

# Bright Ideas

A publication of the Intellectual Property Law Section of the New York State Bar Association

## Message from the Chair

Sir Isaac Newton (a source worthy of citation by any intellectual property law practitioner) famously wrote: “If I have seen a little further it is by standing on the shoulders of Giants.” It should be noted with some irony that in using this phrase Newton was actually cribbing an expression already at the time hundreds of years old. Indeed, the first written reference to this now-famous metaphor dates back at least to the twelfth century, attributed to Bernard of Chartres, who allegedly was fond of saying “we are like dwarfs on the shoulders of giants, so that we can see more than they, and things at a greater distance, not by virtue of any sharpness of our sight on our part, or any physical distinction, but because we are carried high and raised up by their giant size.”



Paul M. Fakler

As the incoming Chair of the Intellectual Property Law Section, the metaphor of a dwarf standing on the shoulders of giants seems particularly fitting to describe my position. I have been entrusted with the temporary stewardship of a Section that is no longer new, no longer small, no longer up-and-coming. Our Section is one of the largest, most productive, and most fun (I dare say) of any of the Sections of the New York State Bar Association. This did not happen accidentally. The greatness of the Section we know today was forged of the hard work and commitment of several Past-Chairs (and many Executive Committee members supporting them) who, over time, turned the Section into what it is.

One of the most remarkable things about these giants is how many of them continue to be active in the Section. In my opinion, this is one of our Section’s greatest strengths, and it speaks not only to the commitment of these Past-Chairs but also to how much enjoyment

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# Key Distinctions in the European Approach to Online Jurisdiction and Trademark Disputes

By Gareth Dickson

## I. Introduction

Many today see the commercial success of the Internet as a modern industrial revolution, one of the major achievements of the age. Yet just as an inability to communicate thwarted a monument to greatness at Babel,<sup>1</sup> many now believe a lack of international uniformity in the regulation of conduct on the Internet will similarly frustrate the realization of its potential.

Courts in most jurisdictions agree that a court cannot render an enforceable judgment against a defendant unless that defendant has had a sufficiently substantial presence within its borders to give the court personal jurisdiction over him. Similarly, various international and regional treaties reflect considerable worldwide uniformity in the principles underlying intellectual property (IP) laws. In particular, they give owners of registered trademarks negative rights to prevent the use of an identical or similar mark where consumers are liable to be confused and, in some cases, the right to prevent dilution or the taking of an unfair advantage of a party's good will. There is also broad agreement that service providers should not be liable for the infringing acts of third parties.

Despite these areas of agreement, recent cases involving cross-border jurisdiction and trademark infringement reveal a lack of uniformity in how these principles are being applied to online activities in two of the most important marketplaces for any international business, namely the United States and Europe. These cases suggest that unless businesses comply with the most restrictive potentially applicable rules, they will have to adopt separate policies in relation to every territory in which they do business online or within which they seek to protect their IP rights.

Part II of this article looks at why different conclusions on the sufficiency of an online presence for a finding of personal jurisdiction will increase the cost of IP protection and highlights the need for a uniform interpretation of IP laws as they apply to the Internet. It also explains the practical role that Internet service providers increasingly will be called upon to play. Part III examines differences in recent U.S. and European trademark cases involving the Internet, in particular the use of keywords, while Part IV discusses why the European interpretation of ISP safe-harbor provisions may give IP owners reason for optimism.

## II. Enforcement of Judgments in Intellectual Property Disputes When Jurisdiction Is Based on an Internet Presence

Despite its advantages, the ubiquity of the Internet can be problematic for those doing cross-border business. A dispute litigated in California and then in England and Wales provides a good example of the cost and uncertainty caused, first, by disparate approaches to what actions give rise to jurisdiction, and, second, by the unwillingness of courts to adjudicate the validity and extent of intellectual property rights properly granted elsewhere.

In the mid-1970s, Andrew Ainsworth, an Englishman living in England, was approached by Lucasfilm to manufacture the helmets and armor for what became Star Wars Stormtroopers. Lucasfilm retained all rights to the Stormtroopers. In 2004, Ainsworth began selling replica helmets and body armor online. Although still based in England, where (perhaps surprisingly) the helmets and armor have been held to be functional rather than artistic and therefore not eligible for protection by UK copyright law, his website was visible worldwide. After Ainsworth had sold around \$14,500 worth of goods, Lucasfilm sued him in California.<sup>2</sup> Ainsworth argued that he had not engaged in substantial, continuous, and systematic activities within California, nor had he purposefully availed himself of the privilege of conducting activities there, and he argued that the court therefore had no personal jurisdiction over him. This argument failed.<sup>3</sup> Ainsworth took no further part in the action, and in 2006 Lucasfilm obtained default judgment and damages of \$20 million (plus interest and costs).<sup>4</sup>

Lucasfilm then sought enforcement of their judgment in England or, in the alternative, a declaration that Ainsworth's acts were an infringement of U.S. copyright law. The dispute went to the Court of Appeal,<sup>5</sup> which decided all issues in favor of Ainsworth (although an appeal before the (UK) Supreme Court is pending). Crucial to the Court of Appeal's refusal to enforce the California judgment was its finding that "the sheer omnipresence of the Internet does not easily create that presence which is a necessary ingredient in the enforceability of foreign judgments,"<sup>6</sup> since a website fell short of "establishing a fixed place of business from which [a defendant] carries on business."<sup>7</sup> Speaking more broadly, the court held that "the mere selling of goods from country A into country B does not amount to the presence of the seller in country

B.”<sup>8</sup> The court also held that because IP rights are territorial, it did not have jurisdiction to decide de novo whether Lucasfilm’s U.S. copyright had been infringed.<sup>9</sup>

The inability of international businesses to enforce either foreign judgments or foreign IP rights means that they increasingly will have to turn to local litigation. However, as *Lucasfilm* demonstrates and as two recent cases from the highest court in Europe confirm, local litigation can have different outcomes even where the causes of action are similar on their face. In cases where this leaves an IP owner without an effective remedy, Internet service providers are likely to become one of the only practical means of preventing online infringements, and their role in and obligations with respect to third-party infringements will become increasingly important for the protection of intellectual property.

### III. Online Use of Third-Party Trademarks

#### A. The Significance of Google’s AdWords System

It will come as no surprise that many of the recent cases involving the (mis)use of trademarks online have had some connection to Google. A large portion of Google’s annual \$23 billion in profits comes from its AdWords program, which invites advertisers to purchase keywords (by bidding on them) to trigger a sponsored ad when that keyword is searched using Google’s technology. Google allows advertisers to purchase keywords that are registered trademarks, including those that are inherently distinctive and indicate a single origin of goods or services. The company exercises no control over which of its affiliates may bid on these keywords, but its keyword suggestion tool does suggest the inclusion of trademarks where advertisers have chosen descriptive keywords and, at other times, suggests words to accompany keywords or trademarks already selected.

Whatever they bid, advertisers are unable to control whether their ads will appear as sponsored links. Whether that happens is dictated solely by Google, whose algorithms balance factors such as how much other parties have bid for that keyword and how “good” Google considers the ad to be. Brand owners, infuriated by a company making billions of dollars from the sale of their trademarks to competitors and counterfeiters, have filed suits in many countries against advertisers and against Google.

#### B. Do Search Engines and Advertisers Infringe U.S. Registered Trademarks When Employing Them in Online Promotions?

Despite conflicting federal court decisions on whether the internal (and therefore invisible) use of trademarks in online promotions constitutes “use in commerce” for the purposes of section 32 of the Lanham Act,<sup>10</sup> it has been established (in the Second Circuit and other federal courts) that Google’s sale of trademarks within its AdWords program constitutes “use in commerce.”<sup>11</sup> The

significance of this may be mooted, however, after the District Court for the Eastern District of Virginia recently granted Google’s motion for summary judgment in a trademark infringement action brought by Rosetta Stone on the ground that there was not a sufficient likelihood of confusion for the claim to proceed to trial.<sup>12</sup> Judge Gerald Bruce Lee had not handed down his written decision when this article went to press, but Rosetta Stone has stated that it will consider appealing an adverse ruling. Judge Lee’s decision is awaited with interest.<sup>13</sup>

In *Tiffany v. eBay*,<sup>14</sup> another recent high-profile trademark decision, the Second Circuit held that eBay was not responsible for direct trademark infringement when it used the TIFFANY mark as a keyword for sponsored ads or on its website, even where the relevant ads directed users to sales of both genuine and counterfeit products.<sup>15</sup> The court held, on the basis of Second Circuit precedent,<sup>16</sup> that “a defendant may lawfully use a plaintiff’s trademark where doing so is necessary to describe the plaintiff’s product and does not imply a false affiliation or endorsement by the plaintiff of the defendant.”<sup>17</sup>

#### C. The European Court of Justice Steps into the Debate

On the other side of the Atlantic, two ongoing AdWords actions are providing guidance on the interpretation of the legislative provisions that harmonize registered trademark law among the twenty-seven Members of the European Community (the “Trademarks Directive”).<sup>18</sup> The first case, between Louis Vuitton and Google, concerned the liability of search engines for the sale of keywords identical to registered trademarks as well the liability of the advertisers who select and bid on them. The case began in 2003 when Louis Vuitton sued Google in France over the sale of keywords including LOUIS VUITTON, VUITTON, and LV, as well as over Google’s suggestion, in response to advertisers selecting these keywords, of the further keywords “imitation” and “copy.” There was no dispute that Google sold keywords to counterfeiters and competitors of the plaintiffs. Given that this was the first significant case of its kind, the Cour de cassation in Paris referred various questions on the interpretation of the Trademarks Directive, and of the “safe harbor” provisions of the E-Commerce Directive,<sup>19</sup> to the highest court in Europe, the Court of Justice of the European Union<sup>20</sup> (CJEU),<sup>21</sup> whose judgment was handed down on March 23, 2010.<sup>22</sup> In the second case, the owner of the mark PORTAKABIN sued Primakabin over its selection and use of the plaintiff’s mark, and close misspellings of it, in connection with the resale of the plaintiff’s goods as well as other competing goods.<sup>23</sup>

A plaintiff in a registered trademark infringement action in Europe first must establish that the defendant is using its mark in the course of trade,<sup>24</sup> i.e., in the context of commercial activity with a view to economic advantage and not as a private matter.<sup>25</sup> If the case is one of “double-identity” of marks and goods and/or services,<sup>26</sup> CJEU

case law dictates that a plaintiff must show that the use in question is liable to have an adverse effect on the functions of a trademark. The so-called “essential function” of a trademark is its ability to indicate the origin of its goods or services, while others include a guarantee of quality as well as functions of communication, investment, and advertising.<sup>27</sup> Only cases of mere similarity require proof of a likelihood of confusion.<sup>28</sup>

In *Google France*, the CJEU held that an advertiser’s selection of a trademark as a keyword is clearly use of that mark in the course of trade, but it is its application of this test to service providers where European cases differ from their U.S. counterparts. The CJEU held that “use” under the Directive implies that a defendant must be using the sign on its own commercial communications and not simply be creating the conditions necessary for others to do so.<sup>29</sup> It made no difference that the defendant was remunerated for its acts, nor that the sign was employed invisibly to consumers as a keyword.<sup>30</sup> Accordingly, the court held that all the claims for registered trademark infringement against Google failed at the first hurdle.

The CJEU then completed its analysis of an advertiser’s liability where it uses Google’s services to purchase trademarks as keywords. In assessing the impact of a sponsored ad on a mark’s essential function, the court found it significant that ads appear immediately after a trademark has been entered as a search term and while that mark remains displayed on the page. It also referred to article 6 of the E-Commerce Directive, which introduces into the European trademarks regime a requirement that the identity of “the natural or legal person on whose behalf the [ad] is made must be clearly communicated.”<sup>31</sup> Therefore, said the court, a sponsored ad that has been triggered by a keyword that is identical to a registered trademark and that suggests an economic link between the advertiser and the brand owner, or fails the article 6 requirement by being vague as to the party responsible for it, does have an adverse effect on the mark’s essential function<sup>32</sup> and, accordingly, infringes that mark.

In *Portakabin* the CJEU extended its analysis of double-identity cases to the use of keywords that are only similar to registered trademarks. First, the CJEU held that vague and misleading ads not only have an adverse effect on the mark’s essential function but also constitute grounds for a finding of a likelihood of confusion in cases of similarity,<sup>33</sup> as some had predicted.<sup>34</sup> Second, even an advertiser of genuine second-hand goods “cannot, in principle” rely on the defense of having acted in accordance with “honest practices”<sup>35</sup> when using such an ad since it cannot “genuinely claim” to have been unaware of the ambiguity it causes.<sup>36</sup> Similarly, the advertiser cannot rely on the exhaustion rule laid down in article 7 Trademarks Directive,<sup>37</sup> since the suggestion of a commercial connection between the advertiser and the trademark proprietor constitutes a legitimate reason for that otherwise applicable defense not to apply.<sup>38</sup>

Finally, the CJEU commented on a matter analogous to the false advertising claim remanded by the Second Circuit in *Tiffany v. eBay*. The referring Dutch court had asked the CJEU whether a defendant infringed a plaintiff’s trademark by using it in advertising that linked Internet users not only to the resale of genuine products of the plaintiff but also to sales of unrelated goods. The court ruled that the use of the plaintiff’s trademark in such a situation would not be permissible if the presence of those other goods risked causing serious damage to the plaintiff’s image.<sup>39</sup>

These decisions provide two more general points of interest for online advertisers. The first is that the appearance of an ad against a slightly different colored background, at a different position on the page, with the words “sponsored links”<sup>40</sup> above them, is not by itself sufficient to avoid a finding of confusion among European consumers. The second is that the CJEU’s comments on merely vague ads indicate that Europe is moving toward a concept of initial interest confusion.

Brand owners will have mixed feelings about these decisions. They will be disappointed that the case against the party with the most control over the appearance of infringing ads has failed, but, at least as importantly, they will be encouraged by the court’s finding that the tests for “adverse effect” and “likelihood of confusion” can be satisfied merely by showing that the ad in question does not clearly disclose that a party other than the mark owner is responsible for it. This would seem to make it easier to prove infringements online than in other forms of advertising media. What is less clear is whether these decisions ultimately will benefit consumers. On the one hand, consumers may have greater choice in locating goods and services where properly drafted ads are used. On the other hand, the fact that Google can continue to sell trademarks to counterfeiters and misleading advertisers with impunity is arguably bad news for consumers.

#### **IV. Differences Between U.S. and E.U. Concepts of Safe Harbors**

Louis Vuitton’s action is unlikely to be the last against Google’s AdWords, since the CJEU’s exoneration of Google is limited to certain provisions of the Trademarks Directive. The court expressly acknowledged that other causes of action, such as unfair competition and passing off, could be viable.<sup>41</sup> Accordingly, the scope of the “safe harbor” provisions found in section 4 of the E-Commerce Directive remained of importance, and the court provided interesting guidance on its interpretation. Here too the European position differs from that of U.S. courts.

In his June 23, 2010 summary judgment decision in *Viacom v. YouTube*,<sup>42</sup> Judge Louis L. Stanton of the Southern District of New York drew an analogy between the “safe harbor” provisions of the DMCA and the Second Circuit’s holding as to Tiffany’s contributory liability claim against eBay,<sup>43</sup> holding that while the second

prong of *Inwood*<sup>44</sup> requires specific, contemporaneous knowledge of infringing acts (or willful blindness<sup>45</sup>), the DMCA “applies the same principle” albeit “by a different technique.”<sup>46</sup>

The idea that the “same principles” should govern exemptions from liability in both trademark and copy-right claims is the accepted position in Europe, where section 4 of the E-Commerce Directive provides safe harbors for service providers with respect to civil liability where they are acting as a “mere conduit” of information (article 12) or are simply caching (article 13) or hosting material (article 14). These safe harbors do not replace or codify any defenses in the European registered trademark regime.

While both the DMCA and the E-Commerce Directive require a lack of knowledge of the infringing activity and expeditious removal of infringing material, the E.U. regime is philosophically different from, and more limited than, that of the DMCA. First, the E-Commerce Directive applies only to the providers of intermediary information society services, which are defined as “any service normally provided for remuneration, at a distance, by electronic means and at the individual request of a recipient of the services.”<sup>47</sup> By contrast, 17 U.S.C. §512(c)(1)(B) expressly prohibits the receipt of money in connection with the allegedly infringing act.<sup>48</sup> The CJEU did not give any guidance on the interpretation of how strictly it would define a “service normally provided for remuneration,” but the fact that the publication of user-submitted content normally does not attract any fee may place social networking sites such as Facebook and MySpace outside section 4 altogether.

Second, as *Google France* has emphasized,<sup>49</sup> the E-Commerce Directive’s safe harbors for transmission, caching, and hosting activities apply only where the provider is acting as a “neutral” intermediary with respect to services of a “mere technical, automatic and passive nature.”<sup>50</sup> This is a potentially very significant difference from the DMCA, where only the conduit and caching exemptions of sections 512(a) and 512(b), respectively, require that the acts be “automatic” and “technical”; the hosting exemption of section 512(c) has no such limitation,<sup>51</sup> and there is no express requirement anywhere in the DMCA that acts must be “passive” to be exempted.<sup>52</sup>

To understand these distinctions, it should be remembered that the E-Commerce Directive and the DMCA were drafted long before the era of Web 2.0. In the late 1990s and early 2000s, hosting was still a back-end, largely anonymous, network service that allowed users to rent Web space. The user, and not the host, controlled the design, content, and address of the hosted websites, and any income derived from that content belonged to the user alone. A “host” to the drafters of the E-Commerce Directive, therefore, was a provider of mere technical, automatic, and passive services whose identity

was usually disclosed only by looking up the nameserver records for the website’s domain name.

Today, however, hosting sites such as YouTube interact with the material they host and have created their business models around the active solicitation and publication of (artistic) user-generated content as a means of promoting their own branded platforms. Their trademarks are applied to uploaded videos. Their income depends on the appeal of the content they publish and not on the amount of space they offer. Web 2.0 hosts also acquire extensive, even perpetual, royalty-free, worldwide licenses for the commercial use of material received from their users. *Viacom* suggests that it does not matter that these companies host material only so that they can engage with it and exploit its appeal for their own pecuniary gain, nor that their business models are so different to those of the hosts of 1998. By contrast, the unequivocal restriction of section 4 to mere technical, automatic and passive acts, which typified the hosts that were familiar to the drafters of the E-Commerce Directive, indicates that the CJEU considers that it matters significantly.

Having provided its interpretation of the Trademarks Directive and the E-Commerce Directive, the CJEU has now referred *Google France* back to Paris for the Cour de cassation to make a factual determination as to whether Google’s AdWords service and its keyword suggestion tool are neutral, automatic, technical, and passive services.<sup>53</sup> While doing so, it noted that Google is responsible for the software used to control which ads are displayed,<sup>54</sup> and it instructed the Paris court that “the role played by Google in the drafting of the commercial message which accompanies the advertising link or in the establishment or selection of keywords is relevant.”<sup>55</sup>

## V. The Challenges Ahead for Online Advertising

It may be many years before all of the issues raised by the types of cases discussed above are settled by definitive decisions from any country’s highest court. That is regrettable, not least because the current divergence of opinions over what businesses can do online creates barriers to realizing the full potential of a global economic marketplace.

For the time being, it is clear that ads that are lawful in the United States are not necessarily lawful in Europe. Online service providers, particularly those invested in user-generated content such as Google, YouTube, and eBay, will await the Cour de cassation’s interpretation of the E-Commerce Directive’s “safe harbor” provisions. Trademark and copyright owners will do the same, pondering the value in any event of fighting against players who are already perceived by many as being so embedded in the worldwide economic order that they are “too big to fail” a test case that would require radical, systemic changes to online business. They also will lament the difficulties they face in securing an enforceable judgment

where the infringer's presence within the jurisdiction may be by Internet alone, as is often the case in the international counterfeiting trade.

By contrast, although perhaps only until the expected claims for unfair competition and passing off have been fully addressed in Europe, Internet service providers can take some comfort from recent trademark decisions on either side the Atlantic. Having arrived there by different means, courts in the United States and Europe have held that models such as Google's AdWords do not infringe registered trademarks.

In the meantime, owners of intellectual property rights should continue to monitor infringements and make use of the available takedown procedures. Where possible, they should ensure that service providers are fulfilling their existing obligations and work with them to improve those procedures for the benefit of both themselves and their customers. In an age where the barriers to worldwide infringement are limited, and enforcement against those directly responsible is expensive, any action that results in the removal of offending items has interim benefits over commencing litigation, not the least of which are speed and certainty. For those who wish to conduct business on an international scale, two familiar options remain: they must either find and follow the lowest common denominators of permissible activity in jurisdictions where they wish to do business, or they must forgo the idea of a global uniform approach for the time being.

## Endnotes

- Genesis 11 vv. 1-9.
- Lucasfilm Ltd. v. Shepperton Design Studios Limited and Ainsworth*, No. CV05-3434 RGK (MANx) (W.D.Cal. Sept. 21, 2006).
- Available at [http://rpf.exoray.com/LFL\\_vs\\_SDS/minutes\\_10\\_3.pdf](http://rpf.exoray.com/LFL_vs_SDS/minutes_10_3.pdf).
- Available at [http://rpf.exoray.com/LFL\\_vs\\_SDS/final.pdf](http://rpf.exoray.com/LFL_vs_SDS/final.pdf).
- Lucasfilm Ltd & Ors. v. Ainsworth & Anor.* [2009] EWCA Civ 1328.
- See *id.* ¶ 194.
- Id.* ¶ 191.
- Id.* ¶ 192.
- The position would have been different had the claim concerned the copyright law of an E.U. Member State, since the Brussels Regulation would apply. See *Pearce v. Ove Arup* [2000] Ch. 403.
- See, e.g., *Nilton Corp. v. Radiation Monitoring Devices, Inc.*, 27 F. Supp. 2d 102 (D. Mass. 1998) (metatags, likely use); *Brookfield Communications, Inc v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. 1999) (metatags, use); *U-Haul International, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723 (E.D. Va. 2003) (pop ups, no use); *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400 (2d Cir. 2005) (pop ups, no use); *J.G. Wentworth, S.S.C. Ltd v. Settlement Funding LLC*, 85 U.S.P.Q.2d 1780 (E.D. Pa. 2007) (search engine keywords, use); *S&L Vitamins v. Australian Gold*, 521 F. Supp. 2d 188 (E.D.N.Y. 2007) (search engine keywords, no use).
- Rescuecom Corp. v. Google, Inc.*, 562 F.3d (2d Cir. 2009).
- Rosetta Stone Ltd. v. Google, Inc.* Case 1:09-cv-00736-GBL-TCB (E.D. Va. Apr. 28, 2010).
- In Private Career Training Institutions Agency v. Vancouver Career College (Burnaby) Inc.*, 2010 BCSC 765, the first Canadian decision on keywords, the Supreme Court of British Columbia held that the evidence of actual confusion presented by the plaintiff did not result from the defendant's use of keywords but from Internet users' "carelessness," "imprudence," and "oversight" and the fact that they had not paid "a reasonable amount of attention." In dismissing a claim for misleading advertising, the court held that "the information readily available on the various [sponsored link] websites is more than adequate to inform the [user] that they are examining [the sponsor's website] and not the one they were initially searching for." *Id.* ¶ 78.
- Tiffany (NJ) Inc. and Tiffany and Co. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010).
- Tiffany's claim for false advertising in respect of these facts was remanded to the district court.
- Including *Dow Jones & Co. v. Int'l Sec. Exch., Inc.*, 451 F.3d 295, 308 (2d Cir. 2006).
- Tiffany*, 600 F.3d at 102-03.
- First Directive 89/104/EEC of the Council, of 21 December 1988, to Approximate the Laws of the Member States Relating to Trade Marks. The provisions relating to national marks are equivalent to those of Council Regulation (EC) No 40/94, which governs the Community Trade Mark.
- Directive 2000/31/EC of the European Parliament and of the Council on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market.
- Formerly the European Court of Justice (ECJ).
- Further questions from England and Wales concerning advertisers' liability, including in respect of claims of dilution and free-riding, are currently pending before the CJEU: *Interflora, Inc. v. Marks and Spencer PLC* [2009] EWHC 1095 (Ch), revised in [2010] EWHC 925 (Ch) following the *Google France* decision.
- Joined Cases C-236/08 to C-238/08 *Google France and Google v. L.V.M.H.* [2010].
- Case C-558/08 *Portakabin Ltd & Portakabin B.V. v. Primakabin B.V.* [July 8, 2010].
- Art. 5, Trademarks Directive.
- Case C-206/01 *Arsenal Football Club* [2002] ECR I-10273; Case C-17/06 *Céline* [2007] ECR I-7041.
- Art. 5(1)(a), Trademarks Directive.
- Google and Google France*, ¶¶ 75-77.
- Article 5(1)(b), Trademarks Directive.
- Id.* ¶ 56.
- Id.* ¶ 65.
- Id.* ¶ 86.
- Id.* ¶¶ 84, 90.
- Portakabin*, ¶¶ 51, 53.
- See, e.g., comments by G. Dickson in "Talking Points: Google Keywords," 25 *World Trademark Review* 14, 16 (June 2010).
- Art. 6, Trademarks Directive; *Portakabin*, ¶ 71.
- "It is the advertiser itself, in the context of its professional strategy and with full knowledge of the economic sector in which it operates, which chose a keyword corresponding to another person's trademark and which, alone or with the assistance of the referencing service provider, designed the ad and therefore decided how it should be presented." *Portakabin*, ¶ 70. This broad reference to the use of "a keyword" indicates that liability could be found anywhere that keywords are used, including in the meta data found in pages returned as a natural search result.
- It should be noted that in Europe the exhaustion principle only applies to goods put into circulation within the European Internal Market.

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38. *Portakabin*, ¶ 82.
39. The court held that “a reseller cannot be prohibited from using a mark to advertise its resale activities which include—apart from the sale of second-hand goods under that mark—the sale of other second-hand goods, unless the resale of those other goods risks, in light of their volume, their presentation or their poor quality, seriously damaging the image which the proprietor has succeeded in creating for its mark.” *Portakabin*, ¶ 91. There was no suggestion that PORTAKABIN is a famous mark, so the apparent ability of its holder to protect the “image” of the mark is an interesting, and unexpected, development.
40. Where the search term is an inherently distinctive trademark and is entered by itself, could the use of the word “sponsored” actually increase the likelihood of confusion?
41. *Google France*, ¶¶ 57 and 107.
42. *Viacom International Inc. v. YouTube, Inc.*, 2010 U.S. Dist. LEXIS 62829 (S.D.N.Y. June 23, 2010).
43. The Court in *Tiffany* did not decide whether *Inwood* applied to service providers at all, but proceeded on the basis that it did, since eBay did not appeal that aspect of the district court’s ruling. The Ninth Circuit has held that *Inwood* could apply to service providers that exercised sufficient control over the infringing conduct: *Lockheed Martin Corp. v. Network Solutions, Inc.* 194 F.3d 980, 984 (9th Cir. 1999).
44. *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982).
45. *Tiffany*, 600 F.3d at 109.
46. *Viacom*, 2010 U.S. Dist. LEXIS 62829, at \*\*34-35.
47. Art. 2(1), E-Commerce Directive.
48. This has interesting consequences for two familiar situations. First, Google’s natural search results would not qualify for safe harbor protection in Europe but they could in the U.S.. Second, an online auction house that accepts payment to host a copyright infringing image as part of a listing would qualify for safe harbor protection in Europe, but might not in the U.S.. In both cases, of course, other defenses could apply.
49. *Google France*, ¶ 113.
50. Recital 42 to the E-Commerce Directive also provides that the exemptions from liability in arts. 12-14 “cover only cases where the activity of the Information Society Service Provider is limited to the technical process of operating and giving access to a communication network.”
51. Nor has section 512(d), which provides an exemption for Information Location Tools. The E-Commerce Directive has no comparable provision.
52. Although Judge Stanton in *Viacom* held that “storage” under the DMCA included the “replication, transmittal and display of videos,” an explicit requirement that the storage in question be of a “mere technical, automatic and passive” capacity may have prevented such a finding. See *Viacom*, 2010 U.S. Dist. LEXIS 62829, at \*38.
53. Since the decisions of one Member State’s courts are not binding on the Courts of any other Member States, the Cour de cassation’s finding is unlikely to conclude the debate and each of the 27 Member States could reach a different conclusion.
54. *Google France*, ¶ 115.
55. *Id.* ¶ 118.

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