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Liability for Adwords Services in France

How French case law maintains pressure on Google

Google cases regarding liability for Adwords services have not yet finished sustaining lawyers' debates and pieces of writing particularly in France. Such abundant writings were of course nourished by a profuse and continuous case law emanating from Paris courts as well as provincial ones since 2003.

The famous 2003 Google case raised for the first time in France the issue of Google's liability as a service provider offering paid positioning named "Adword services". Such services consist in key word rental services used to promote business activities by sponsored links. The key words are likely to increase the number of clicks on the advertiser's own websites since they correspond to the competitor's prior trademark. As Google gets paid on a "pay-per-click" basis for this service, it shares its client's interest to direct more and more users to the promoted websites.

Between 2003 and June 2007, the main discussion focussed on the legal grounds prohibiting "Adwords Services", as well as on the determination of remedies, penalties and consignees of such a prohibition. More recently, French case law calls for a new evaluation of how courts approach this subject. The disparity between Paris courts and the others regarding the legal grounds to prohibit Adwords Services seems indeed to have shifted towards a disparity between lower courts and courts of appeal, notwithstanding their geographical scope of actions. The Supreme Court recently decided to close the debate by requesting the ECJ to "cut into the flesh". In addition, a new large discussion emerged concerning the French Courts' competence, notwithstanding the evocation of the legal grounds. The sole real constancy of the French case law lies in the fact that French courts maintain pressure over Google regarding its Adwords Services policy. This article examines and evaluates the recent French case law¹.

¹ TGI Nanterre, 2^{ème} Ch., 03/08/2004, *Viaticum & Luteciel vs. Google France* (see : www.legalis.net). See also Lelu, CRI 2004 , p. 116; Denis-Leroy, CRI 2007, p. 65.

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I. Choice of the Legal Grounds for Adwords Service's Liability

The 2003 decision issued by the Nanterre lower Court was quite clear: Google committed a trademark infringement on the grounds of sections L 713.2 or 3 of the IP Code since Google did not prohibit the use of keywords that were manifestly illicit².

Considering firstly Google as a counterfeiter on a passive manner, the Nanterre lower Court finally qualified Google's role as active infringement as well as *for having suggested and encouraged the advertiser through the "suggestion tool" and for having acted as a real advertising department control*.

The Kertel case decided on 8 December 2005 indicated a real turning point in the Court's precedents regarding the legal grounds and initiated by the Paris Court. The Paris lower Court decided against Google but on the grounds of a breach of section 1382 of the Civil Code. Google had allowed Carphone, the advertiser, to commit a trademark infringement. It underlined the duality between the position of the Paris and the Nanterre lower Courts³.

Examining court decisions rendered after July 2007, two major changes have occurred:

- Firstly, the duality regarding legal grounds prohibiting Adwords Services now operates between lower courts and courts of appeal, irrespective of their geographical scope of competence.
- Secondly, the competence of French Courts is now often challenged.

² Article L.713-2-a IPC provides that: "(...) are prohibited, unless authorised by the owner [of the trademark]: (...) the use (...) of a trademark (...), as well as the use of a reproduced trademark, for goods or services identical to the ones designated in the registration [of the said trademark]".

³ The Kertel case dated December 08, 2005 indicates a real turning point in the Court's precedents regarding the legal grounds of the decisions. The French Court of course also decided against Google but on the grounds of a *fault* based on Section 1382 of the Civil Code. Because of the lack of preliminary control carried out to check whether the chosen key words did not infringe third party rights, Google, according to the Paris Court, had committed a fault in making it easier for CARTEPHONE to commit a trademark infringement.

1. The Duality Regarding Legal Grounds Prohibiting Adwords Services

Most of the decisions rendered by the lower Courts after July 2007, (including also the Paris Lower Court) reiterated that Google committed a civil fault while the Appeal Courts seem to rather retain trademark infringement.

a) Lower Courts Approach: Civil Fault and Business Life

Provincial Lower Courts followed the Paris lower court constant policy pursuant to the 2005 Kertel decision. The criteria retained to maintain the grounds of “a civil fault” remains the absence of “business life”. The Article L 713 - 2 or 3 of the CPI prohibits the use of a reproduced trademark “*for goods or services identical to the ones designated in the third party registration*”⁴.

According to the lower courts, the fact that the Adwords Services are not associated with the use of the third party trademark by Google in connection with the sale of products or services or at least their promotion within the French market excludes the infringement.

aa) Civil Fault

In the *Atrya vs Google and others* decision of 20 July 2007, the Strasbourg Lower Court did not retain infringement. According to the court, the use of the adword TRYBA served only the function of directing user searches and not of designating products. There would be no risk of confusion, pursuant the court’s argumentation, because the promotional links clearly identify the K par K company’s non infringing goods.

The following decisions also duly incriminated Google on the grounds of a civil fault, irrespective of the nature of the incriminated acts.

⁴ Article L.713-2-a IPC provides that: “(...) are prohibited, unless authorised by the owner [of the trademark]: (...) the use (...) of a trademark (...), as well as the use of a reproduced trademark, for goods or services identical to the ones designated in the registration [of the said trademark]”.

In the *Conseil National de la Litterie vs Google* decision of 12 December 2007, the Paris Lower Court raised the grounds of “*passing off*” to prohibit Google from suggesting third party trademarks as keywords such as the famous trademark “BELLE LITERIE”. “*Illicit advertising*” was evoked to avoid confusing internet users likely to assume commercial connections between advertisers and third party’s web sites had. *Neither sale nor promotions of products were indeed carried out by Google*, stated the Judges, acts only allowing retaining infringement.

bb) Trademark Infringement

Some Lower court’s decisions, however, still argued a trademark infringement. In this respect, the decision issued by Lyon Lower Court in *Rentabiliweb and Jean Baptiste DV vs Google* on 13 March 2008 recognized infringement. Google could not exempt from the infringement by alleging that the litigious act was activated by the advertiser only. The incriminated display resulted, according to the Court, from the execution of the agreement concluded with Google providing the display of the advertiser’s web site by each click and search using the trademark “Rentabiliweb”. The argument according to which Google was materially unable to check the keywords used by advertisers was of no pertinence⁵.

b) Appeal Courts Approach: Trademark Infringement and Business Life

The Appeal Courts in their decisions qualified Google’s role as Trademark infringement. In the *Gifam and others vs Google* decision of 1 February 2008, the Paris Appeal Court recognized Google as a counterfeiter. According to the Court, Google was operating as a remunerated advertiser and not as a simple data storage provider when proposing third parties trademark as keywords.

What was called into question was not the choice by the advertisers of such third parties trademarks (*a great number of well known trademarks in the filed of household*) but the choice made by Google to reproduce such trademarks. According to the Court, the fact that

⁵ See also *Citadines vs Google Paris Lower Court recent decision dated March 14, 2008* according to which Google committed infringement as it suggested for a fee the litigious key word to the advertiser in order to let it benefiting of a better visibility on the internet network. Such a decision is controversy to the Paris court’s policy issued since 2005 and the *Kertel* decision.

the reproduction is made upon request of the advertisers' solicitation and associated with a warning message was of no pertinence.

The Aix en Provence Appeal Court had already started the discussion at the end of 2007. In the *TWD Industries vs Google* decision of 6 December 2007, Google had reproduced the TWD Industries trademark "Remote-Anything" through the "*suggestion tool*". The French Judges admitted that Google acted as a real *economical operator*. Google committed infringement by using the name "Remote-Anything" although it did not use it as a trademark to identify goods and services. Rather, Google *damaged the third party trademark rights*, according to the decision, which *did not have the sole target of guaranteeing the products' or services' origin*. The dissemination of messages including the unauthorized reproduction of the third party trademark provided Google with a financial compensation. According to the Appeal Judges, the required conditions of trademark infringement were duly fulfilled.

The Aix en Provence Appeal Court confirmed the two criteria according to which Google is now considered as a trademark infringer namely because of an *active* and a *remunerated* intervention.

c) The Supreme Court: The ECJ Must Settle

The Supreme Court in the *Louis Vuitton vs Google* case⁶ arbitrated on 20 May 2008. The Court requested the European Court of Justice (ECJ) to decide. The 1988 Council Regulations and the Community Trademark Regulations were evoked. The "preliminary" question asked by the French Court is whether the Adwords services may be termed as infringing acts, namely whether Google uses or not the third parties trademarks. The Supreme Court also asked, in case no use is recognized, whether Google may be termed as a data storage provider, the liability of which may be initiated only after it was informed about the infringement committed by advertisers of third party's trademarks. The answer is, of course, anxiously awaited in view of the battle stakes.

⁶ Google acted as a real advertising department control. In the *Louis Vuitton Malletier/ Google* decision dated February 4, 2005, the Nanterre Court decided that the fact that Google, by the keyword generator function ("générateur de mots clé"), had *allowed the creation of key words corresponding to well-known trademarks associated with generic terms* such as "imitation, replica, fake, copies" in order to *have the competitor's web site at the same pole position as LVMH's web site* constituted a trademark infringement. See also Appeal Court decision dated June 28, 2006 which confirmed the lower Court's position.

2. Google No Simple Data Storage Provider

All decisions so far incriminated Google as having *actively* taken part in the retained charges. The main decisions, presented under I.1. above, maintain pressure on Google by giving up finding Google in a passive role. Courts definitively abandoned a position according to which Google were not liable but only the advertisers.

Some decisions still admitted Google as just a “*technical provider*” proposing to the advertisers a “*search motor engine working automatically*”.

a) Notice-And-Take-Down Argument

The Strasbourg Lower Court considered Google as not liable since it found no fault “by action”. According to the Judges, the advertisers were totally free when choosing their keywords. The Court only retained a fault “by omission” in view of the absence of control by Google regarding the chosen keywords and of the accurate measures to prevent the advertisers to choose such illicit key words. The Court considered Google as not liable in view of article 6-2° of the LCen Law of 21 June 2004. By virtue of Article 6-2°, *the provider is not liable when it had not been made aware of the illicit aspect of the chosen litigious words or, being aware, it promptly acted to have such a use immediately stopped*. The Court took into consideration that Google immediately requested K par K to withdraw the litigious keyword together with the sponsored links and added said keyword in its black list named “TM monitor List”. Moreover, Google was duly “diligent”, according to the Judges, when proposing advertisers to check of the availability of the keywords throughout a preliminary search.

The Paris Commercial lower Court also considered Google as being innocent in the law case *Trednet and Bodxl vs Google* of 31 October 2007. The choice of the keyword “fiteurop” corresponding to a third party domain name resulted, according to the Judges, from the free choice of the advertiser and from the monitor search engine working automatically.

b) Evaluation

The two decisions will probably remain isolated since they rather belong to the past. In addition, it is not to be contested that Google most often suggests keywords to be chosen by advertisers that it obviously knows as being well known third party trademarks. The fact that

Google only allows the user to buy said keywords when they are kept concealed in the sponsored links would not convince of a lack of liability.

Therefore, it appears obvious that for the time being no overarching constancy may be found in French case law. It comes, however, to the attention that, unless Paris Supreme Court decides to the contrary, the first instance courts opinion will probably move towards the appeal courts' position.

Recently, the Paris Lower Court stated in *Citadines vs Google* on 14 March 2008, that Google Inc committed infringement because it used "within the business life" the trademark, the function of which is after all to identify goods or services. This decision reveals a U-turn of the Paris lower Courts' position getting thus in tune with the Nanterre Lower court's policy.

c) Notion of "Within Business Life"

It is the notion of "*within the business life*" which is still at the centre of the debate. Such notion directly derives from the provisions of article 5.1 of the first Council Directive dated 21 December 1988⁷ according to which a proprietor may entitle its trademark to prevent third parties, not having its consent, from using it "*in the course of trade*".

That concept has been tackled in many French decisions in which the notion of "trademark infringement" was challenged by the alleged infringer but through situation not interesting "Adwords Services". In the *Danone and Areva* case⁸, according to the Judges, the protection by trademark had to be limited by the freedom of speech's constitutional principle only, because the use of the trademark was not made "within the business life" while the Supreme

⁷ Article 5.1 of the first Council Directive dated December 21, 1988 provided that: "The registered trade mark shall confer on the proprietor exclusive rights therein. The 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; (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, which includes the likelihood of association between the sign and the trade mark".

⁸ See Court of Appeal of Paris, 4th Chamber, 04/03/2003 ("jeboycottedanone.com"): the Court acknowledged that the incriminated domain names reproduced Danone's protected trademarks and made use of it for the needs of the defendants' association, but it underlined the fact that this use was only made for the design of a public controversy on the *Réseau Voltaire*'s website, and that no trademark's infringement could be found under article L. 713-3 IPC. The protection by trademark had to be limited by the freedom of speech's constitutional principle, as the use was not made "within business life". See also the case of Green Peace & Green Peace New Zealand/ SPCEA dated November 17, 2006.

Court found in the *Nutri-Riche*⁹ decision the opposite result. L’Oreal, the well known French company had affixed Nutri-Riche trademark on goods manufactured in France only to be introduced into foreign markets. Infringements do not require, according to the Judges, commercialisation of the products in France but only “acts committed within the French professional life”, namely in an economical sphere¹⁰. Identical arguments were used by the ECJ in the *Arsenal* case. “Use of trade”, following the Court’s argumentation, consists in “a use within the context of a commercial activity in the purpose of an economical advantage and not in the private life”¹¹.

Use of trademarks by Google in Adwords services certainly may be termed as *a use within the context of a commercial activity in the purpose of an economical advantage and not in the private life*¹².

II. Choice of the Jurisdictions Likely to Decide

Discussion related to the competence of the French courts or the admissibility of the actions lodged against Google has not yet been approached in precedent case law. Such a question was firstly mainly introduced in the *Hotel Meridien vs Google* decision of 24 May 2007 by the Versailles Appeal Court. Several criteria have been raised along the line of the recent case law depending on which entity of the Google group was incriminated:

1. Admissibility of Actions Initiated Against Google France

Google France argued the inadmissibility of the action brought by the third party trademark owner. French Courts rejected these arguments.

a) Google France As French Advertising Department

⁹ CJCE, 23 oct.2003, aff C-115/02, Rioglass: Rec CJCE 2003, I, p.10273.

¹⁰ See also CJCE, 12 nov 2002, aff C-206/01 Arsenal: Rec CJCE 2002, I, p 12705.

¹¹ Idem note 10 above.

¹² See also regarding question of transit and infringement: Cass com 7 2006 N° 04-12.274, Sté Parfums Dior c/Smith and Co et a. TGI Paris , February 23 2007, PIBD 2007 N°851, III, p 312. See also Jérôme PASSA, Professor at the Paris Descartes University PI Jurisclasseur N° 5 of May 2008 p 14 “ la contrefaçon de marque et l’exigence d’une mise dans le commerce ».

In the *Hotel Meridien vs Google* decision of 24 May 2007, the Versailles Appeal Court, was presented the following arguments by Google France: all Google web sites belong to Google Inc. In addition, Google Inc is the sole publisher of the web site google .fr. Finally, Google Inc is the worldwide Editor of Adwords services subscriptions and since 2004 it is Google Ireland.

The Versailles Appeal Court nevertheless found the action admissible. The Court retained that Google France was duly registered at the French Register of Commerce in connection with the business of electronical and computerized services allowing the information search. According to the Court, Google France had the obligation to *promote and market in France the Google Inc Adwords services*. Google France had also to *disseminate advertising messages in France* via sponsored links and to assist Google Inc in analysing the market. Finally, Google France *concluded contracts in France with French advertisers* to be selected through the clicks on third parties trademarks. Google France was paid for such an activity¹³.

b) Google France's advertising Responsibility

The Paris Lower Court retained in the *Conseil National de la Litterie vs Google* decision of 12 December 2007 that appearance must be taken into consideration. According to the decision, Google France acted as if it was responsible for the advertising department in France; despite Google Inc was the google.fr's publisher and Google Ireland the beneficiary of the payments.

c) Accessibility by the French Public

In the *Citadines vs Google* decision of 7 December 2007, Paris Lower Court recognized its jurisdiction. According to the Judges, the incriminated acts were committed through

¹³ See also *Kenzo vs Ebay (LVMH)* Paris Lower Court decision dated December 14, 2007 according to which *Ebay was neither selling nor distributing goods or services but disseminating advertisings under the means of commercial links and no matter what the French internet users were able to purchase or not the goods from the French territory via the litigious key words. But see also the controversy decision Exotismes vs Google from Paris Lower Court dated October 3, 2007 according to which Google France cannot be responsible since it did not receive the duly power from Google Inc to manage the Adwords Services.*

dissemination on the internet network and in every place where the litigious information was accessible to the web site users, ie the French one.

Such a position was reiterated in the *Kenzo vs Ebay* (LVMH) decision of 14 December 2007 by the Paris Lower Court. The Paris Court justified its jurisdiction with the argument that Ebay's web site was in French language, notwithstanding the fact that the pages accessible via the litigious links were in English. According to French Judges, the French internet users may have access to such information from the French territory¹⁴.

Such decisions are in line with the case law issued by the Supreme Court. In the decision of 9 December 2003, the Court asserted "*that the Spanish web site was accessible by French Internet users; that were sufficient to establish a non virtual prejudice*"¹⁵.

2. Inadmissibility of Actions: No Forum Shopping

A few decisions still refuse jurisdiction in cases against Google France. Such a refusal probably is based on the general case law regarding the competence of French jurisdictions and the notion of "accessibility" on the internet network. In the *Axa vs Google* decision of June 6, 2007, the Paris Appeal Court refused to take into account the notion of "accessibility" due to the risk of "forum shopping"¹⁶. The Court once again requested a sufficiently substantial link between the acts and the prejudice to determine the competent jurisdictions. In the decision *Fernand S. and Normal vs Acet* of 26 April 2006, the Paris Appeal Court had already considered that the French public could not be the target of a Lebanon web site in English language, excluding therefore the competence of the French courts¹⁷.

¹⁴ See also *TWD Industries vs Google Aix en Provence Appeal Court decision dated December, 6, 2007*.

¹⁵ See also two ordonnances (in urgency proceedings) dated May, 16, 2008 *Ebay vs société des parfums* and *site Rueducommerce vs Carrefour Belgium*. The competence of the French courts was justified, according to the Judges, because of economical impact on the French public, notwithstanding to know at this stage whether a French internet user may or not acquire a product proposed on the said web site.

¹⁶ ie to chose a jurisdiction because it is able to satisfy its requests.

¹⁷ See also Cour de cassation, ch. commerciale, 11 janvier 2005, *Société Hugo Boss c/ Société Reemstma Cigarettenfabriken GmbH*. See also F. Glaize, "Internet & signes distinctifs : les apports de la jurisprudence de ces deux dernières années" - Cour de cassation, ch. commerciale, *Société Hugo Boss c/ Société Reemstma Cigarettenfabriken GmbH* - TGI Nanterre, 13 octobre 2003, *Sté Viaticum et Sté Luteciel c/ Sté Google France CA Paris*, 8 septembre 2004, *Sté Sport Autogalerie c/ Sté Porsche France*. Cour de cassation, 1ère ch. civile, 9 décembre 2003, *Castellblanch c/ Champagne Louis Roderer*.

III. Outlook

Whereas the environment of new technologies is evolving rapidly, French Judges have been and are able to follow these changes and to adapt the case law consequently. If the pattern of buying third party trademarks as keywords by advertisers to divert its goodwill remains latent, French Judges, but also in many other European countries, try and dissuade to carry on contemplating such a practice.

The evoked ECJ decision will be expected within the EU with a great interest taking into account that the preliminary question was asked, for once, by a French court.