

# Search Engines Searching for Trouble?

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**In both the EU and the US, trademark owners have sued search engine operators for using their trademarks as triggers in competitive keyword advertising. EU and US courts have taken a different approach to search engine operator liability for such invisible keyword use. The article outlines these different approaches and argues that the ECJ made the right decision when it pushed search engine operator liability outside the realm of trademark law in *Google v. Louis Vuitton*. However, after this decision, search engine operator liability in the EU is all but clear.**

## Introduction

Search engines are modern oracles. The higher position on the first search engine result page, the better.<sup>1</sup> It is therefore imperative for business owners to be listed among the top search results. Besides putting effort in creating a website that is indexed, ranked and listed by a search engine operator, a business owner can buy his way into the top results by acquiring an advertisement on the result page, often referred to as a ‘sponsored search result’.

Search engine operators enable advertisers to link their advertisements to specific search queries. These search queries are called ‘keywords’. An advertiser bids and pays a small amount of money to a search engine operator for every search engine user that clicks on his advertisement and that is directed to his website.<sup>2</sup>

Besides bidding on generic keywords like ‘coffee’ and ‘cars’, an advertiser can bid on a keyword that is at the same time his competitor’s trademark. For example, by bidding on the keyword ‘Coca Cola’, PepsiCo could acquire an advertisement alongside Google’s search results for the phrase ‘Coca Cola’. Google users are then presented with an advertisement of a competitor (PepsiCo) of the company that they might be searching products of (the Coca Cola Company).

In both the EU and the US, this last type of keyword advertising has caused trademark owners to take search engine operators to court for infringing on their trademarks. This article compares and evaluates the difference between the EU and the US approach to a search engine operator’s liability for linking search engine advertisements to a trademark owned by the advertiser’s competitor without explicit reference to the trademark in the advertisement’s text.

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<sup>1</sup>\* This article is based on the author’s research master thesis, which can be downloaded at: <[http://www.stefankulk.nl/publications/search\\_engines\\_searching\\_for\\_trouble.pdf](http://www.stefankulk.nl/publications/search_engines_searching_for_trouble.pdf)>.

N Höchstötter and D Lewandowski, 'What Users See - Structures in Search Engine Results Pages' [2009] 179 Information Sciences 1796, 1809. Eye tracking studies have shown that search engine users are drawn to the first links on a result page, see: Z Guan and E Cutrell, *An Eye Tracking Study of the Effect of Target Rank on Web Search* (ACM, 2007); B Pan and others, 'In Google We Trust: Users' Decisions on Rank, Position, and Relevance' [2007] 12 Journal of Computer-Mediated Communication 801.

<sup>2</sup> For instance, if Nescafé bids 30 cents per click on the keyword ‘coffee’, then every time a search engine user searches for coffee, the Nescafé advertisement will be ranked depending on *inter alia* the height of Nescafé’s bid in relation to other advertisers.

In *Google v. Louis Vuitton*, the ECJ held that search engine operators *cannot* be held liable for trademark infringement.<sup>3</sup> In the US, courts have taken a different approach and held that search engine operators *can* be held liable under trademark law. This article will argue that the ECJ made a logical choice when it pushed search engine operator liability for trademark use in keyword advertising outside of the realm of EU trademark law. However, and as a result, search engine operator liability will have to be viewed in the light of diverging national secondary liability standards, which will likely lead to disparities between EU Member states when dealing with search engine operator liability.

## Two ways of looking at search engine operator liability

There are two ways of looking at a search engine operator's liability for invisible keyword use in search engine advertising. One way is to look at a search engine operator's conduct in the light of trademark infringement. The search engine operator's potential liability is then independent from the advertiser's liability. This type of liability is referred to as a direct liability, a liability arising from a party's own infringing acts. In the context of EU and US trademark law, this type of liability will be referred to as 'direct trademark infringement'.

If one finds that an advertiser is primarily at fault when there is confusion about an advertisement's affiliation and a search engine operator contributes to an advertiser's trademark infringement, then search engine liability is framed in secondary or indirect liability rules. This type of liability deals with responsibility of one party for directly infringing acts carried out by another party. In the US, a search engine operator would then be held liable under contributory trademark infringement standards. In the EU, since there is no concept of contributory trademark infringement, a search engine operator's liability would then be viewed in the light of national general liability and unfair competition rules.

Both EU and US trademark law<sup>4</sup> require trademark use as an element of direct trademark infringement.<sup>5</sup> In both legal systems, the answer to the question whether a search engine operator himself uses a trademark when he displays sponsored search results on the basis of keywords selected by an advertiser, is decisive for whether or not he is directly liable for trademark infringement. The European Court of Justice (ECJ) and US federal courts have answered that question differently and, in doing so, they have pushed the development of search engine liability for keyword advertising in different directions.

## Trademark use by search engine operators

The difficulty with invisible keyword advertising is that the trademark is not visible as part of the advertisement's text. The trademark is merely a trigger for displaying a certain advertisement. In both the US and the EU, invisible keyword advertising stirred the debate over what types of trademark use should be actionable under trademark law and what types should not.

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<sup>3</sup> Joined Cases C-236/08 to C-238/08 *Google France v Louis Vuitton* [2010] ETMR 30.

<sup>4</sup> In the US, trademarks are governed by both state and federal law. This article deals only with US federal trademark law as embodied in the Lanham Act.

<sup>5</sup> Section 32(1) of the Lanham Act reads: "Any person who shall, without the consent of the registrant (a) *use in commerce* any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale,[...] shall be liable in a civil action by the registrant for the remedies hereinafter provided."

## **ECJ: search engine operators *do not* use trademarks**

National courts in the EU have been divided over search engine operator liability for competitive trademark use on their advertising platforms. In France, courts have established trademark use by search engine operators and granted claims on the basis of direct trademark infringement.<sup>6</sup> UK courts have taken an opposite view and have rejected claims of direct trademark infringement and forms of indirect liability.<sup>7</sup>

Since the ECJ gave judgement in *Google v. Louis Vuitton*, this difference in approach is likely to disappear.<sup>8</sup> In this case the court gave a ruling on the basis of preliminary questions asked by the French *Cour de Cassation* (Supreme Court) in three different French proceedings in which the advertising parties either marketed imitations of the products of the trademark owner or were competitors of the trademark owner. The joint cases dealt with the responsibility of both Google and advertisers for using trademarks on Google's search engine advertising platform (AdWords). The ECJ had to deal with the question whether a search engine operator can be held liable for trademark infringement when it displays advertisements that are triggered by a keyword that corresponds to a trademark of the advertiser's competitor.

In order to establish trademark infringement, Article 5(1) and (2) of the EU Trademark Directive (TMD) require that the trademark is used in the course of trade.<sup>9</sup> In *Arsenal v. Reed*, the ECJ had explained that a sign is used in the course of trade when it "takes place in the context of commercial activity with a view to economic advantage and not as a private matter."<sup>10</sup> In *Google v. Louis Vuitton*, the ECJ applied *Arsenal* and held that it is common ground that a search engine operator carries out a commercial activity with a view to economic advantage when he allows advertisers to select, as keywords, signs identical with trademarks, stores those signs and displays his clients' ads on the basis thereof.<sup>11</sup>

However, this does not mean that a search engine operator himself uses those signs within the terms of Article 5 TMD. In *Google v. Louis Vuitton*, the ECJ emphasized that actionable trademark use requires that a third party uses the sign in its own commercial communication.<sup>12</sup> The ECJ therefore held that a search engine operator does not use signs in the course of trade when he allows others to link advertisements to search queries that correspond to trademarks. As a result, a search engine operator cannot be held liable for trademark infringement.

## **US courts: search engine operators *do* use trademarks**

US federal trademark law, in Lanham Act Section 32, seems to dictate 'use in commerce' as an element for trademark infringement. The phrase 'use in commerce' is defined in Section 45 of the Lanham Act. It requires use that takes place in the ordinary course of trade, and

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<sup>6</sup> For instance, trademark infringement was established in: *Google v. Meridian* (Court of Appeal of Versailles). For an overview see: L Denis-Leroy, 'Liability for Adwords Services in France. How French Case Law Maintains Pressure on Google' [2008] 9 Computer Law Review International (CRi) 108.

<sup>7</sup> For instance, in *Victor Andrew Wilson v Yahoo! UK Ltd, Overture Services Ltd* [2008] E.T.M.R. 33 (High Court of Justice (Chancery Division)), the English High Court of Justice argued that a search engine user is the only one using a trademark and search engine operators are not to blame. For an overview see: J Cornthwaite, 'Adwords or Bad Words? A UK Perspective on Keywords and Trade Mark Infringement' [2009] 31 European Intellectual Property Review (E.I.P.R.) 347; N Shemtov, 'Mission Impossible? Search Engines' Ongoing Search for a Viable Global Keyword Policy' [2009] 13 Journal of Internet Law 3.

<sup>8</sup> Joined Cases C-236/08 to C-238/08 *Google France v Louis Vuitton* [2010] ETMR 30.

<sup>9</sup> Directive (EC) 08/95 of the European Parliament and of the Council, of 22 October 2008, to Approximate the Laws of the Member States Relating to Trade Marks [2008] OJ L299/25.

<sup>10</sup> Case C-206/01 *Arsenal Football Club plc v. Matthew Reed* [2002] ECR I-10273, para 40. Also see: Case C-17/06 *Céline SARL v. Céline SA* [2007] ECR I- 01017, para 17; Case C-62/08 *UDV North America v. Brandtraders* [2009] ECR I-1279, para 44.

<sup>11</sup> Joined Cases C-236/08 to C-238/08 *Google France v Louis Vuitton* [2010] ETMR 30, para 55.

<sup>12</sup> *ibid* para 56.

it implies that the use should be visible to consumers either on the product packaging or in marketing efforts. From a purely textualist perspective, the definition in Lanham Act Section 45 governs all references to the phrase ‘use in commerce’ in the Lanham Act, and thus the reference made in Lanham Act Section 32. This implies that actionable trademark use should be visible.

However, whether or not ‘use in commerce’ in the sense of Lanham Section 45 is actually an element of trademark infringement has been, and still is, the topic of a vibrant scholarly debate. McCarthy argues that the definition of ‘use in commerce’ was “clearly drafted to define the types of ‘uses’ that are needed to qualify a mark for federal registration” and not to set a bar to trademark infringement.<sup>13</sup> Dinwoodie and Janis join his side and argue that consumer confusion is and always has been the touchstone for trademark liability.<sup>14</sup>

At the other side of the spectrum, Dogan and Lemley argue that trademark infringement does require use in commerce in the sense of Lanham Act Section 45. They point out that in the pre-Internet era, trademark use has never been an issue as infringers always clearly used the trademark as a visible device in marketing their products.<sup>15</sup> The advent of the Internet urges to re-examine the core principles of trademark law and to accept ‘use in commerce’ as an element of trademark infringement.<sup>16</sup>

With regard to search engine operators, Dogan argues that if they are to be held liable, they should be liable under contributory trademark infringement theory, not under direct trademark infringement theory.<sup>17</sup> Advertisers primarily engage in trademark use, not search engine operators. Therefore contributory liability best fits a search engine operator’s role in search engine advertising.<sup>18</sup> US courts have, however, all mainly looked at search engine operator liability through a direct trademark infringement lens. They only rarely applied contributory trademark infringement standards to search engine operator trademark use.<sup>19</sup>

*1-800 Contacts v. Whenu.com* was the first court of appeals case that dealt with a practice that is similar to search engine operator trademark use in sponsored search.<sup>20</sup> This case concerned pop-up advertisements that were triggered by a computer user’s Internet browsing behaviour. Whenu.com linked advertisements to URLs that the computer user was visiting. The Second Circuit held that such use was not actionable under the Lanham Act because a “company’s internal utilization of a trademark in a way that does not communicate it to the public is analogous to a (sic.) individual’s private thoughts about a trademark.”<sup>21</sup> No trademark use and thus no trademark infringement.

Whether a similar argument of non-use can be made by search engine operators defending their keyword advertising practices, was decided on by that same court in *Rescuecom v. Google* in 2009.<sup>22</sup> In this case, Rescuecom asserted that Google sold its RESCUECOM

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<sup>13</sup> JT McCarthy, *McCarthy on Trademarks and Unfair Competition* (West, 2010), 23:11.1.

<sup>14</sup> GB Dinwoodie and MD Janis, 'Confusion Over Use: Contextualism in Trademark Law' [2006] 92 Iowa Law Review 1597, 1599. Also see: GB Dinwoodie and MD Janis, 'Lessons from the Trademark Use Debate' [2006] 92 Iowa L. Rev. 1703.

<sup>15</sup> SL Dogan and MA Lemley, 'Grounding Trademark Law through Trademark Use' [2008] 98 The Trademark Reporter 1345, 1347.

<sup>16</sup> *ibid.*, 1347.

<sup>17</sup> SL Dogan, 'Beyond Trademark Use' [2010] 8 Journal on Telecommunications and High Technology Law 135, 145.

<sup>18</sup> Also see: *800-JR Cigar, Inc. v. GoTo.com, Inc.* 437 F.Supp.2d 273 (2006) (District Court New Jersey), in which the district court *obiter* held that contributory infringement or indirect infringement doctrine best embraces trademark use by search engine operators.

<sup>19</sup> Two cases in which courts briefly touched on contributory trademark infringement were: *Rosetta Stone, Ltd. v. Google, Inc.* 2010 WL 3063152 (2010) (District Court Eastern District of Virginia), 14; and *GEICO v. Google, Inc. (I)* 330 F.Supp.2d 700 (2004) (District Court Eastern District of Virginia), 705.

<sup>20</sup> *1-800 Contacts, Inc. v. WhenU.Com, Inc.* 414 F.3d 400 (2005) (2nd Circuit Court of Appeals).

<sup>21</sup> *ibid.*, 409.

<sup>22</sup> *Rescuecom Corp. v. Google, Inc.* 562 F.3d 123 (2009) (2nd Circuit Court of Appeals).

trademark to its competitors to trigger sponsored links that appear on Google's result pages for a search on 'Rescuecom'. The Second Circuit held that the *Rescuecom* case and the *1-800* case were materially different. In *1-800* the defendants did not use, reproduce or display the plaintiff's mark "at all".<sup>23</sup> The advertisements were simply triggered by a URL, not by trademarked keywords. In contrast, Google displayed, sold and offered the RESCUECOM trademark. It even encouraged advertisers to purchase the mark through its keyword suggestion tool. The court therefore concluded that Google made use of the RESCUECOM trademark.<sup>24</sup>

*Google v. Rescuecom* is the latest case in a line of cases in other circuits in which courts have argued that a search engine operator's use of a trademark to trigger advertisements is covered by the Lanham Act.<sup>25</sup> Visible trademark use thus did not turn out to be a hard requirement for trademark infringement. After the *Rescuecom* decision, Dogan wrote that "in the Second Circuit, at least, the trademark use requirement for infringement is all but dead."<sup>26</sup>

### **Analysis: The ECJ made the right doctrinal choice**

The ECJ's reasoning is fundamentally different from the Second Circuit's reasoning. In the EU, after the *Google v. Louis Vuitton* decision, trademark use as a requirement for trademark infringement is vibrantly alive. In contrast with the Second Circuit, the ECJ rejected the argument that a search engine operator uses a trademark because the trademark is the basis of a commercial transaction. Permitting advertisers to select keywords, storing keywords and displaying advertisements on the basis of those keywords, is what the ECJ calls 'operating in the course of trade'. *Operating* in the course of trade, however, does not imply that the sign is *used* in the course of trade. As a result, search engine operator liability for trademark use in keyword advertising is taken out of the context of trademark law and put into the realm of secondary liability standards.

Advertisers are primarily responsible for the advertisements they put online. Even if a search engine operator suggests a competitor's trademark as a keyword, then it is still the advertiser who primarily infringes the trademark by writing the advertisement and connecting keywords to it. Search engine operators only enable advertisers to use trademarks in their advertisements and do not act on behalf of their advertisers.<sup>27</sup> A search engine operator's responsibility is one that is derived from the advertiser's responsibility and therefore search engine operator responsibility should be assessed in the context of secondary liability.

The US *Rosetta Stone* case is an example of what can go wrong when direct trademark infringement doctrine is applied to search engines operators.<sup>28</sup> To determine likelihood of confusion, the US district court compared Rosetta Stone's products (language learning tools) with Google's product (search services) and concluded that any argument that Google was trying to palm off Rosetta Stone's products unfounded. The court, by applying direct trademark infringement doctrine, was diverted from the real issue: do advertisements of competitors of Rosetta Stone confuse Google users that are searching for language learning

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<sup>23</sup> *Rescuecom Corp. v. Google, Inc.* 562 F.3d 123 (2009) (2nd Circuit Court of Appeals), 128.

<sup>24</sup> After the Second Circuit remanded the case, the District Court never decided on the issue because Rescuecom decided to abandon its litigation against Google after a settlement of their dispute, see: E Goldman, 'Rescuecom Abandons Its Litigation Against Google' (2010) <[http://blog.ericgoldman.org/archives/2010/03/rescuecom\\_aband.htm](http://blog.ericgoldman.org/archives/2010/03/rescuecom_aband.htm)> accessed 5 July 2011.

<sup>25</sup> For instance: *800-JR Cigar, Inc. v. GoTo.com, Inc.* 437 F.Supp.2d 273 (2006) (District Court New Jersey), 285; and *GEICO v. Google, Inc. (I)* 330 F.Supp.2d 700 (2004) (District Court Eastern District of Virginia), 703.

<sup>26</sup> SL Dogan, 'Beyond Trademark Use' [2010] 8 Journal on Telecommunications and High Technology Law 135, 136.

<sup>27</sup> In contrast, see: Case C-62/08 *UDV North America v. Brandtraders* [2009] ECR I-1279, in which the ECJ considered trademark use by an intermediary and held that Brandtraders acted on behalf of another party and used a trademark in its own communications, which established a link between the sign and the goods marketed by Brandtraders.

<sup>28</sup> *Rosetta Stone, Ltd. v. Google, Inc.* 2010 WL 3063152 (2010) (District Court Eastern District of Virginia).

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The logical path is to ask whether an advertiser infringes a trademark by linking a competitor's trademark to his advertisements, and on the basis of secondary liability standards: whether a search engine operator's conduct contributes to that infringement. That is what the ECJ did, and it made the right doctrinal choice by doing so.

## The bumpy road ahead after *Google v. Louis Vuitton*

In the EU, since direct trademark infringement rules do not apply to search engine operators selling trademarked keywords, search engine operator liability will be framed in national secondary liability rules. The Trademark Directive leaves room for such secondary liability, as it does not exclude the application of national civil liability rules in disputes about trademarks.<sup>29</sup> Secondary liability presupposes that another party can be held primarily liable. The ECJ has opened the door to liability of advertisers for using trademarked keywords in *Google v. Louis Vuitton*. The keyword advertising cases that followed all ride on the coat-tails of this ECJ decision.<sup>30</sup>

### Advertiser liability for keyword advertising

*Google v. Louis Vuitton* was the first case brought before the ECJ regarding an advertiser's liability under Article 5(1)(a) TMD for the use of keywords that are identical with a competitor's trademark for products identical with the trademark owner's products. The ECJ held that using a trademarked keyword can adversely affect the trademark's function of indicating a product's origin for which an advertiser can be held liable.<sup>31</sup>

The function of indicating origin can be adversely affected if an advertisement "does not enable normally informed and reasonably attentive internet users, or enables them only with difficulty, to ascertain whether the goods or services referred to by the ad originate from the proprietor of the trade mark or an undertaking economically connected to it or, on the contrary, originate from a third party."<sup>32</sup> In *Portakabin v. Primakabin*, the ECJ used this same formula to assess whether a trademark owner can prohibit an advertiser from advertising using a keyword that is identical with or similar to his trademark (Article 5(1)(b) TMD applies).<sup>33</sup>

The ECJ focused on the advertisement's visual presentation on a search engine result page. Because "the ad [...] appears immediately after entry of the trade mark as a search term by the internet user concerned and is displayed at a point when the trade mark is [...] also displayed on the screen, the internet user may err as to the origin of the goods or services in question."<sup>34</sup> Trademark use is then liable to create the impression that there is a material link between the goods or services advertised and the proprietor of the trademark. Such use has an adverse effect on the function of indicating origin.<sup>35</sup> Even when the advertisement does not

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<sup>29</sup> Recital 7 of the TMD.

<sup>30</sup> Case C-278/08 *Die BergSpechte Outdoor Reisen v Günther Guni* [2010] OJ C 134/3. C-91/09 *Eis.de v BBY Vertriebsgesellschaft* [2010] OJ C 234/18; Case C-558/08 *Portakabin v Primakabin* [2010] OJ C 234/10. There currently is one reference for a preliminary ruling before the ECJ that deals with use of trademarks with a reputation: Reference for a preliminary ruling in Case C-323/09 *Interflora v. Marks & Spencer* [2009] OJ C 282/19.

<sup>31</sup> The ECJ also held that use of a trademark is not liable to have an adverse effect on the function of advertising: Joined Cases C-236/08 to C-238/08 *Google France v Louis Vuitton* [2010] ETMR 30, para 94. For a critique see: G Engels, 'Markenrechtliche Reichweite und wettbewerbsrechtliche Grenzen von Keyword Advertising' [2010] MarkenR 233, 235.

<sup>32</sup> *ibid* para 84.

<sup>33</sup> Case C-558/08 *Portakabin v Primakabin* [2010] OJ C 234/10, para 54.

<sup>34</sup> Joined Cases C-236/08 to C-238/08 *Google France v Louis Vuitton* [2010] ETMR 30, para 85.

<sup>35</sup> *ibid* para 89.

suggest an economic link, keyword advertising can have an adverse effect on the function of indicating origin when “normally informed and reasonably attentive internet users” are unable to determine the advertiser’s affiliation.<sup>36</sup>

In *BergSpechte v. Günther Guni*, the ECJ discussed the use of a keyword that was not identical but similar to a competitor’s trademark to advertise products that were identical with the trademark owner’s products (Article 5(1)(b) TMD applies). It thus had to touch upon the question whether or not competitive keyword advertising creates a likelihood of confusion.<sup>37</sup>

The ECJ left it for the national court to decide whether a likelihood of confusion existed in this particular case. It did provide the context in which the likelihood of confusion is to be assessed, which closely resembles the ECJ’s reasoning regarding the trademark’s function of indicating origin.<sup>38</sup> Many different factors may come into play when determining to what extent a search engine user is aware of the origin of the advertisement, and whether or not the advertised products are linked to that trademark.<sup>39</sup> Some factors have to do with the advertisement’s content, such as whether it is clear from the advertisement’s text that the advertising party offers alternative products to the products searched for. Another factor could be the extent to which the products are related. In the case of different but related goods or services an advertisement will less likely infringe a trademark, for instance when a keyword relating to air travel triggers a car rental advertisement.<sup>40</sup>

Advertisers are thus *potentially* directly liable for trademark infringement when they use their competitors’ trademarks as keywords. Search engine operator may thus be held liable under national liability rules for contributing to an advertiser’s trademark infringement.

### **Safe harbour protecting search engine operators?**

Search engine operators may be exempted from such liability when they qualify as intermediary service providers in the sense of the E-Commerce Directive (ECD).<sup>41</sup> In essence, the ECD deals with intermediary liability in four steps. First, the ECD distinguishes and defines three types of online intermediary activities: ‘mere conduit’,<sup>42</sup> ‘caching’,<sup>43</sup> and ‘hosting’<sup>44</sup>. Second, under certain conditions it provides for an exemption from liability that may arise from carrying out these intermediary activities. Third, the ECD leaves open the possibility of injunctive relief to terminate or prevent an infringement. And fourth, the ECD prohibits Member States to impose on intermediary service providers a general obligation to monitor the data that they convey.<sup>45</sup>

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<sup>36</sup> *ibid* para 90.

<sup>37</sup> Case C-278/08 *Die BergSpechte Outdoor Reisen v Günther Guni* [2010] OJ C 134/3.

<sup>38</sup> *ibid* para 39.

<sup>39</sup> Advocate General Jääskinen put it this way: “the court [ECJ] did not condemn keyword advertising using third party trade marks as such but linked the question of its permissibility to the contents of the ad displayed in the sponsored link” in Case C-323/09 *Interflora v. Marks & Spencer* [2011] (not yet published, available at <<http://curia.europa.eu>>), para 88.

<sup>40</sup> This example was taken from Advocate General Jääskinen’s conclusion in: Case C-323/09 *Interflora v. Marks & Spencer* [2011] (not yet published, available at <<http://curia.europa.eu>>), para 45.

<sup>41</sup> Directive (EC) 00/31 of the European Parliament and of the Council, of 8 April 2000, on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market [2000] OJ L178/1.

<sup>42</sup> Article 12 ECD. Mere conduit service providers transmit information from one point to another without knowledge of or control over the information that is transmitted. Typical examples are Internet Access Providers and physical network providers.

<sup>43</sup> Article 13 ECD. A cache is a component that improves performance by (temporarily) storing data such that future requests for that data can be served faster. On the Internet caching is used from a Internet user’s browser to the ISP-level to reduce bandwidth usage, server load, and perceived lag.

<sup>44</sup> Article 14 ECD. Internet hosting providers typically store information through automated processes without knowledge or control over the information that is stored.

<sup>45</sup> Article 15 ECD.

Although, it seemed that the ECD ruled out the application of safe harbours to search engine operators,<sup>46</sup> the ECJ in *Google v. Louis Vuitton* held that there are no constraints for a search engine operator to qualify as a hosting provider and to be exempted from liability.

The ECJ held that it cannot be disputed that a search engine advertising service is a hosting service in the meaning of Article 14 ECD because a search engine operator stores content provided by advertisers.<sup>47</sup> However, for its liability to be limited, a search engine operator's activity should be of mere technical, automatic and passive nature, and the operator should have neither knowledge of, nor control over the information that is transmitted or stored. The question is: is the search engine operator's role neutral enough?<sup>48</sup>

The ECJ noted that the neutrality that is required cannot be deprived by the mere fact that search engine operators set terms and conditions for the advertising service, nor by the fact that they are paid for their services.<sup>49</sup> The same accounts for the matching of keywords with entered search terms.<sup>50</sup> The role that search engine operators play in drafting advertisements, including assisting with the selection of keywords, is considered relevant by the ECJ.<sup>51</sup>

In order to enjoy this exemption, the search engine operator should expeditiously act to remove or to disable access to unlawful information upon obtaining actual knowledge or awareness of illegal activities.<sup>52</sup> Most likely, search engine operators obtain such knowledge through a system of private notices alerting them of unlawful advertisements, since there is no duty to proactively monitor.

The ECJ left it for the French *Cour de Cassation* to decide whether Google is neutral enough to benefit from the liability exemption. The question thus still remains: are search engine operators sufficiently neutral to be exempted from liability? In *Google v. Louis Vuitton* the ECJ did not rule out the possibility of search engine operators being hosting providers that are immune to liability. However, this does not mean they should by definition be qualified as hosting providers in the sense of the hosting service provider safe harbour.

## Conclusions

The EU and the US deal with the issue of search engine operator liability for competitive keyword advertising in a fundamentally different way. Under EU trademark law, a search engine operator's liability is outside of the realm of trademark law. In contrast, in the US, search engine liability for competitive keyword advertising is considered a pure trademark law issue. If competitive keyword advertising conflicts with trademark law, then it is the advertiser who primarily engages in trademark infringement. Search engine operators only contribute to that infringement and their conduct should be viewed in terms of secondary liability. In my view, the ECJ made the better decision.

In the EU, search engine operator liability for competitive keyword advertising will be

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<sup>46</sup> Article 21 ECD reads: "In examining the need for an adaptation of this Directive, This Directive is addressed to the Member States. the report shall in particular analyse the need for proposals concerning the liability of providers of hyperlinks and location tool services [...]" Also see: J van Hoboken, 'Legal Space for Innovative Ordering: On the Need to Update Selection Intermediary Liability in the EU' [2009] 13 International Journal of Communications Law & Policy 49.

<sup>47</sup> *ibid* para 111.

<sup>48</sup> *ibid* paras 112-114.

<sup>49</sup> *ibid* para 116.

<sup>50</sup> *ibid* para 117.

<sup>51</sup> *ibid* para 118.

<sup>52</sup> Recital 46 of the ECD.

framed in the context of national secondary liability rules. National courts will have to decide whether, on the basis of diverging rules of general tort law or unfair competition law, a search engine operator can be held liable.

An important bar to the liability of search engine operators is the ECD hosting safe harbour. Search engine operators may qualify as hosting service providers and be exempted from liability on the basis of that directive. The ECJ leaves it up to national courts to decide whether search engine operators are neutral enough to benefit from the ECD hosting safe harbour. The ECJ's considerations regarding neutrality are, however, of little help. The court considered that the required neutrality *cannot* be deprived by the mere fact that search engine operators set terms and conditions for the advertising service and the fact that they are paid for their services. Also the mere fact that keywords are matched with entered terms is *not* sufficient to *not* qualify as a hosting provider under the ECD. What on its own does not deprive a search engine operator from its neutrality is not a very helpful factor for establishing that neutrality. This again leaves much room for interpretation by national courts.

As a result, there are potentially just as many approaches to establishing secondary search engine operator liability for keyword use in the EU, as there are EU Member States. This leads to the sad conclusion that a lot of disparity in case law of EU Member States concerning the liability of search engine operators for competitive keyword advertising can be expected.