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# Keywords, Trademarks, and Search Engine Liability

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In 2012 the Language Council of Sweden added the word ‘ungoogleable’ to its annual list of Swedish words that are not in the Swedish dictionary but have become part of the common vernacular. The word, which in Swedish translates to ‘ogooglebar’, was defined as something that cannot be found on any search engine. Google objected and demanded the definition be amended to refer specifically to its search engine, incorporating a disclaimer stating that Google is a trademark of Google Inc. The Swedish Language Council resisted, and, after observing that language development and the protection of trademarks are anomalous, it declared the word would not be included on its final list.<sup>1</sup>

The irony of Google taking issue with the use of its trademark in this way is surely not lost on those familiar with the spate of lawsuits around the world brought against the search engine in recent times for its perceived lack of respect for trademarks and trademark law. It is certainly not lost on the trademark owners who have instituted these proceedings, although their condescension is not exclusively reserved for Google of course, with trademark owners equally concerned about any use of their trademarks by internet intermediaries and their advertisers.

So how did we get here?

The proliferation of information available on the internet and the growth of internet-related businesses has resulted in an exponential rise in the power of the search engine – as both repositories of information and advertising platforms with enormous reach. This shift in the business landscape has led to a swell in litigious claims and a growing jurisprudence on search engine liability, much of which relates to questions of trademark infringement arising from the use of third party trademarks as keywords in the online advertising services offered by web search engines.

The following discussion will explore the judicial response to such claims in Europe, the United States, and Australia, but with a particular focus on Google, since allegations of search engine liability concerning trademark infringement have almost exclusively

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1. See Language Council of Sweden, ‘Google Does Not Own the Language’, 26 March 2013, <http://www.sprakradet.se/15922> (in Swedish).

been leveled against Google, as the market leader.<sup>2</sup> It will also consider the application of consumer protection legislation as an alternative means of regulating the use of third party trademarks as keywords in online search and advertising. The purpose of this study is to test whether search engine liability, in the jurisdictions subject to review, is a reality, a possibility, or largely illusory. In order to undertake this analysis, it is necessary to first touch on the operation of internet search engines and their advertising services, including the use of keyword advertising.

### Understanding Keyword Advertising

Keyword advertising enables search providers and their advertisers to deliver relevant, tailored, consumer-specific ads to internet users. It also allows search engine operators to generate substantial revenue from the sale of keyword advertising. For example, in 2012 the global internet advertising market was worth U.S. \$100.2 billion, representing a year-on-year growth of 17 percent, and a 20 percent share of the total global advertising market.<sup>3</sup> Given its profitability, some search engines operate on a pay for placement basis only, where search results are primarily based on paid placements and not relevance.<sup>4</sup> The distinction between relevance-based search results, or natural search results, and sponsored ads is best explained in the present context, by reference to the Google search engine.<sup>5</sup>

When a user enters a term in the Google search engine, users are given two main search results: natural (or organic) search results and sponsored links. Organic search results provide links to web pages that are ranked in order of relevance to the search terms entered, as determined by a complex algorithm developed by Google. Although the precise nature and workings of the algorithm remain unknown, its use means that organic search result rankings cannot be purchased.

Sponsored links on the other hand, are a form of advertising, created by advertisers who pay the relevant search provider each time a user clicks on it. With respect to the Google search engine, sponsored links are displayed separately from organic search results and can appear in a box marked 'Ad' or 'Ad/s related to...' usually above the organic search results. Significantly, the order and ranking of sponsored links and

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2. As the market leader, Google generates more than U.S. \$50 billion in revenue annually, the majority of which is generated from its advertising. See Google Inc, 'Form 10-K: Annual Report', 29 January 2013, <http://edgar.secdatabase.com/1404/119312513028362/filing-main.htm>. According to NetMarketShare, as of January 2014, Google's global desktop search engine market share was 71.36 percent. Its closest competitors were Baidu (16.35 percent) and Bing (5.83 percent). In the past, this figure was above 90 percent, but has been pegged back significantly by the growth of the Chinese language search engine Baidu. See NetMarketShare, 'Desktop Search Engine Market Share', January 2014, <http://www.netmarketshare.com/search-engine-market-share.aspx?qprid=4&qpcustomd=0>.
  3. In 2017 this figure is expected to grow to U.S. \$185 billion. See Pricewaterhouse Coopers, 'Global Entertainment and Media Outlook: 2013-2017: Internet Advertising', <http://www.pwc.com/gx/en/global-entertainment-media-outlook/segment-insights/internet-advertising.jhtml>.
  4. See for example *GoTo.com v Walt Disney Co*, 202 F 3d 1199 (9th Cir, 2000), where GoTo.com ran a pay for placement search engine which produced search results using an algorithm weighted in favour of paid advertisers.
  5. For more on the operation of the Google search engine see *Google Inc v Australian Competition and Consumer Commission* [2013] HCA 1 at [18]-[33] per French CJ, Crennan and Kiefel JJ. Also see *Interflora Inc v Marks and Spencer Plc* [2013] EWHC 1291 (Ch) at [87]-[111] per Arnold J.

whether they will appear at all in response to a user query is determined by Google's AdWords program and not the Google web search algorithm.

The AdWords program allows advertisers to create, change, and monitor the performance of sponsored links. These sponsored links consist of three parts. The first part is the headline, which incorporates a link to a webpage. The second part is the address of the webpage. The third part of the link is the advertising text, which usually consists of a brief summary of the subject of the sponsored link and sometimes the advertiser's business.

A third and more recent addition to Google's search results page is the Knowledge Graph box. According to Google, '[t]he Knowledge Graph enables you to search for things, people or places that Google knows about – landmarks, celebrities, cities, sports teams, buildings, geographical features, movies, celestial objects, works of art and more – and instantly get information that's relevant to your query.'<sup>6</sup> The relevant information Google refers to appears on the right hand side of the search results page, linking to public sources including Wikipedia. The information shown in this section is derived from a collection of information about real-world things and their connections to other things, where Knowledge Graph gathers information about a topic from several sources, before refining the information based on the most popular questions people ask about that subject.

For an example of Google's search layout see Figure 1 which shows the results page generated in Australia in response to a desktop search query using the LACOSTE trademark as a keyword, including both organic search results and sponsored links, as well as Google Knowledge Graph.

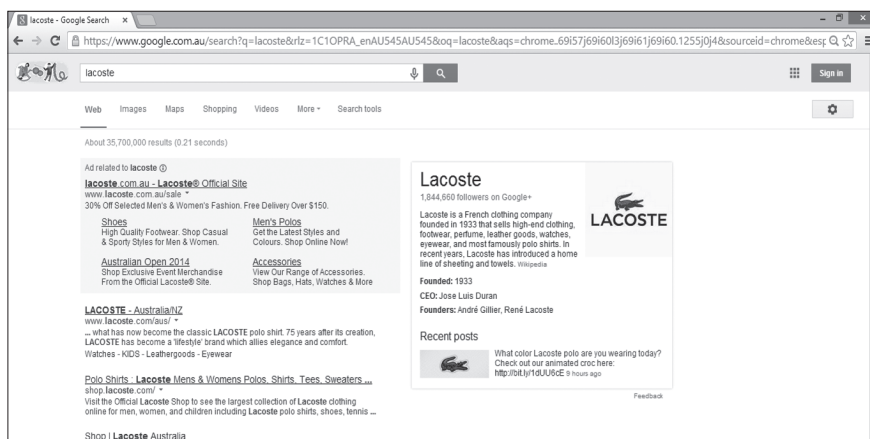


Fig. 1: Google Search Engine Response to Keyword Search for LACOSTE.

6. 'Introducing the Knowledge Graph: Things not Strings', Google Official Blog, 16 May 2012, <http://googleblog.blogspot.com.au/2012/05/introducing-knowledge-graph-things-not.html>

Returning to sponsored links, advertisers using AdWords are able to specify each part of the three-part sponsored link. The advertiser can also specify keywords that will trigger the appearance of the sponsored link when that keyword is entered as a search term in the Google search engine. Furthermore, advertisers are able to take advantage of keyword insertion, a special feature of AdWords, where the search phrase entered by a user is then used as the clickable headline for the sponsored link.

There was a period when Google did not allow advertisers to link their ads to the trademarks of others, but in 2004 its advertising policy was amended in the United States and Canada to allow advertisers to purchase their competitors' trademarks as keywords.<sup>7</sup> This policy was subsequently applied to the United Kingdom and Ireland in 2008 and the rest of Europe in 2010.<sup>8</sup> In early 2013 the policy was rolled out further in countries including China, Hong Kong, and Australia, with Google announcing it '...will no longer prevent advertisers from selecting a third party's trademark as a keyword in ads targeting these regions'.<sup>9</sup>

As to its competitors, Microsoft's Yahoo! and Bing search engines also provide keyword advertising services, as does Baidu. With respect to Microsoft, initially its keyword policy differed somewhat from Google's, but in 2011, the company announced it was amending its Intellectual Property Policy so as to no longer review complaints in relation to the use of trademarks as keywords in the United States and Canada, in order to align its practices with the current industry standard, namely Google.<sup>10</sup> Microsoft will however, still investigate a complaint about trademark use in the text of a search ad,<sup>11</sup> as will Google, if it is inconsistent with its AdWords Trademark Policy.<sup>12</sup> Furthermore, in Australia, Brazil, France, Hong Kong, Indonesia, Italy, New Zealand, Ireland, Singapore, and the United Kingdom, Microsoft will investigate a complaint about trademark infringement with respect to keyword use.<sup>13</sup>

These changes in search engine policy and the consequential practice of advertisers purchasing competitors' trademarks as keywords have created a number of challenges for judges in having to adapt and apply laws and legal doctrines to technologies

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7. Google Advertising Policies Help, 'AdWords Trademark Policy', <https://support.google.com/adwordspolicy/answer/6118?rd=1>.
  8. Matthew Saltmarsh, 'Google Will Sell Brand Names as Keywords in Europe', *The New York Times*, 4 August 2010, [http://www.nytimes.com/2010/08/05/technology/05google.html?\\_r=0](http://www.nytimes.com/2010/08/05/technology/05google.html?_r=0).
  9. Google Advertising Policies Help, 'Updates to AdWords Trademark Policy', <https://support.google.com/adwordspolicy/answer/177578>.
  10. Eric Goldman, 'Microsoft Adopts Google-Style Trademark Policy for Keyword Advertising', *Technology & Marketing Law Blog*, 15 February 2011, [http://blog.ericgoldman.org/archives/2011/02/microsoft\\_adopt.htm](http://blog.ericgoldman.org/archives/2011/02/microsoft_adopt.htm).
  11. Bing Ads, 'Intellectual Property Guidelines', <http://advertise.bingads.microsoft.com/en-us/editorial-intellectual-property-guidelines#1>.
  12. Google Advertising Policies Help, 'AdWords Trademark Policy'. That is, where a third party trademark is being used and the exceptions do not apply. Thus, advertisers can use a trademarked term in an ad if they are authorized to do so, or if they are using the term descriptively. Furthermore, advertisers can use a trademark in ad text if the advertiser complies with Google's policy on resellers and informational sites, which can be found at <http://support.google.com/adwordspolicy/answer/6118?hl=en>.
  13. Bing Ads, 'Intellectual Property Guidelines'.

and trademark uses unimagined at the time of enactment.<sup>14</sup> As previously noted, most of the litigation in this space concerns the potential liability of Google for trademark infringement flowing from its sale of trademarks as keywords to third parties, although some trademark owners have also pursued the advertisers directly.

### Trademarks as Keywords and Trademark Infringement

In most jurisdictions, trademark infringement is premised on the assessment of consumer confusion, which flows from the alleged infringing use of a mark where that use is consistent with the function of a trademark in the course of trade. For example, in the United States, trademark infringement is defined as '[...] any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive [...]'.<sup>15</sup> In order to succeed in a claim for infringement therefore, one must show (1) that the defendant has used (2) an identical or similar mark (3) in commerce (4) and that the defendant's use is likely to confuse consumers.<sup>16</sup>

Confusion is also a central tenant in the conceptualization of trademark infringement under Article 5(1)(a) of the First Council Directive to Approximate the Laws of the Member States Relating to Trade Marks.<sup>17</sup> According to case law, a claim for infringement under Article 5(1)(a) can only succeed if the following conditions are satisfied: (1) there must be use of a sign by a third party within the relevant territory; (2) the use must be in the course of trade; (3) it must be without the consent of the proprietor of the trademark owner; (4) it must be of a sign that is identical to the trademark; (5) it must be in relation to goods or services which are identical to those for which the trademark is registered; (6) and it must affect or be liable to affect the functions of the trademark.<sup>18</sup>

In Australia, the grounds for relief under the Trade Marks Act 1995 (Australia) are somewhat similar. Here, infringement occurs when a person uses as a trademark a sign that is substantially identical to or deceptively similar to a registered trademark in relation to the same class of goods (or services) for which the trademark is registered.<sup>19</sup> As in the United States and Europe, there is a threshold requirement that the alleged infringer

14. As acknowledged by Circuit Judge Hartz in his opening statement of 1-800 Contacts Inc v Lens.com Inc, No 11-4114, 11-4204, 11-4022 (10th Cir, 2013) at 2.

15. §32 of the Lanham Act, 15 USC §1114(1) (2005). Also see §1125(a) which provides a cause of action for the infringement of unregistered trademarks.

16. As to the recognized categories of confusion see *Australian Gold Inc v Hatfield*, 436 F 3d 1228 (10th Cir, 2006).

17. *First Council Directive 89/104/EEC of 21 December 1988 to Approximate the Law of the Member States Relating to Trade Marks*, Article 5, which has subsequently been replaced by a codified version under the European Parliament and Council Directive 2008/95/EC of 22 October 2008 to Approximate the Law of the Member States Relating to Trade Marks. The Directive further provides that a trademark owner can prevent the use of a sign on goods and services that are similar to those covered by the trademark where there exists a likelihood of confusion on the part of the public.

18. As set out by *Arnold J in Interflora Inc v Marks and Spencer Plc* [2013] EWHC 1291 at [177].

19. Trade Marks Act 1995 (Australia) s 120(1). Trademark infringement can also occur where a sign is being used in relation to goods which are the same description as the goods (or services) for which the trademark is registered or in relation to closely related services (or goods). See section 120(2) of the *Trade Marks Act 1995* (Australia).

must use the registered trademark as a trademark, so as to distinguish the goods and services to which it is attached. Further, trademark infringement is based on the use of a mark that is either substantially identical to or deceptively similar to a registered trademark, so as to confuse or deceive consumers.<sup>20</sup>

When it comes to the use of trademarks as keywords, cases of infringement usually hinge on whether the use of a trademarked term in search results constitutes use as a trademark, consistent with the legal definition of use. Another precarious issue pertains to consumer confusion. Both of these issues have come to surface in the suite of infringement lawsuits brought against Google over the last decade, where trademark use and confusion have been pivotal in determining whether the search engine could or should be liable for direct or contributory trademark infringement.

Now while some of the first reported cases involving internet intermediaries looked to have broadened the class of people who could face legal liability for trademark infringement,<sup>21</sup> in the subsequent cases involving Google, the potential for liability has seemingly contracted, as most of the lawsuits instituted against the search engine have been largely resolved in its favor. Perhaps the most publicized trademark infringement action involving Google is the famed European Court of Justice (ECJ) case of Google France SARL v Louis Vuitton Malletier SA.<sup>22</sup>

Culminating over several years and bringing together three separate lawsuits, this case was considered a victory for Google and search engine operators in general. Here, Louis Vuitton brought proceedings against Google France, alleging it had allowed advertisers to purchase Louis Vuitton trademarks as keywords via Google's AdWords program and link to websites selling imitation Louis Vuitton goods and to competing websites, in breach of Article 5 of the First Council Directive. The claim ultimately failed, with the ECJ deciding that search engine operators do not infringe trademarks by selling keywords that correspond to third party trademarks. This is because although search engines are carrying out commercial activity in the course of trade, these activities do not constitute use, as required for the purposes of trademark infringement:

The fact of creating the technical conditions necessary for the use of a sign and being paid for that service does not mean that the party offering the service itself uses the sign. To the extent to which it has permitted its client to make such a use of the sign, its role must, as necessary, be examined from the angle of rules of law other than Article 5 [...].<sup>23</sup>

After determining that the use requirement could not be established, the ECJ terminated its inquiry at the first step of the above mentioned framework for infringement,

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20. Trade Marks Act 1995 (Australia) s 10.

21. See especially *Playboy Enterprises Inc v Netscape Communications Corp*, 354 F 3d 1020 (9th Cir, 2004) which held that search engines could face liability for allowing advertisers to use trademarks as keywords where such use was not authorized by the trademark owner – for either direct or contributory infringement.

22. *Google France SARL v Louis Vuitton Malletier SA* [2010] C-236/08, C-237/08 and C-238/08.

23. *Google France SARL v Louis Vuitton Malletier SA* [2010] C-236/08, C-237/08 and C-238/08 at [57].

without examining some of the other more pertinent questions relating to infringement, such as whether AdWords undermines the function of the trademark, including the economic function, which is central to the rationalization of trademark law.<sup>24</sup> Nevertheless, this decision has become a reference point for the milieu of claims brought against Google around the world, where the company has similarly escaped liability.

This success has prompted some commentators to assert that Google has won the trademark and keyword advertising battle,<sup>25</sup> paving the way for the company and its competitors to continue selling trademarks as keywords, unfettered and without legal consequence. There is some truth to this claim, although a closer examination of the legal basis for such decisions and the circumstances surrounding the search engine's success would suggest that such an assertion is somewhat of an exaggeration. There are several reasons for this.

First, a number of lawsuits brought against Google have been dismissed before the issues could be tested in court. For example, Soaring Helmet, manufacturers of the VEGA motorcycle helmet, voluntarily dismissed Google from its trademark lawsuit against Bill Me Inc and others.<sup>26</sup> More recently, Google was successful in defending a claim of trademark infringement, among a laundry list of other claims.<sup>27</sup> As far as the trademark infringement claim was concerned, the matter was dismissed after the Court held the plaintiff's trademark, Home Decor Center, was too generic to warrant protection.

Furthermore one cannot say definitively that Google has been victorious against aggrieved trademark owners, given that several lawsuits have been settled out of court, including the long-running dispute between Google and software company Rosetta Stone.<sup>28</sup> Indeed it is worth noting that while Google was successful in the first instance,<sup>29</sup> on appeal the Fourth Circuit reversed the District Court on several key points, including claims of direct trademark infringement, contributory infringement, and dilution, before both parties settled on confidential terms.<sup>30</sup>

As a result, several substantive issues related to trademark infringement in the search engine context are yet to be considered by the courts, let alone resolved. In Australia for example, the issue of search engine liability for trademark infringement has not even come before the courts, although perhaps this is because the likelihood of success is seen as too remote, especially with respect to the interpretation of the trade-

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24. William M. Landes and Richard A Posner, 'Trademark Law: An Economic Perspective', *Journal of Law and Economics* 30 (1987): 266-268 and William Landes and Richard Posner, *The Economic Structure of Intellectual Property*, Cambridge, MA: Harvard University Press, 2003.

25. Eric Goldman, 'More Confirmation that Google Has Won the AdWords Trademark Battles Worldwide', *Forbes*, 22 March 2013, <http://www.forbes.com/sites/ericgoldman/2013/03/22/more-confirmation-that-google-has-won-the-adwords-trademark-battles-worldwide/>.

26. *Soaring Helmet Corporation v Bill Me Inc*, 2:2009cv00789 (WD Wash, 2009). Similarly see *Ezzo v Google*, 2:09-CV-00159 (MD Fla, 2010) and *Jurin v Google Inc*, WL 5011007 (ED Cal, 2012).

27. *Home Decor Center Inc v Google Inc*, CV 2:12-cv-05706-GW-SH (CD Cal, 2013).

28. Reuters, 'Rosetta Stone and Google Settle Trademark Lawsuits', 31 October 2012, <http://www.reuters.com/article/2012/10/31/us-usa-court-rosettastone-google-idUSBRE89U1GE20121031>.

29. *Rosetta Stone Ltd v Google Inc*, 1:09-cv-00736-GBL-TCB (ED Va, 2010).

30. *Rosetta Stone Ltd v Google Inc*, WL 1155143 (4th Cir, 2012).



mark use doctrine.<sup>31</sup> And even when the courts have been given an opportunity to make a clear statement on the application of trademark law in the context of search engines, against the most dominant search engine in the world no less, they have not done so. The most obvious case in point is the Google France decision, when the Court dismissed the claim for trademark infringement on the basis that the use as a trademark requirement had not been established. Critically however, the court did not make any assessment as to the other elements of trademark infringement, including likelihood of confusion, much to the dismay of some:

[...] the ECJ left open the door for future misbehaviour. For example, suppose that, as a bonus for its most loyal clients, Google modified its natural search results so that on occasion the link to a trademark proprietor's website diverts users to an advertiser's page. This behaviour would surely cause significant confusion, yet it would be difficult to attribute to the underlying advertiser, as opposed to Google itself. Under the Court's analysis, however, Google would still be immune from trademark infringement liability.<sup>32</sup>

Another point worth observing is that while the ECJ concluded that Google's conduct does not constitute use sufficient enough to found a cause of action for trademark infringement, this is not entirely consistent with some of the American case law on this issue, which in itself is conflicting.<sup>33</sup> As such, there is a real possibility for future test cases to shed further light or clarification on the concept of trademark use, consumer confusion, and, particularly, whether keyword use is likely to affect the function of the trademark. The latter issues are especially crucial, since there is conflicting evidence as to whether consumers are actually confused or understand the nature and operation of sponsored links.<sup>34</sup> Another area that has not been sufficiently flushed out is the case of contributory trademark liability, as opposed to primary liability, an issue that was in dispute in the aforementioned Rosetta Stone case but was settled out of court.

Whether such test cases will materialize in the near future is unclear but is probably unlikely, with trademark owners seemingly resigned to the fact that as Google has continued to successfully stave off trademark infringement lawsuits, the legality of its AdWords program is becoming more entrenched and legitimated. Consequently, trademark owners have shifted their focus to the advertisers responsible for purchasing third party

31. For further discussion see Althaf Marsoof, 'Online Service Providers and Third Party Trademark Infringement in Australia', *International Journal of Law and Information Technology* (2013): 1-32. Also available from <http://ijlit.oxfordjournals.org/content/early/2013/07/18/ijlit.eat010.full.pdf>. The lack of case law in Australia may also be attributed to the fact that unlike other jurisdictions, the Trade Marks Act 1995 (Australia) does not make any provision for contributory or indirect liability.

32. 'Trademark Law – Infringement Liability: European Court of Justice Holds that Search Engines do not Infringe Trademarks', *Harvard Law Review* 124 (2010): 648, 654-655.

33. See for example *Rescuecom Corp v Google Inc*, 562 F 3d 123 (2d Cir, 2009) and compare with the earlier case of *1-800 Contacts Inc v WhenU.com Inc*, 414 F 3d 400 (2d Cir, 2005).

34. For example in *Rosetta Stone Ltd v Google Inc*, 2012 WL 1155143 (4th Cir, 2012), the District Court cited an internal Google study finding that even sophisticated consumers were sometimes unaware that sponsored links were advertisements. Compare this to the findings set out in David J. Franklyn and David A. Hyman, 'Trademarks as Search Engine Keywords: Much Ado About Something?', *Harvard Journal of Law and Technology* 26.2 (2013): 1-65.

trademarks as keywords, with better success.<sup>35</sup> The possibility of holding advertisers as opposed to intermediaries liable was actually foreshadowed in *Google France*, although the ECJ deferred a decision about the advertiser's liability to the referring Court.

We have seen the flow on effect of this in the recent *Interflora Inc v Marks and Spencer Plc* decision. In this case Arnold J held that in purchasing 'Interflora' (and similar variations) as keywords, Marks and Spencer, was liable for trademark infringement because it did not enable reasonably well-informed and reasonably attentive internet users, or enabled them only with difficulty, to ascertain whether the service referred to in the advertisements originated from the proprietor of the trademarks or an undertaking economically connected with it, or else originated from a third party.<sup>36</sup> The Federal Court of Australia also recently found an advertiser liable for trademark infringement in similar circumstances.<sup>37</sup>

Given these decisions, it would not be surprising to see trademark owners pursue the advertisers responsible for the purchase of keywords exclusively, rather than the search engines responsible for facilitating that purchase.<sup>38</sup> This does not mean however, that search engines such as Google have or will escape all liability for their role in the sale of trademarks as keywords. To say that would be to ignore the potential scope and application of laws that govern against misleading and deceptive conduct in advertising – laws which in all likelihood, are better suited to regulating new and emerging market activities such as keyword advertising than trademark law is or ever could be.

### Misleading and Deceptive Conduct and False Advertising

Some litigants have sought to test the legitimacy of Google's AdWords facility under the laws regulating misleading and deceptive conduct and false advertising, as an alternative to the often argued claim of trademark infringement. One of the most notable examples came to a head in Australia, when the Australian Competition and Consumer Commission (ACCC) instituted proceedings against Google and the Trading Post for breaching section 52 of the Trade Practices Act 1974 (Cth), now section 18 of the Australian Consumer Law (ACL),<sup>39</sup> which prohibits traders from engaging in conduct that is misleading and deceptive or is likely to mislead or deceive.

This section and its predecessor have been interpreted broadly, so that they can serve their function as '[...] a norm of commercial conduct which applies in dealings with the public at large, with individuals and between traders'.<sup>40</sup> As such, section 18 has

35. Although see *1-800 Contacts Inc v Lens.com Inc*, No 11-4114, 11-4204, 11-4022 (10th Cir, 2013) and *Allied Interstate LLC v Kimmel & Silverman PC*, WL 4245987 (SDNY, 2013) as examples of trademark infringement lawsuits instituted by trademark proprietors against advertisers who have used third party trademarks as keywords, but which were unsuccessful, for want of sufficient evidence of confusion.

36. *Interflora Inc v Marks and Spencer Plc* [2013] EWHC 1291 at [318].

37. *REA Group Ltd v Real Estate 1 Ltd* [2013] FCA 559.

38. They should do so with caution however as the *Interflora* decision may be confined to its facts, where confusion only arose given the unique nature of the *Interflora* business. Accordingly, it is possible the case will not serve as a precedent such that all advertisers will be liable for trademark infringement in the future. Rather, in most instances, such as the aforementioned *1-800 Contacts* and *Allied Interstate* decisions, evidence of confusion will not be usually sufficient.

39. This is a schedule of the *Competition and Consumer Act 2010* (Cth).

40. Robert French, 'A Lawyer's Guide to Misleading or Deceptive Conduct', *Australian Law Journal* 63 (1989): 250, 268.

been applied to sanction the use of misleading brand names, get-up, or packaging of products,<sup>41</sup> misleading business and company names,<sup>42</sup> as well as domain names.<sup>43</sup> It also prohibits misleading statements and representations made in advertising including online advertising, and in this way, is analogous to the false advertising prohibitions found in other jurisdictions.<sup>44</sup>

The ACCC's case against Google related to its broader claim relating to various sponsored links.<sup>45</sup> The essence of this broad claim was that each of the disputed sponsored links were misleading or deceptive, or likely to mislead or deceive, because they included a headline that linked to the advertisers' webpage rather than to a webpage of the advertisers' competitor whose trading or product name featured in the headline. For example, the first named respondent, the Trading Post, a classified advertising business, was alleged to have purchased 'Just 4x4s Magazine' among others as keywords (with Just 4x4s Magazine being a competitor of the Trading Post in providing classified advertising for four wheel drives). Thus, when a user entered the search terms 'Just 4x4s Magazine' into the Google search engine, they would be returned the following search result:

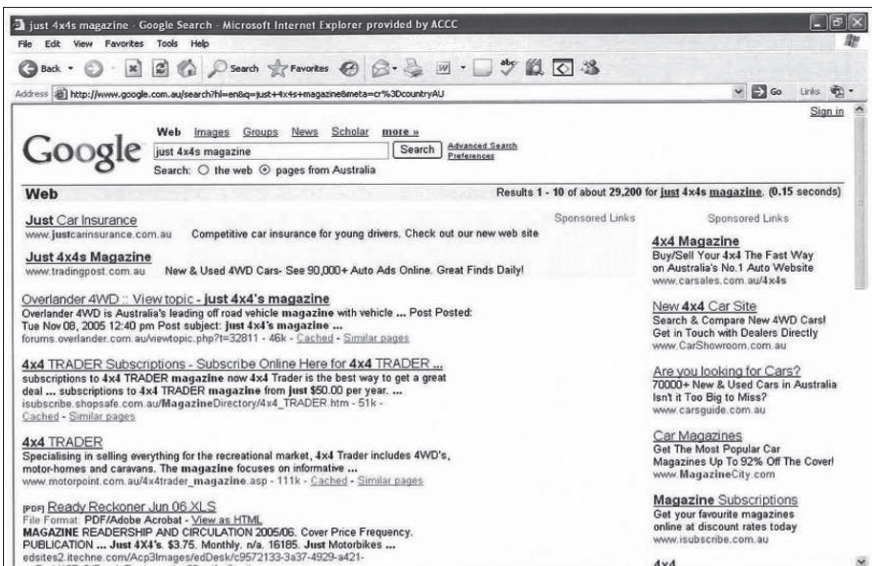


Fig. 2. Google Search Engine Response to Keyword Search for JUST 4X4S MAGAZINE.

41. For imitation of product shape and get-up see for example *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* [1982] HCA 44 and *Interlego AG & Lego Australia Pty Ltd v Croner Trading Pty Ltd* [1992] FCA 624. For the imitation of a product name and get-up see *Apand Pty Limited v the Kettle Chip Company Pty Limited* [1994] FCA 1370.
42. *Re Taco Company of Australia Inc* [1982] FCA 136.
43. *Architects (Australia) Pty Ltd v Whitty Consultants Pty Ltd* [2002] QSC 139.
44. In the United States see §43 of the Lanham Act, 15 USC §1125 (2005). Also see Directive 2006/114/EC of 12 December 2006 on Misleading and Comparative Advertising.
45. For a detailed analysis of this case see Amanda Scardamaglia, 'Misleading and Deceptive Conduct and the Internet: Lessons and Loopholes in Google Inc v Australian Competition and Consumer Commission', *European Intellectual Property Review* 35 (11) (2013): 707-713.

The dispute, so far as it relates to Google, centered on its publishing the misleading and deceptive sponsored links, including the advertisement mentioned above. Specifically, the ACCC alleged that by publishing or displaying the sponsored links in question, Google was liable for misleading and deceptive conduct, as the *maker* of those advertisements. The ACCC further claimed that Google had engaged in misleading and deceptive conduct by failing to distinguish sufficiently between its organic search results and its sponsored links.

Although the proceedings against the Trading Post were settled, the case against Google was subject to protracted litigation. The matter was heard at first instance before Justice Nicholas in the Federal Court. He found that although four out of the 11 sponsored links subject to dispute were misleading and deceptive such that the advertisers were liable, Google had not made those representations.<sup>46</sup> Rather they had merely communicated those representations as the publisher – and as the publisher, Google was not liable. As to the claim that Google had failed to sufficiently distinguish between its organic search results and its sponsored links, the primary judge found that ordinary and reasonable members of the public who have access to a computer connected to the internet would have understood sponsored links were advertisements that were different from Google's organic search results such that Google was not liable.

The ACCC appealed, challenging the finding that Google had not made any false and misleading representations. The finding that Google had not differentiated between its organic search results and sponsored links was not subject to appeal. Here, the Full Court unanimously reversed the decision of the primary judge, finding that Google had engaged in misleading and deceptive conduct. Keane CJ, Jacobson and Lander JJ distinguished Google's role as publisher from publishers of traditional advertising, including newspapers and television stations, finding that it had acted as more than a mere conduit and was the maker of the advertisements:

The circumstance that the sponsored link is displayed as Google's response to a user's insertion of a search term into Google's search engine prevents any analogy between this case and the case of the bill-board owner or the owner of a telephone network or the publisher of a newspaper or a telecaster who simply displays an advertisement of another. In those cases the medium is not concerned with the content of the advertiser's message: in the four instances in question here Google created the message which it presents. Google's search engine calls up and displays the response to the user's enquiry. It is Google's technology which creates that which is displayed. Google did not merely repeat or pass on a statement by the advertiser: what is displayed in response to the user's search query is not the equivalent of Google saying here is a statement by an advertiser which is passed on for what it is worth.<sup>47</sup>

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46. Australian Competition and Consumer Commission v Trading Post [2011] FCA 1086.

47. Australian Competition and Consumer Commission v Google Inc [2012] FCAFC 49 at [95] per Keane CJ, Jacobson and Lander JJ.

Perhaps unsurprisingly, Google appealed, and the matter went before the High Court of Australia, where in a much publicized and anticipated decision,<sup>48</sup> the bench unanimously allowed the appeal. Significant to this finding was the fact that the evidence against Google '[...] never rose so high as to prove that Google personnel, as distinct from the advertisers, had chosen the relevant keywords, or otherwise created, endorsed, or adopted the sponsored links'.<sup>49</sup> As such, Google was not liable as the maker of misleading and deceptive advertising content.

Some consider the High Court's decision a lost opportunity, since the statutory language of section 18 of the ACL and its precursor are '[...] sufficiently open-ended to catch the situation at hand'.<sup>50</sup> Even so, one should not dismiss the possibility of search engine liability on this front entirely, since the High Court did not consider a number of complex issues that are critical to the application of consumer protection laws to online service providers, including Google.

For example, while the High Court found that Google was not the maker of the misleading and deceptive advertising content, it did not assess whether Google had engaged in misleading and deceptive conduct by aiding, abetting, counseling, or procuring misleading conduct, on the part of the advertisers. Obviously this was beyond the scope of the claim alleged by the ACCC, and so it was not necessary for members of the Court to make any determination on this issue. Even so, it may still be open for persons aggrieved by Google's conduct, including consumers and trademark owners, to take legal action against Google on this ground.

It is further possible that Google may yet be found liable for the publication of misleading organic search results in breach of section 18 of the ACL, especially since although the ACCC alleged there was a class of consumers who did not understand the distinction between organic search results and sponsored links, they did not produce any survey evidence to support this proposition.<sup>51</sup> Thus, the production of such consumer evidence in the future may prove to be significant. This issue might be enlivened sooner rather than later if Google moves towards the introduction of banner ads as speculated,<sup>52</sup> while the addition of Google's Knowledge Graph adds another layer to the vexed issue of confusion.

Another issue that was not adequately clarified was the application of the publisher's defense, which provides immunity to publishers when they publish advertisements that are false or misleading but has no reason to suspect they would be in

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48. See Megan Richardson, 'Before the High Court: Why Policy Matters: Google Inc v Australian Competition and Consumer Commission', *Sydney Law Review* 34 (2012): 587-598.

49. Google Inc v Australian Competition and Consumer Commission [2013] HCA 1 at 71 per French CJ, Crennan and Kiefel JJ.

50. Megan Richardson, 'Before the High Court', 588.

51. On this point, the *Trkulja v Google Inc LLC & Anor* (No 5) [2012] VSC 533 case is relevant. Here, the Supreme Court of Victoria found Google liable as the publisher of defamatory material as published in its organic search results. It is entirely plausible that such a claim could have been made out under the ACL as well.

52. Charles Arthur, 'Google Breaks 2005 Promise to Never Show Banner Ads on Search Results', *The Guardian*, 25 October 2013, <http://www.theguardian.com/technology/2013/oct/24/google-breaks-promise-banner-ads-search-results>.

breach of the law.<sup>53</sup> Because Google was not found to have engaged in misleading and deceptive conduct, the High Court did not think it necessary to consider the relevance of this defense. The majority of French CJ, Crennan, and Kiefel JJ did however observe that:

[...] an intermediary publisher who has endorsed or adopted a published representation of an advertiser without appreciating the capacity of that representation to mislead or deceive may have resort to the statutory defence. In those circumstances, recognising that its business carried a risk of unwitting contravention, an intermediary publisher may need to show that it had some appropriate system in place to succeed in the defence that it did not know and had no reason to suspect that the publication of that representation would amount to a contravention.<sup>54</sup>

Whether Google's policies and practices would have been considered an appropriate system by which it could rely on the publisher's defense was not discussed. Given this, there may still be some life to this limb of liability, in terms of regulating the conduct of internet search engines and, even more broadly, their advertisers in the future. Indeed, in the current landscape, such provisions seem the most likely legal avenue to fill this regulatory hole.

There are a number of reasons why this might be true. First, this alternative may prove more palatable for the courts, since it does not require them to apply trademark doctrine in a way which might depart from traditional principles of trademark law in order to guard against confusion.<sup>55</sup> Second, consumer protection legislation, particularly in Australia, is also flexible enough for the courts to interpret broadly, so as to accommodate new and emerging commercial practices such as internet advertising.

### Where to From Here?

Claims of search engine liability require carefully balancing a number of interests – the interests of trademark owners, consumers, and competition more generally. In exercising this juggling act, the courts have recognized that internet advertising is simply a modern form of comparative advertising that is ultimately good for consumers and good for competition because it promotes choice, placing priority on these interests above all else. This much was acknowledged by Arnold's J in the aforementioned *Interflora* decision, where it was observed that '[...] keyword advertising is not inherently or inevitably objectionable from a trade mark perspective. On the contrary, the case law [...] in this field recognises that, as a general rule, keyword advertising promotes competition [...]'.<sup>56</sup>

53. Section 85(3) of the Trade Practices Act 1974 (Cth), now 251 of the ACL.

54. *Google Inc v Australian Competition and Consumer Commission* [2013] HCA 1 at 75 per French CJ, Crennan and Kiefel JJ.

55. Such as the contextual approach to trademark infringement as suggested in Dinwoodie and Janis, 'Confusion Over Use: Contextualism in Trademark Law', *Iowa Law Review* 92 (2007): 1597-1667.

56. *Interflora Inc v Marks and Spencer Plc* [2013] EWHC 1291 at [288].

As such, the courts have resisted applying a cheapest cost avoider<sup>57</sup> interpretation to questions of search engine liability and have instead recognized Google's advertising service as a legitimate undertaking. Perhaps this is because the alternative would '[...] jeopardize the internet's potential as an information resource and a catalyst for competition [...]'.<sup>58</sup> It may also have an undesirable chilling effect in restricting the dissemination of truthful comparative advertising and unnecessarily sanctioning legitimate behavior by internet intermediaries.<sup>59</sup> Thus, as Eric Goldman puts it:

To increase the odds of efficient and successful searches, searchers should be able to pick the search terms they want and search providers should be able to use those search terms to deliver the most helpful content to searchers. Thus trademark law must step aside when searchers receive content they may want.<sup>60</sup>

As the preceding discussion has demonstrated, the case law in this area indicates that the courts have for the most part accepted this proposition, and have been prepared to quarantine the use of trademarks and keywords from the realms of trademark infringement by search engine operators, although the advertisers have not been afforded the same protection. Thus, while there is still some scope to test the ambit of such claims further, it appears that search engine liability, at least for the moment and at least from the perspective of trademark law, is an unlikely proposition. Any potential liability for trademark infringement therefore would more likely rest against the advertisers. And as to the laws relating to misleading and deceptive conduct or false advertising – well, in the absence of any statutory intervention, they seem the most viable and appropriate mechanism to regulate the conduct of both search engines and advertisers in this context in the future.

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57. That is, accept that liability should fall on the 'cheapest cost avoider', being the party that could have avoided the harm most cheaply. On this, see Guido Calabresi, 'Some Thoughts on Risk Distribution and the Law of Tort', *Yale Law Journal* 70 (1961): 499-533 and Guido Calabresi and Jon T. Hirschhoff, 'Towards a Test for Strict Liability in Torts', *Yale Law Journal* 81 (1972): 1055-1085. For a discussion of the application of this principle in the search engine context, see generally Megan Richardson, 'Before the High Court', 587-598.

58. Eric Goldman, 'Deregulating Relevancy in Internet Trademark Law', 509.

59. Also see Stacey L. Dogan and Mark A. Lemley, 'Trademark and Consumer Search Costs on the Internet', *Houston Law Review* 41 (2004): 782. Also available from [http://www.houstonlawreview.org/archive/downloads/41-3\\_pdf/dogan.pdf](http://www.houstonlawreview.org/archive/downloads/41-3_pdf/dogan.pdf).

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