

WORLD INTELLECTUAL PROPERTY REPORT >>>

News and analysis on IP law, regulation and policy from around the world. For the latest updates, visit www.bna.com

International Information for International Business

Volume 27, Number 4

April 2013

Reproduced with permission from World Intellectual Property Report, 27 WIPR 43, 04/01/2013. Copyright © 2013 by The Bureau of National Affairs, Inc. (800-372-1033) <http://www.bna.com>

Trademarks

Protecting Brands on the Internet — A Look at Approaches Taken by the EU, US and Italy

By Antonella Barbieri (Rome) and Federica De Santis (Milan), Portolano Cavallo Studio Legale; e-mail: abarbieri@portolano.it; fdesantis@portolano.it; Web: www.portolano.it

Introduction

Online advertising is the backbone of the internet business model. However, the practice by online advertisers in bidding to use keywords purchased from search engines featuring famous brand names may hurt brand owners' reputation or divert consumers.

Moreover, the internet offers more opportunities for counterfeiters. Indeed, many online stores, usually run by providers outside the European Union, imitate stores selling genuine products and induce consumers into thinking they are purchasing genuine goods at discounted prices.

So how can brand owners strengthen their brands and protect themselves while third parties are exploiting their trademarks online (e.g. through paid search words, within a website or in the websites' metatags, etc)?

Set out below is an outline of the EU and US approach on the matter.

Liability of Advertisers and Website Operators for Trademark Infringement

Advertisers bidding keywords identical to trademarks (thus exploiting such trademarks online without the brand owner's authorization), as well as website operators selling counterfeits may be liable for trademark infringement: this has not been generally questioned either by EU or US courts.

It is worth noting that, to be successful in such trademark infringement claims, trademark owners need to provide adequate evidence (e.g. surveys, testimony) that the use of their trademark online is likely to cause confusion or, especially for well-known trademarks, to dilute the selling power of the trademark.

In the EU, the Court of Justice of the European Union (CJEU) has held that advertisers that purchase keywords identical with a third party's trademark triggering the display of their own adverts make use of said trademark in the course of trade for the purposes of

trademark infringement under EU law (*Google France SARL v. Louis Vuitton Malletier SA*) (see “Adwords Liability Shifts From Google to Advertisers After ECJ Ruling” [24 WIPR 4, 4/1/10]).

The Court of Justice went on to rule that a trademark owner (in the specific case, the French luxury brand Louis Vuitton) may oppose the use of a keyword corresponding to its trademark where the adverts triggered by the keyword do not enable users, or enable them only with difficulty, to ascertain whether the goods or services being advertised originate from the trademark owner or, on the contrary, from a third party.¹

Liability of Internet Service Providers

Direct Liability — “Use in Commerce”

Whilst the liability of advertisers or counterfeiters is not a controversial point, a key issue is the extent of liability for service providers selling paid adverts or hosting website selling counterfeits.

In particular, debate arises on whether trademark owners may successfully argue that providers are directly/primarily liable for trademark infringement in that they also make “use in commerce” of the trademarks.

Courts across the US and Europe have reached different conclusions at various times.

“[T]o be successful in trademark infringement claims, trademark owners need to provide adequate evidence that the use of their trademark online is likely to cause confusion or dilute the selling power of the trademark”.

Courts in the United States have found the sale of trademarks as keywords by service providers to be a “use in commerce”. Based on this finding, US courts have held providers directly liable for trademark infringement where use of trademarks by such providers was likely to cause confusion or to dilute the selling power of the trademarks. For example:

- *Rescuecom Corp. v Google, Inc.*, where the Court of Appeals for the 2nd Circuit ruled that the recommendation and sale by Google of keywords featuring Rescuecom’s trademark constituted a “use in commerce” for purposes of US trademark law, as far as use of Rescuecom’s trademark causes likelihood of confusion or mistake, and this circumstance needed to be proved by Rescuecom through a trademark infringement lawsuit on remand.
- *Rosetta Stone Ltd v. Google Inc.*, where, whilst a district court in Virginia dismissed the case in 2010, reasoning that the sale of the keywords was not likely to confuse consumers, in April 2012 the Court of Appeals for the 4th Circuit partially overturned that ruling, holding that the plaintiff provided sufficient evidence

to suggest that Google’s use of Rosetta Stone’s trademark was intended to cause likelihood of confusion (see “US Appeal Court Overturns Summary Dismissal of *Rosetta Stone v. Google*” [26 WIPR 29, 5/1/12]).

Meanwhile in Europe, the Court of Justice ruled that trademark owners could not prevent a keyword advertising platform from selling their trademarks as keywords because that platform does not make “use” of the trademarks in the course of trade for purposes of trademark infringement under EU law by merely enabling its customers to display on its website signs corresponding to trademarks.²

The court did not investigate whether the provider, by selling keywords identical with trademarks triggering the display of adverts, was causing confusion on the part of the public. The likelihood of confusion is, instead, as above reported, a relevant test which US courts apply in order to find an internet intermediary directly liable for trademark infringement.

Contributory Liability — Active or Passive Role of the Provider

Apart any direct liability issues, recent landmark trademark cases, both in the US and in Europe, indicate that service providers may be held to contributory liability for third parties’ infringements on their platform for their involvement in, or control over, the infringing activity.

Having regard to the hosting of websites selling counterfeits, the approach of US courts is that, having direct control over the “master switch” that keeps the infringing websites online, web hosts have affirmative obligations to intervene against trademark infringement,³ resulting in the risk of liability where they do not promptly honor a takedown request.

In addition, some of the most relevant cases in the US include the following:

- The US Supreme Court’s decision in *Inwood Laboratories v. Ives Laboratories* set forth the traditional test for contributory liability for trademark infringement. The Supreme Court held that contributory liability should be imposed on a defendant that either (a) intentionally induces another to infringe a trademark, or (b) continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement;⁴
- In *Tiffany v. eBay*, the US Court of Appeals for the 2nd Circuit ruled that eBay was not liable for contributory trademark infringement on ground that eBay had no more than a general knowledge that sellers were offering counterfeit Tiffany jewelry on its marketplace. Therefore, Tiffany failed to prove that eBay had specific knowledge of specific sellers of counterfeit Tiffany products and had continued to supply services to those sellers.⁵

In Europe, the Court of Justice’s landmark decision in *Google France v. Louis Vuitton* clarified that a keyword advertising platform may be held to contributory liability for the potentially infringing activity carried out by ad-

vertisers on its platform if it played an active/not merely technical role in facilitating the infringement.

Following this ruling, a Paris court in *Olivier Martinez v. Google and Prisma Press* found that Google's provision of its AdWords service had not been merely technical, automatic and passive, on ground that Google had knowledge of the keywords and of the content of the advertisement, and played an active role. In that case, the court gave relevance, inter alia, to the fact that Google's terms of use provided Google with editorial control over the content of the adverts.⁶

“Operators of an online marketplace that provide assistance in optimizing the presentation of online offers for sale or promoting such offers perform an active role [and] thus cannot rely on the liability exemption”.

The extent of providers' liability for trademark infringements carried out on the internet was further discussed in *L'Oréal v. eBay*, handed down by the CJEU on July 12, 2011 (see “CJEU Determines Extent of Duty for Marketplace Websites to Prevent Trade Mark Infringement” [25 WIPR 47, 9/1/11]).⁷ On this occasion, the Court of Justice significantly pointed out that:

- Operators of an online marketplace that provide assistance in optimizing the presentation of online offers for sale or promoting such offers perform an active role, thus they cannot rely on the liability exemption that the E-Commerce Directive (2000/31/EC) grants to online service providers in certain circumstances;
- Even if the provider did not provide such assistance, it may nonetheless be held liable if it is aware of facts or circumstances from which the unlawful information is apparent and fails to remove this information from its platform;
- National courts should be able to issue orders against online service providers to take measures which contribute not only to bringing to an end trademark infringements by users of that marketplace, but also to preventing further infringements of that kind. These measures could strongly help trademark owners in protecting their brand on the internet.

Italian Law

Italian law does not provide specific rules in connection with the exploitation of trademarks on the internet. Therefore, the general rules governing the use of trademarks in the physical world are applied.

Trademark owners may bring proceedings before courts to:

- Claim that unauthorized use of their trademarks by third parties infringes their trademark rights and,

when the third party is a competitor of the trademark owner, constitutes unfair competition;

- Seek compensation for damages suffered from the infringement and ask for publication of the court's decision.

In most serious cases trademark owners might seek preventive seizure of the infringing websites, to be enforced by means of a court order requiring Italian ISPs to block the relevant websites so that internet users in Italy would be unable to access them. According to recent Italian case law:

- If a website wrongfully uses a registered trademark (for example in one case, the word “Moncler”) in its domain name, and if a court order is sought to block access to the website, such an order cannot be granted unless the applicant produces evidence of the website's illicit content or purpose;
- In order to block access to a website that offers counterfeit goods, a trademark owner must produce adequate evidence of the illicit activity carried out through the website.⁸

Moreover, it is worth noting that an increasing number of recent cases show a new Italian perspective on non-traditional IPR remedies, such as the shutdown of websites found liable for unfair commercial practices.

Indeed, brand owners can look for protection by notifying infringement of their trademark rights to the Italian Antitrust Authority (“IAA”), which has recently started ordering the blocking of some websites involved in the online sale of fashion products, enforced through the collaboration of the law enforcement agency *Guardia di Finanza*.

In 2012, the IAA banned a number of websites referred to as the Private Outlet Network from being accessed by users residing in Italy on grounds of infringement of consumer protection rules,⁹ and in January 2013 the authority ordered the blocking of a number of Chinese websites selling counterfeits of luxury goods “made in Italy” (Gucci, Prada, Hogan).¹⁰

The IAA found the websites liable for unfair commercial practices towards Italian consumers on the bases that they:

- Provided misleading information on the nature and characteristics of the products bearing the famous brands, which have been ascertained to be counterfeits;
- Omitted relevant information on the vendor's identity and contact details and on post-sale consumers' rights (e.g. withdrawal right);
- Failed to inform consumers of their rights under the legal warranty, which could not be offered as the products were counterfeits.

Moreover, the unfair commercial practices carried out by two of the websites were found to be particularly insidious as they imitated the look of the luxury goods

companies' online stores and induced consumers into thinking they were purchasing genuine goods from official resellers.

Protecting Brands

The case law in both the EU and the US may provide brand owners with a road map as to how to protect their trademarks online. Here are some top tips for online brand protection:

- Monitor the use of trademarks on the internet, also with the assistance of specialized companies, and save screenshots of possible violations.
- Promptly notify service providers of any alleged infringement of trademark rights by providing any relevant information and identifying the exact URL of the relevant webpage. Legal assistance in drafting proper notices and cease-and-desist letters is in any case recommended to incisively enforce trademark rights.
- Develop a strategy for dealing with infringements, by identifying the key threats for brands and prioritizing infringements.

Antonella Barbieri has almost 20 years experience in IP, including more than 10 years as group legal adviser for the Fendi Group. Her experience includes all IP matters, from trademarks to copyright. In addition to her work in the fashion sector, she also has experience in the fields of media and entertainment, including TV, film production, acquisition and licensing of audiovisual content for traditional and online media.

Federica De Santis is completing a PhD in intellectual property law at the Università degli Studi in Milan.

Notes

¹ Joined Cases C-236/08, C-237/08 and C-238/08, March 23 2010.

² *Id.*

³ *Louis Vuitton Malletier SA v. Akanoc Solutions Inc* (658 F 3d 936, 9th Cir 2011).

⁴ 456 US 844 (1982).

⁵ 600 F 3d 93 (2nd Cir 2010).

⁶ Decision of November 14, 2011.

⁷ *L'Oréal SA and Ors v. eBay* (Case C-324/09).

⁸ Court of Padua, decision of November 4, 2011.

⁹ Resolution of March 6, 2012.

¹⁰ Resolution of January 23, 2013.