trademark owner.¹⁰⁴

4.2.2 Case law

4.2.2.1 Requirements for trademark infringement

In general, U.S. courts have found that trademark infringement exist when the following requirements are satisfied; 1) the trademark has to be valid, 2) the accused infringer must have used the trademark in commerce without the permission from the trademark owner and 3)

⁹⁸ Gamez, 2006, p. 406 (quoting *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368) (1924)).

⁹⁹ Friedman, 2010, p. 373.

¹⁰⁰ 15 U.S.C § 1115(b)(4).

¹⁰¹ Friedman, 2010, p. 374 (referring *New Kids on the Block v. News Am. Publ'g, Inc.* 971 F.2d 302, 306 (9th Cir. 1992)).

¹⁰² Friedman, 2010, p. 374 (referring *Diversified Mktg., Inc. v. Estee Lauder, Inc.*, 705 F. Supp. 128, 130, 132 (S.D.N.Y 1988).

¹⁰³ Friedman, 2010, p. 374.

¹⁰⁴ *New Kids on the Block v. News Am. Publ'g., Inc.*, 971 F.2d 302, 308 (9th Cir. 1992).

the unauthorized use is likely to cause confusion as to the source or origin of the goods or services.¹⁰⁵ The U.S. case law on keyword-triggered advertising and whether or not that constitutes trademark infringement has mostly centred on the requirements “use in commerce” and “likelihood of confusion”.¹⁰⁶

4.2.2.2 "Use in Commerce"

For someone to be held liable for trademark infringement, the Lanham Act requires that the trademark has been used in commerce. Therefore, establishing whether a use in commerce can be found in the present case is the first step in analysing trademark infringement claims.¹⁰⁷ “Use in Commerce” is in the Lanham Act defined as

“the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce—

(1) on goods when—

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

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

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.”¹⁰⁸

Until recently, it appeared that U.S. jurisprudence was inconsistent on the threshold question whether keyword use constitutes a “use in commerce” or not. Court decisions from the Second Circuit found that keyword use did not constitute “use in commerce”, while district courts from other Circuits’ jurisdictions had come to contrary decisions.¹⁰⁹

In *Merck & Co. v. Mediplan Health Consulting*¹¹⁰, a District court decision from the Second Circuit, the defendants purchased the keyword “Zocor”, both on Google’s and Yahoo!’s referencing service,

¹⁰⁵ Nelson Eng, 2008, p. 499-500.

¹⁰⁶ Tan, 2010, p 481.

¹⁰⁷ Friedman, 2010, p. 369.

¹⁰⁸ 15 U.S.C. § 1127.

¹⁰⁹ Shemtov, 2009, p. 4.

¹¹⁰ 431 F. Supp. 2d 425 (S.D.N.Y. 2006).

with the intention that their websites would appear under the sponsored links list when Internet users searched for Zocor. The trademark owner of Zocor brought the issue to court.¹¹¹ The court relied on the decision in *1-800 Contacts, Inc. v. WhenU.com, Inc.*¹¹² where the Second Circuit had dealt with the use of trademarks that trigger pop-up advertisements on the Internet, which lower courts within the Second Circuit over the years have expended to apply to keyword advertisements on the Internet. The Second Circuit had, in that case, found that the trademark owner had not shown that its trademark had been used in commerce as defined in Section 45 of the Lanham Act, because the use of the trademark by the defendant was “internal”. The Court held that “[a] company’s internal utilization of a trademark in a way that does not communicate it to the public is analogous to an individual’s private thoughts about a trademark” and “[s]uch conduct does not violate the Lanham Act”.¹¹³ The court in *Merck* therefore came to the decision that this type of conduct does not constitute a “use” of the trademark owner’s trademark as defined in the Lanham Act, because an internal use of the Zocor trademark as a keyword to trigger the display of sponsored links is not a use of the trademark in any trademark sense. The court compared this internal use of a trademark to product placement marketing strategy that retail store employ, where drug stores place its own products next to similar national brand products to capitalize on the national brand’s name recognition.¹¹⁴ Another decision from a District court within the Second Circuit is the *Rescuecom Corp. v. Google, Inc.*¹¹⁵ where the court was faced with the question whether or not Google’s sale of the trademark protected term Rescuecom, as a keyword, to competitors of the trademark owner was “use in commerce” as defined in the Lanham Act.¹¹⁶ Through its Keyword Suggestion Tool,¹¹⁷ Google had suggested competitors of Rescuecom to use Rescuecom’s trademark as a keyword in AdWords. As a result, Internet users that entered the Rescuecom trademark into their search query on Google’s search engine were shown advertisements and links to Rescuecom’s competitors.¹¹⁸ The court relied on the *1-800 Contacts, Inc. v. WhenU.com, Inc* case and, similar to the *Merck* court, found that the defendants’ internal use of Rescuecom’s trademark did not amount in a “use in commerce” as defined in the Lanham Act. The court explained its decision by noting that there is no allegation that the alleged trademark infringer places the trademark owner’s trademark on any goods, containers, displays or adver-

¹¹¹ Shemtov, 2009, p. 4-5.

¹¹² 414 F.3d 400 (2d Cir. 2005).

¹¹³ Darrow, Ferrera, 2009, p. 260-261.

¹¹⁴ Shemtov, 2009, p. 4-5.

¹¹⁵ 456 F. Supp. 2d 393 (N.D.N.Y. 2006).

¹¹⁶ Shemtov, 2009, p. 5.

¹¹⁷ Holda, 2010, p. 48.

¹¹⁸ Pinto, Stein, Savoca, 2010, p. 2.

tisements nor is the internal use of the trademark visible to the public.¹¹⁹

In April 2009, the Second Circuit of Appeal, on appeal of *Rescuecom Corp. v. Google Inc.*¹²⁰, the Second Circuit court found that the District courts that dealt with the Merck and Rescuecom cases had misinterpreted the Circuit court's prior decision in *1-800 Contacts, Inc. v. WhenU.com, Inc.* The Court distinguished its decision in *1-800 Contacts, Inc. v. WhenU.com, Inc.* and came to the decision that the practice of recommending and selling trademarks as keywords indeed satisfies the requirement of "use in commerce".¹²¹ The requirement was satisfied for several reasons. First, Google specifically recommended and sold Rescuecom's trademark to competitors of Rescuecom. Google argued that an internal use of someone else's trademark within a computer directory does not establish a use of that trademark, which the Court disagreed with. The Court noted that the adoption of such a position would leave search engines free to engage in uses of third party trademarks with the intention of deceiving consumers, such as combining sponsored and non sponsored links together without differentiation. Secondly, the Court found that Google's utilization of Rescuecom's trademark literally fits within the definition of use in commerce as defined in the Lanham Act.¹²²

Previous rulings from other Circuit Court jurisdictions seem to be consistent with the Second Circuit decision in the Rescuecom case and its new perception on what amounts in a "use in commerce".

In the Forth Circuit, in the case *GEICO v. Google, Inc.*¹²³ the District court found a "use in commerce". Allowing advertisers to pay for the advertisement to appear under the sponsored links list is a "use in commerce" according to the Lanham Act. Despite the fact that the use was invincible computer coding, a use "in connection with the sale use, offering for sale, distribution, or advertising of goods and services" was found.¹²⁴

In the Third Circuit case, *800-JR Cigar, Inc v. GoTo.com*¹²⁵ the District Court of New Jersey found that the search engine GoTo.com used JR Cigar's trademark in commerce for several reasons. First, use was found because the search engine accepted bids from competitors of JR Cigar that paid for priority in search results. Secondly, GoTo.com made trademark use of JR Cigar's trademark by ranking the paid advertisers before the natural listing on the search result

¹¹⁹ Shemtov, 2009, p. 5.

¹²⁰ 562 F.3d 123 (2d Cir. 2009).

¹²¹ Shemtov, 2009, p. 5.

¹²² Holda, 2010, p. 49.

¹²³ 330 F. Supp. 2d 700 (E. D. Va. 2004).

¹²⁴ Shemtov, 2009, p. 5-6.

¹²⁵ 437 F. Supp.2d 273 (D.N.J. 2006).

page and therefore acting as a conduit to guide JR Cigar’s potential customers to competitors of JR Cigar. Finally, a use in commerce was found because GoTo.com through its “search term suggestion tool” identified and marketed JR Cigar’s trademark as an effective search term to JR Cigar’s competitors.¹²⁶ Another District court within the Circuit ruled consistently to the 800-Jr Cigar v. GoTo.com case in *Buying for the Home, LLC v. Humble Abode, LLC*¹²⁷. Buying for the home and Humble Abode were competitors involved in online furniture shopping. Humble Abode had, in Google Adwords, selected “total bedroom” as a keyword. However, the phrase “total bedroom” was one of Buying for the Home’s trademarks. The case ended up before court and the court found the use in commerce requirement of the Lanham Act satisfied because of the fact that the use was in commerce and in connection with goods or services. The use was in commerce because the trademark was purchased and used to trigger the defendant’s own commercial advertising and the trademark was in relation to goods or services because the defendant’s website was triggered when an Internet user searched for Buying for the Home’s trademark.¹²⁸ The fact that the term “total bedroom” did not appear in the advertisement text was not an important factor for the court to consider.¹²⁹

A District court in Minnesota, part of the Eight Circuit, found the purchase of a competitor’s trademark as a keyword in a referencing service constituted a use in commerce as defined by the Lanham Act.¹³⁰

District courts in the Ninth Circuit have come to the same conclusion. In, for example, *American Blind & Wallpaper v. Google*, the court decided that the sale of trademarked terms in a referencing service is a use in commerce.¹³¹

The split of authority among the different U.S. courts was eliminated when the Second Circuit held in *Rescuecom v. Google* that the practice of recommending and selling trademarks as keywords indeed satisfies the requirement of “use in commerce”. The effect of the *Rescuecom v. Google* case seems to be that the U.S. federal courts in different circuits now agree on the classification of keyword-triggered advertising as “use in commerce” in the search engine context.

¹²⁶ Cohen, Huffnagle, 2008, p. 26.

¹²⁷ 459 F. Supp. 2d 310 (D.N.J. 2006).

¹²⁸ Nelson Eng, 2008, p. 502-503.

¹²⁹ Cohen, Huffnagle, 2008, p. 26.

¹³⁰ *Edina Realty, Inc. v. The MLSOnline.com*, No. 04-4371JRTFLN, 2006 WL 737064 (D. Minn. Mar. 20, 2006)

¹³¹ *Am. Blind*, 2007 WL 1159950, at 1.

4.2.2.3 “Likelihood of Confusion”

Even if a “use in commerce” is established, that use must also be likely to cause confusion. In order to infringe a federally registered trademark, under Section 32 of the Lanham Act, the use of a trademark must be likely to cause confusion, or to cause mistake, or deceive. Likewise, to establish infringement of an unregistered trademark, codified in Section 43 of the Lanham Act, the use must be likely to cause confusion specifically with the regard to the origin, sponsorship, or approval of goods.¹³²

The likelihood of confusion test requires more than the mere possibility of confusion; the use of the trademark must be likely to cause confusion in “an appreciable number of ordinarily prudent consumers”.¹³³ U.S. courts have established a various multifactor test in order to determine the likelihood of confusion,¹³⁴ where a factual case-by-case analysis is required.¹³⁵ The factors of confusion used by the circuits vary, but are basically the same, and every circuit applies its likelihood of confusion test in a flexible manner.¹³⁶ For example, the Ninth Circuit, in *AMF, Inc. v. Sleekcraft Boats*¹³⁷, established eight factors relevant to determine whether likelihood of confusion exists. The following eight factors are, according to the holding in that case, of importance: 1) similarity of the conflicting marks; 2) proximity of the two companies’ products or services; 3) strength of the plaintiff’s mark; 4) marketing channels used by the two companies; 5) degree of care likely to be exercised by purchasers in selecting goods; 6) defendant’s intent when selecting the mark; 7) evidence of actual consumer confusion; and 8) likelihood of expansion of product lines. The factors in this test do not constitute an exhaustive list and are alternative to each other.¹³⁸ The court analyzes whether the consumer is likely to be confused as to whether the products or services offered by the separate parties are associated with one another or not. The typical methods to prove a likelihood of confusion are survey evidence, evidence of actual confusion and/or argument based on a clear inference arising from a comparison of the conflicting marks and the context of their use.¹³⁹

In the context of online advertisement the use of the trademark occurs on the Internet. Moreover, the trademarked term is used for a good or service when it is entered into the search engine by the user and processed by the search engine. The search results, which include both relevant non-sponsored links and advertisements linked to

¹³² Friedman, 2010, p. 370.

¹³³ Nelson Eng, 2008, p 510.

¹³⁴ Friedman, 2010, p. 371-372.

¹³⁵ Kemnitzer, 2010, p. 401.

¹³⁶ Nelson Eng, 2008, p 510.

¹³⁷ 599 F.2d 341 (9th Cir. 1979).

¹³⁸ Friedman, 2010, p. 371-372.

¹³⁹ Barry, 2009, p. 358.

a trademarked term as a keyword are displayed on the same result page prior to the consumer's decision to make a purchase.¹⁴⁰ To deal with advertisements on the Internet using keyword-triggered programs, several courts have applied an alternative analysis to the likelihood of confusion doctrine, called the initial interest confusion doctrine.¹⁴¹ The initial interest confusion doctrine was created in the 1970s in response to cases in which culpable defendants could not be held liable under the traditional likelihood of confusion test.¹⁴² The doctrine resolves the confusion before the point of sale and focuses on infringement based on what the consumer searches for on the Internet. When applied to a referencing service, the doctrine reasons that a consumer is diverted from the trademark owner's website to one of the websites of a competitor to the trademark owner when the consumer enters a trademark on to the search engine and intends to find a corresponding trademarked good or service but is distracted from clicking on the trademark owner's link because the result page includes links to websites selling similar goods or services.¹⁴³ When evaluating whether initial interest confusion exists or not, in the context of an Internet case, two factors are primarily examined: 1) the relatedness of the goods and 2) the level of consumer sophistication and care.¹⁴⁴

There is an inconsistency among U.S. courts, because not all circuits have adopted the initial interest confusion doctrine and some circuits still apply the traditional likelihood of confusion doctrine.¹⁴⁵

Within the Third Circuit, in *JG Wentworth v. Settlement Funding LLC*¹⁴⁶, the Eastern District of Pennsylvania declined to extend the initial interest confusion doctrine to be applicable to keyword advertising cases.¹⁴⁷ Settlement Funding LLC had purchased the keyword "JG Wentworth" on Google AdWords to obtain an advertisement under sponsored links every time an Internet user searched for JG Wentworth on Google's search engine. The court found no likelihood of confusion because Settlement Funding LLC's website link was separate and distinct from JG Wentworth's website link and no potential consumers could therefore have confused Settlement Funding LLC's services, goods, advertisements, links or websites for those of JG Wentworth's.¹⁴⁸

The Eastern District of Virginia, a court within the Fourth Circuit,

¹⁴⁰ Tan, 2010, p. 482-484.

¹⁴¹ Barry, 2009, p. 359.

¹⁴² Shoemaker, 2009, p. 545.

¹⁴³ Tan, 2010, p. 482-484.

¹⁴⁴ Shoemaker, 2009, p. 538.

¹⁴⁵ Tan, 2010, p. 484.

¹⁴⁶ 2007 WL 30115 (E.D. Pa. Jan. 4, 2007).

¹⁴⁷ Barry, 2009, p. 361.

¹⁴⁸ 2007 WL 30115 (E.D. Pa. Jan. 4, 2007), at 2, 7-8.

found in *GEICO v. Google*¹⁴⁹, that trademark infringement could exist if a link found under sponsored links contained another business's trademark. Google had sold the keyword GEICO to a competitor of GEICO and that competitor's website link was as a result shown under sponsored links any time someone searched for GEICO on Google. The court analyzed the trademark infringement claim by applying the likelihood of confusion doctrine and stated that GEICO had failed to prove that the AdWords programme cause initial interest among consumers.¹⁵⁰

The Sixth Circuit has not settled the status of the initial interest confusion doctrine. It was asked to apply the initial interest confusion doctrine in *Gibson Guitar Corp v. Paul Reed Smith Guitars, LP*¹⁵¹ but refused to do so. The courts within the circuit will analyze the elements of the likelihood of confusion test without determining which or how many of the elements that needs to be proven in order for the plaintiff to be successful in its claim. In cases regarding the Internet, the Sixth Circuit place more emphasis on the relatedness of the goods or services, similarity of the marks and simultaneous use of the Internet as a marketing channel.¹⁵²

Courts within the Ninth Circuit apply the initial interest confusion doctrine when dealing with keyword-triggered advertising cases. In, for example, *Storus Corp. v. Aroa Marketing, Inc.*¹⁵³ the initial interest confusion doctrine was applied. The court analyzed the claim under the likelihood of confusion doctrine, especially relatedness of the goods, similarity of the marks and simultaneous use of the Internet as a marketing channel, and concluded that those factors weight in favour of Storus Corp. because under the initial interest confusion doctrine a "source confusion" do not need to occur; rather in the context of the Internet, the wrongful act is the defendant's use of the plaintiff's mark to divert consumers to a website that consumers know is not Storus' website.¹⁵⁴

The Fifth, Seventh and Tenth Circuit have not ruled in a keyword-triggered advertising case yet, but from their rulings in other trademark infringement cases it seems that those circuits may be open to applying some sort of initial interest confusion analysis along with a likelihood of confusion analysis. The Fifth Circuit applied an initial interest confusion analysis along with the actual confusion element of likelihood of confusion doctrine in *Elvis Presley Enterprises Inc. v. Capece*¹⁵⁵. The Seventh Circuit has adopted the initial interest

¹⁴⁹ 330 F. Supp. 2d 700 (E.D. Va. 2004).

¹⁵⁰ Barry, 2009, p. 361-362.

¹⁵¹ 423 F.3d 539 (6th Cir. 2005).

¹⁵² Barry, 2009, p. 362-363.

¹⁵³ 2008 WL 449835 (N.D. Cal. Feb. 15, 2008).

¹⁵⁴ Barry, 2009, p. 364.

¹⁵⁵ 141 F.3d 188 (5th Cir. 1998).

confusion doctrine in some trademark cases. In *Promatek Industries v. Equitrac Corp.*¹⁵⁶ the court stated that initial interest confusion occurs when a consumer is “lured to a product by the similarity of the mark, even if the costumer realizes the true source of the goods before the sale is consummated”. The Tenth Circuit has also applied the initial interest confusion doctrine, in for example, *Australian Gold Inc. v. Hatfield*¹⁵⁷ where the court stated that “[i]nitial interest confusion results when a consumer seeks a particular trademark holder's product and instead is lured to the product of a competitor by the competitor's use of the same or similar mark. Even though the consumer may eventually realize that the product is not the one originally sought, he or she may stay with the competitor. In that way, the competitor has captured the trademark holder's potential visitors or customers”.¹⁵⁸

¹⁵⁶ 300 F.3d 808 (7th Cir. 2002).

¹⁵⁷ 436 F.3d 1228 (10th Cir. 2006).

¹⁵⁸ Barry, 2009, p. 365-367.

5 Trademark legislation in the EU v. the U.S.

5.1 Comparison in legislation

One comparison on trademark infringement regarding keyword-triggered advertisement in the EU and the U.S. is the difference in relevant legislation. According to the U.S. Lanham Act, both a use in commerce and a likelihood of confusion is required to establish trademark infringement. The EU requires a use in the course of trade combined with either the condition of “in relation to goods or services which are identical with those for which the trade mark is registered” or the condition of a “likelihood of confusion”. When establishing whether or not trademark infringement can be found in relation to goods or services that are identical with those for which the trademark is registered, the CJEU also examines if the use is liable to have an adverse effect on the functions of the trademark. The adverse effect on the function of indicating origin is one of the functions of the trademark, and its definition by CJEU case law is the same as the definition for likelihood of confusion by the CJEU. Therefore, it seems that both the EU and the U.S. legislation requires some kind of confusion on behalf of the consumer.

When the courts in the U.S. establish whether or not a likelihood of confusion can be found, either a multifactor test is or the initial interest confusion doctrine. The latter analyses the confusion before the point of sale while the multifactor test focus on the confusion during the point of sale. The EU does not have a multifactor test nor is a doctrine applied to determine the likelihood of confusion. Instead, it has to be shown that the advertisement does not enable a normally informed and reasonably attentive Internet user, or only with difficulty enables them, to find out whether the advertisement originates from the trademark owner (or an undertaking economically connected to the trademark owner) or a third party.

Another difference between the EU law and the U.S. law rests upon the question whether using a trademark, as a keyword, constitutes a use within the meaning of the provisions. For trademark infringement to be found, the laws in both the EU and the U.S. require a use of the trademark. In the EU, that use has to be in the course of trade while the U.S. legislation require it to be a use in commerce. The CJEU has, in the recent keyword-triggered advertisement cases, held that the referencing service provider does not use a trademark in the course of trade. The referencing service provider operates in the course of trade, but does not itself use the trademarks. Allowing clients to use signs identical with, or similar to, a trademark does not

mean that the referencing service provider uses the sign. Neither does the fact that the referencing service provider has created the service mean that it uses the signs. However, the advertiser does use a trademark in the course of trade when he/she uses it as a keyword on a referencing service provider. The advertiser uses the sign in the course of trade and in relation to goods or services which are identical with those for which the trademark is registered. The use is also liable to have an adverse effect on the function of indicating origin and, in other cases liable to be likely to cause confusion. The EU has distinguished the liability of the referencing service provider and the advertiser in its verdicts. After the verdict in the appeal of *Rescuecom v. Google* in the Second Circuit, there is a consensus among the courts in different circuits within the U.S. that keyword-triggered advertisement is a use in commerce, which means that both the advertiser and the referencing service provider can be found liable for trademark infringement. The U.S. courts have not made the clear distinction between referencing service providers and the advertisers liability as the CJEU has. The referencing service provider has, in the U.S., been held liable to use a trademark in commerce on several grounds. The fact that the referencing service provider recommends and sells trademarks to competitors constitutes a use in commerce. Allowing clients to pay for their advertisement to be shown under sponsored links and accepting bids from competitors to a trademark also constitutes a use in commerce according to U.S. courts. In addition, the courts have held that the ranking of paid advertisers before the natural listing on the search result constitutes a use in commerce because the referencing service provider acts as a conduit to guide potential costumers of the trademark owner to competitors of the owner. Interesting to note is that U.S. courts find the required use satisfied on grounds the CJEU does not find important. U.S. courts hold the referencing service provider liable for trademark infringement on grounds the CJEU in its recent judgements has found not relevant when they establish whether the referencing service provider uses a trademark in the course of trade.

Both the EU and the U.S. allow exceptions to the exclusive right the trademark owner has to its trademark. The European Union exceptions can be found in Articles 6 and 7 of the Trademark Directive, while the U.S. exceptions are found in the doctrine of fair use. The U.S. doctrine allows for third party's to use someone else's trademark in a descriptive way, in comparative advertising and in a way that describes the trademark owner's products though the main purpose is to describe the defendant's own product. The EU law lists situations when the trademark owner cannot prohibit the use of their trademark by a third party, e.g. a third party is allowed to use his own name or address, indications concerning the kind, quality, value, quantity, intended purpose, value, geographical origin, time of production of goods or rendering of the service, or characteristics of goods or services. A third party is also allowed to use the trademark

where it is necessary to indicate the intended purpose of a product or a service provided the party uses them in accordance with practices in industrial or commercial matters. A trademark owner cannot prohibit the use of a product that has been placed on the EEA by the trademark owner. As just explained, it seems that the exceptions available to the third party when using someone else's trademark is different in the EU and the U.S. The U.S. rules are more straightforward and more easily applicable to keyword-triggered advertisement cases. The EU legislation probably needs more interpretation by the CJEU in order to know how and when they are applicable to keyword-triggered advertisement cases.

Though there are a lot of differences in the approach to trademark infringement in keyword-triggered advertisement cases, are there despite of that actual differences in the judgements the courts finally reaches in these issues? The use requirement is, as explained above, interpreted differently in the EU and the U.S. According to the CJEU's definition of use in the course of trade, only the advertiser can be held liable to the alleged trademark infringement while the referencing service provider is shielded from liability. In the U.S., both the referencing service provider and the advertiser can infringe on someone else's trademark because they can both use the trademark in commerce. The difference in use in the course of trade and use in commerce results in a difference in who finally bears liability in the two jurisdictions. The approaches to establish likelihood of confusion in the U.S. and the EU, which is the same standard that established if the use is liable to affect the function of indicating origin of the trademark, might result in similar judgements in the two jurisdictions. However, there is still one big difference in who bear liability for the infringement.

5.2 A solution to the differences in legislation

The global nature of the Internet poses a problem to the trademark owners. In one jurisdiction the owner's right to its trademark is protected in one way while the trademark owner enjoys other rights in another jurisdiction. A question that could be posed is if we should have specific trademark laws that only apply to situations on the Internet? Or could Google and other referencing service providers adopt the same policy regarding keywords across national boundaries and therefore allow the trademark owner to enjoy the same protection for their trademark despite the fact that the infringement occurs within different jurisdictions?

Every computer has an IP-number telling the Internet where your computer is located. An Internet user therefore gets advertisements

from within that jurisdiction on a search engine that offers a referencing service. However, a computer's IP-number can be hidden or changed, by different programs available on the Internet. When the Internet user changes its computer's IP-number, it gives their computer an IP-number from another jurisdiction than where the computer is located. Advertisers, and Internet users, can therefore today go around the restrictions of one country by advertising on the search engine's foreign version in the hopes for domestic consumers to see the advertisement of that website. For example, an AdWords buyer in Sweden can purchase trademarked keywords in AdWords from www.google.com, the American site, and therefore circumvent the Swedish and EU trademark decisions in the matter. It is likely that a Swedish consumer visits Google's main site instead of the country-specific one, because of Google's universal ".com" domain. A Swedish AdWords buyer can therefore strategically take advantage of the difference in trademark laws and profit off the goodwill of the trademark owner by advertising on another country's country-specific website. For that reason, an attempt to harmonize the trademark law in this particular context on a transnational level would be beneficial. Especially since national boundaries on the Internet are more or less nonexistent from the Internet user's perspective and advertising on referencing services in a different country can be done by merely changing a couple of letters in Google's domain name. Therefore, a solution to this problem could be to form uniform trademark laws regarding the Internet and keyword-triggered advertising across national boundaries to make sure the trademark owner enjoys the same protection for their trademark irrespectively of where the infringement occurs.

An alternative to a harmonization of the trademark laws around the world, in the context of the Internet, is for the referencing service provider to adopt the same keyword and trademark policy that is consistent across national boundaries and favourable to the trademark owners. Today, Google uses different policies for advertisers depending on within which jurisdiction the advertiser buys the AdWord. Google frequently changes its policy in respect to court verdicts within the jurisdiction relating to keyword-triggered advertising. The referencing service provider could stop the bidding on trademarked keywords worldwide, or prohibit competitors from purchasing a trademark as keyword unless the competitor affirms that the advertisement meets certain non-competitive conditions.

6 Conclusion

6.1 Summary

The Internet poses new challenges to the legal world. In the recent years, the issue of using trademarks as keywords in referencing services has become a much-litigated issue, both in the EU and in the U.S.

To establish trademark infringement in keyword-triggered advertising cases within the EU, Article 5(1) of the Trademark Directive and Article 9(1) of the CTM Regulation requires a “use in the course of trade” combined with either the condition “in relation to goods or services which are identical with those for which the trade mark is registered” or the condition of a “likelihood of confusion” for trademark infringement to be established.

Under the Lanham Act, U.S. trademark law, it is required that the accused infringer uses a valid trademark in commerce without permission from the trademark owner and that the unauthorized use is likely to cause confusion as to the source or origin of the goods or services in order to establish trademark infringement.

The issue on keyword-triggered advertising is fairly new within the EU and the CJEU came to a decision in the issue for the first time in March 2010. The Court made a distinction between advertiser’s liability on one hand and referencing service provider’s liability on the other. According to recently established case law, the referencing service provider does not use the trademark in the way required by the Trademark Directive. However, advertisers that use someone else’s trademark, as a keyword in a referencing service, are liable to use that trademark in the course of trade. After examining the condition “in relation to goods or services which are identical with those for which the trade mark is registered” the Court came to the conclusion that the trademark owner is entitled to prohibit an advertiser from advertising when the advertiser uses keywords that are *identical* to another’s trademark. In the case C-278/08, the Court clarified that the owners also are entitled to prohibit an advertiser from using the trademark owner’s trademark when the advertiser uses keywords *similar* to someone else’s trademark.

Courts in the U.S. have been faced with the issue of keyword-triggered advertising for a longer time than the courts in the EU. According to U.S. case law, both the advertiser using a protected trademark and the referencing service provider can be held liable for trademark infringement. When U.S. courts decide on whether the use of a trademark as a keyword constitutes trademark infringement or

not, the courts determine if a use in commerce is found. Until recently, courts in the Second Circuit did not find that keyword use was a use in commerce while courts in other Circuits came to the contrary decision. After the verdict in the appealed *Rescuecom v. Google* case, the Second Circuit came to the decision that keyword use in fact is a use in commerce as defined by the Lanham Act. The split of authority therefore seems to have been eliminated. After establishing that a use in commerce exists, courts in the U.S. have turned to whether that use is likely to cause confusion. When evaluating this condition, some courts have looked into the traditional likelihood of confusion factors while other courts apply the doctrine of initial interest confusion.

The case law on this issue, within the EU, is still evolving and there are currently cases pending before the CJEU, which further will establish the legal situation regarding keyword-triggered advertisement.

A consensus on the legal situation regarding keyword-triggered advertisement has not been reached in U.S. courts and the legal situation regarding the issue will remain uncertain until the Supreme Court settles the issue. There is, however, a trend in out of court settlement in cases regarding keyword-triggered advertisements, which makes it questionable whether courts will address the issue of trademark infringement in a near future in the US.¹⁵⁹ Google has settled many lawsuits brought against them by trademark owners before the lawsuit has reached judgements. By keeping the terms of the settlement confidential, Google has inhibited the development of unfavourable precedent in the U.S.¹⁶⁰

6.2 Closing thoughts

It is difficult to know how the guidelines set up by the CJEU in the recently handed out cases will be interpreted by the Member States' national courts. The CJEU leave room for interpretation of their verdicts by the national courts. However, I do not think the national courts' end result will differ that much from each other. The main question was answered by the CJEU, namely who can be held liable for trademark infringement in online keyword advertising. Whether an advertiser should be held liable for using someone else's trademark is up to the national courts to determine, which I think is reasonable given that the national courts are aware of the actual terms of the case. If a Swedish court and a French court got the exact same keyword advertising case concerning trademark infringement, I think the outcome of that case would be similar as to if a court in Malmo

¹⁵⁹ Kemnitzer, 2010, p. 427.

¹⁶⁰ Friedman, 2010, p. 395.

and a court in Stockholm got the same case. I do not think the outcome from one member state will be different from another, instead I think it depends on the judges interpreting the case, what the outcome would be. It is interesting to see how the verdicts are going to be interpreted by the national courts.

A question posed in chapter 5.2 is if we should have a specific trademark law that applies to situations on the Internet. I think it would be a good idea, especially since national boundaries on the Internet are more or less nonexistent from the Internet user's perspective and advertising on referencing services in a different country can be done by merely changing a couple of letters in Google's domain name. It would make sure that trademark owners enjoy the same protection for their trademark irrespectively of where the infringement occurs on the Internet. It is difficult to know how a uniform law for the Internet could be formed. A treaty is one option. Another is to create a law within your own jurisdiction that makes it more difficult for referencing services to continue to let advertisers violate the trademark owners exclusive right to their trademark. Google and other referencing service providers nowadays create their own policies for their service, and changes their policies in respect to court verdicts within different jurisdictions. How such a national law would look is difficult to predict. The Internet is challenging to a lot of areas of the law.

I am looking forward to seeing how the legal situation within trademark infringement on the Internet evolves, as more cases reach the CJEU and the national courts start interpreting the judgements by the CJEU within their own jurisdiction. Time will tell if the cases will be interpreted differently in different Member States, if uniform laws for trademark issues on the Internet will arise and how they in that case will look and if different states create laws that makes it harder for a referencing service provider to enable advertisers to infringe on someone else's trademark.

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