

# CLIENT ALERT

## ISP-Liability & Media Law

Oct.22.2010

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### Google allows using Trademarks as Adwords in Europe

*Pursuant to a recent ruling on the subject by the European Court of Justice (ECJ), Google feels strengthened in its position to, as a matter of principle, allow the use of third parties' and even competitors' Trademarks as a keyword in its paid referencing service called "Google Adwords".*

### Google's new Trademark policy for AdWords

You may or may not have noticed it, but since the last two weeks, Google has made a significant policy revision with regard to complaints that it receives regarding the use of Trademarks as keywords in its Adwords program. Indeed, since 14 September 2010, Google allows companies to 'buy' the Trademarks of their choice, including their competitors', as Google Adwords to thus trigger their own search adverts to be displayed once the internet user types in that particular Trademark. Such Trademarked keywords used to be restricted as a result of Trademark investigation by Google. That now belongs to the past. According to Google, this sea change in policy is applied to "most European countries", by which it means not less than 58 countries in the EU and EFTA Regions. Trademark owners or their authorized agents will still be able to complain about the selection of their Trademark by a third party, but such complaints will only be acted upon if, having regard to the concrete circumstances of the case, the litigious ad text is likely to confuse internet users about the origin of the advertised goods and services. Google claims it will conduct a limited investigation in this regard and that, if it finds the ad text does confuse users as to the origin of the advertised goods and services, it will remove the ad. However, it will not prevent the selection of trademarks as keywords in the affected regions.

### The Google and Portakabin-cases : the Court of Justice is on Google's side

The fact that undertakings could be legally allowed to pay Google for using their competitors' Trademarks to trigger their own adverts is probably a shock for most, if not all, Trademark owners and attorneys in Europe. This is especially the case in the

Benelux, where such use of Trademarks 'ought to' be considered to constitute a use other than to distinguish goods and/or services and should be enjoined where it unduly takes unfair advantage of, or causes detriment to the reputation or distinctive character of the Trademark.

However, with its rulings in the recent *Google* and *Portakabin*-cases (cases C-236/08 to C-238/08 and C-558/08 respectively), the Court of Justice seems to have made it a reality. Indeed, first of all, admittedly in line with the evolution of its case-law since the *Adam/Opel*-case, the Court held that the use of a sign by an advertiser as a keyword for an internet referencing service constitutes a use in relation to the goods and services of the advertiser. More surprisingly, however, in the Court's view, this remains the case if the sign is used not only in relation to the goods under that Trademark, but also for goods from other manufacturers. That being so, the Trademark owner cannot oppose that use of the sign, identical with its Trademark, if it is not liable to cause detriment to any of the functions of that mark, the relevant functions here being those of indicating origin and advertising. As regards the function of advertising, the Court surprisingly held that the use of Trademarks as AdWords is 'not liable to have an adverse effect on the advertising function of the Trademark'. As regards the function of indicating origin, everything depends on the manner in which the Google ad is presented. According to the ECJ, this function will only be adversely affected 'if the ad 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 owner of the trade mark or from an undertaking economically linked to it or, on the contrary, originate from a third party'. In other words, there will be no Trademark infringement unless there is a risk of direct or indirect confusion.

The only remaining option for a Trademark owner to oppose himself against such practices seems to be the exception to exhaustion of its Trademark rights contained in Article 7(2) of Directive 89/104, i.e. when there exist "*legitimate reasons for the proprietor to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market*". According to the ECJ, such a legitimate reason exists, inter alia, when the advertiser's use seriously damages the reputation of the Trademark or when it gives the impression that there is a commercial connection between the advertiser and the Trademark owner. The latter, however, is not a big help to Trademark owners, as this basically amounts to the same 'risk of confusion' criterion mentioned above. In addition, the Court seems to take the view that the reputation of the Trademark can only certainly be seriously damaged in certain extreme cases. This would be the case with "de-branding" (where the reseller removes the Trademark from the goods) combined with "re-branding" (reseller replaces the label with a label bearing his own name) or when the advertised resale activities include the sale of other second-hand goods (under other Trademarks) and the resale of those latter goods risks, in light of their volume, their presentation or their poor quality, seriously damaging the image which the owner has succeeded in creating for its mark. In any case, the Court reminds that it is established case-law that the mere fact that a reseller derives an advantage from using another person's Trademark, in so far as the advertisements for the sale of goods covered by that Trademark lend an aura of quality to his own business, does not constitute a legitimate reason within the meaning of Article 7(2) of Directive 89/104.

### **Analysis and Conclusion:**

It would seem that, apart from cases where there exists direct or indirect confusion as a result of the Google ad, owners will have a hard time preventing the use of their Trademark as AdWords by competitors, even if it is simultaneously used for the resale of other trademarked goods. This seems to be the result of the fact that the Court – surprisingly - deems that the function of advertising of a Trademark is not adversely affected by its use as keyword for a referencing service. In addition, an important avenue is closed to the owner a Trademark, especially in the Benelux, now that the Court finds that the use by an advertiser of

an identical sign, to suggest to internet users an alternative to the offer from the owner, is a use 'in relation to goods and services'. As a result, it seems that Google's new policy might enjoy the support of Europe's highest Court.

As a final note, it deserves to be said that the Court's view in the *Google* and *Portakabin*-cases is in stark contrast with its earlier ruling in the *L'Oréal/Bellure*-case. Indeed, there the Court stated that an advertiser who states explicitly or implicitly in comparative advertising that the product marketed by him is an imitation of a product bearing a well-known trade mark presents 'goods or services as imitations or replicas' within the meaning of Article 3a(1)(h) of the Comparative Advertising Directive and that the advantage gained by the advertiser as a result of such unlawful comparative advertising must be considered to be an advantage taken unfairly of the reputation of that mark within the meaning of Article 3a(1)(g) of the same Directive. In addition, the Court took a different view on the affected functions of the Trademark when it held, albeit with regard to well-known Trademarks, that the taking of unfair advantage of the distinctive character or the repute of a mark does not require that there be a likelihood of confusion or a likelihood of detriment to the distinctive character or the repute of the mark or, more generally, to its owner and that the advantage arising from the use by a third party of a sign similar to a mark with a reputation is an advantage taken unfairly by that third party of the distinctive character or the repute of that mark where that party seeks by that use to ride on the coat-tails of the mark with a reputation in order to benefit from the power of attraction, the reputation and the prestige of that mark and to exploit, without paying any financial compensation, the marketing effort expended by the owner of the mark in order to create and maintain the mark's image.

Hence, is there still hope for owners of well-know trademarks ? Or should a distinction be made between the online and offline contexts ? And what about the use of the Trademark in the Google advert itself, and not only as a keyword ? Would those situations differ significantly ? Let's wait and see. In any case, Google has only radically modified its policy as regard the use of Trademarks as keywords, but not yet – at least not as radically - as regards the use of Trademarks in the ad text itself ...

**References:** [ECJ, C-236/08 to C-238/08, 23 March 2010](#); [ECJ, C-558/08, 8 July 2010](#)

**Links:** <http://www.curia.eu>.

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### **Another reference for a preliminary ruling by a Belgian court in a dispute on ISP liability**

*In a dispute between the Belgian copyright collecting society SABAM versus the online social network platform NETLOG, the Brussels Court of First Instance requested a preliminary ruling from the European Court of Justice. The reference to the European Court is very similar to the earlier one in the Scarlet/SABAM case, with that difference that NETLOG acts as a hosting provider and not as an access provider. The question to be answered by the European Court of Justice is whether a hosting provider can be obliged to implement, as a preventive measure, at its expense and for an unlimited period, a filtering system and subsequently to block the transfer of illegal files. These references represent an important step in the debate on the balance that needs to be found between the rights of owners of intellectual property rights, those of internet intermediaries, and, last but not least, the privacy and fundamental rights and freedoms of consumers.*

### **Background**

On the 28th of June 2010, the Brussels Court of First Instance referred a preliminary ruling to the European Court of Justice in the dispute between SABAM, the Belgian copyright collecting society, and NETLOG, a social network platform. According to SABAM, NETLOG's platform allows its users to illegally upload works from SABAM's repertoire and thereby infringe the right holders' copyrights. SABAM initiated cease and desist proceedings against NETLOG on the basis of Article 87 §1 Copyright Act.

According to the Brussels Court of First Instance, imposing an injunction on NETLOG as a hosting provider "to cease the copyright infringements by its users" could result in an order to install a filtering system for its entire clientele, *in abstracto* and as a preventive measure, at its own expense and without any limitation in time, and to block the exchange of illegal files. Not only does this raise the question whether such order can qualify as a general monitoring obligation by NETLOG, which would be contrary to article 15 of Directive 2000/31, but it also raises the issue of proportionality.

### Reference for a preliminary ruling

The Court referred to the Scarlet/Sabam case in which a similar question was raised, with the difference that NETLOG acts as a hosting provider and Scarlet acts as an access provider. The reference made to the CJEU is therefore very similar to the reference made in the Scarlet/SABAM case and is as follows:

*"Do the Directives 2001/29 and 2004/48, read together with Directives 95/46, 2000/31 and 2002/58 and interpreted in light of the articles 8 and 10 of the European Convention for the Protection of Human Rights and Fundamental Freedoms, offer the possibility to the Member States to allow a national judge to, in the framework of proceedings on the merits and based upon one single legal provision that states that "They [the national judges] can also issue an injunction against intermediaries whose services are being used by third parties to infringe copyrights or neighboring rights", order a hosting provider to install a system for its entire clientele, in abstracto and as a preventive measure, at its own expense and without any limitation in time, that filters the largest part of the information stored on its servers, for the identification of electronic files on its servers, that contain musical, cinematographic or audiovisual works of which SABAM claims to hold certain rights, and subsequently block the exchange of these files?"*

### Assessment

*Both the Scarlet/SABAM case and the SABAM/NETLOG case raise the question on how much of the operational and financial burden of the fight against piracy can be put on internet intermediaries, be it access providers or hosting providers.*

*The recent references represent an important step in the debate on the balance that needs to be found between the rights of owners of intellectual property rights on the one hand, those of internet intermediaries on the other hand, and the privacy and fundamental rights and freedoms of consumers.*

*Although these are both Belgian cases, the Scarlet/SABAM and SABAM/NETLOG proceedings are being closely watched by the record and music industry, internet access providers and other online intermediaries throughout the world because of its potentially far-reaching implications for their businesses. The European Court of Justice is expected to hear these cases in approximately 1,5 year.*

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## **The ACTA negotiations and its consequences for ISPs: an update**

*The negotiations for the establishment of the Anti-Counterfeiting Trade Agreement (ACTA) have been ongoing for three years, but at this stage have yet to lead to an agreed text. The European Commission leads the negotiations on behalf of the European Union, but drafts of the agreement have given rise to concerns from industry and the European Parliament.*

### **The Anti-Counterfeiting Trade Agreement**

The Anti-Counterfeiting Trade Agreement (ACTA) is a proposed multilateral trade agreement to establish international standards regarding intellectual property right enforcement. Negotiations were launched in. The goal is not to create new intellectual property rights, but to improve international standards regarding actions against large-scale infringements of intellectual property rights.

The current parties to the ACTA negotiations are Australia, Canada, the European Union, Japan, Korea, Mexico, Morocco, New Zealand, Singapore, Switzerland and the United States, but it is hoped that large emerging economies, such as China or Russia, will also sign up. The European Commission leads the negotiations on behalf of the European Union, but is obliged to comply with confidentiality obligations regarding the negotiations.

### **European Parliament resolution of 10 March 2010 on the transparency and state of play of the ACTA negotiations**

ACTA is still under negotiation (the last round of negotiations took place in Washington D.C. from 16 to 20 August 2010), but it has already given rise to a great deal of controversy within the European Union.

On 10 March 2010, the European Parliament voted a resolution criticizing this proposed Agreement. In this resolution, the European Parliament expressed its concern over the lack of a transparent process in the conduct of the ACTA negotiations, the fact that no legal basis was established before the start of the ACTA negotiations and that parliamentary approval for the Commission's mandate had not been sought.

The Parliament also argued that the proposed agreement flouts existing EU legislation on online piracy. Leaked drafts of the ACTA agreement have shown that the proposed agreement would include a so-called "three-strikes regime", requiring Internet Service Providers (ISP's) to suspend internet connections of customers caught downloading copyrighted works after three warnings. ISPs would also be obliged to disclose the identity of infringers, without prior authorization by a Court. In addition, the agreement would provide for warrantless searches and the confiscation of information storage devices such as laptops, cell phones and MP3 players by border and customs authorities.

The European Parliament firmly condemned those provisions and urged the Commission to ensure that the enforcement of ACTA provisions – especially those on copyright enforcement procedures in the digital environment – are fully in line with the *acquis communautaire*.

### **Reassuring messages from the European Commission**

The leaked drafts of the Agreement also gave rise to concerns expressed by industry, especially ISPs who under the proposed agreement would supposedly be liable for copyright infringements by their customers. In order to avoid or limit their liability, ISPs would, according to these drafts, be obliged to adopt the three-strikes disconnection policies.

However, according to a press release issued at the end of September, the European Commission responded to a question by Larry Stone, president of BT, that “[ACTA] *must not in any way imply that liability via infringement is possible by telecoms or broadband or internet service providers in performing their roles insofar as their hosting or ‘mere conduit’ roles are concerned*”.

In an attempt to meet the concerns raised by industry and Members of the European Parliament (MEP’s), the European Commission has also published a consolidated and largely finalized text of the proposed agreement on its website at the beginning of October. Most experts agree that this text is a substantial improvement, in terms of consistency with EU legislation, compared to what was understood to be on the cards earlier in the negotiations from leaked documents. For example, it seems that the provisions that could be interpreted as meaning that ISPs had to implement a 'three strikes' policy, have been deleted.

However, the role of ISPs in intellectual property right enforcement still remains ambiguous. The preamble of the proposed text states for example that ACTA seeks “*to promote cooperation between service providers and rights holders*”. Article 2.18.3 goes on stating, “*each party shall endeavour to promote cooperative efforts within the business community to effectively copyright infringements. This implies extra-judicial measures and challenges the division of power*”. Article 2.18.4 states that the competent authority, not necessarily judicial, should have the power “*to order an online provider to disclose expeditiously to a rights holder information sufficient to identify a subscriber whose account was allegedly used for infringement*”.

On 20 October 2010, the European Parliament interpellated the European Commissioner for trade, Karel De Gucht, about this. The Commissioner stated that the proposed text remains fully in line with the EU acquis, but failed to provide a clear answer to the questions of MEPs with regard to the role of ISPs in intellectual property right enforcement.

#### References and links:

- <http://www.zdnet.com.au/acta-won-t-make-isps-cops-ec-339306129.htm>
- [http://trade.ec.europa.eu/doclib/docs/2010/october/tradoc\\_146699.pdf](http://trade.ec.europa.eu/doclib/docs/2010/october/tradoc_146699.pdf)

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