

ADDITIONAL DEVELOPMENTS— TRADEMARK LAW

AU-TOMOTIVE GOLD, INC. V. VOLKSWAGEN OF AMERICA, INC.

603 F.3d 1133 (9th Cir. 2010)

The Ninth Circuit held that the “first sale” doctrine did not provide a defense to trademark infringement where a maker of marquee license plates used an automobile manufacturer’s actual logo in their products. The court reasoned that the license plates create a likelihood of confusion as to their origin.

Au-Tomotive Gold Inc. (“Auto Gold”) was a maker of marquee license plates and other automobile accessories. One of their plates bore the Volkswagen (“VW”) trademark. Auto Gold purchased actual VW badges on the open market, then altered and mounted them onto the plates. The packaging for these plates had labels explaining that the plates were not produced or sponsored by Volkswagen.

Auto Gold received three letters from a Volkswagen representative between September 1999 and February 2001 requesting that Auto Gold cease using the VW trademarks. In response, Auto Gold filed suit seeking a declaratory judgment that its products did not infringe or dilute the Volkswagen trademarks. Volkswagen counterclaimed, alleging federal trademark counterfeiting and infringement under Section 32 of the Lanham Act, 15 U.S.C. § 1114, as well as false designation, trademark dilution and related state-law claims. Both parties moved for summary judgment. The district court granted summary judgment to Auto Gold, holding that under the doctrine of “aesthetic functionality” the trademarks were functional and therefore not protected by trademark law. The Ninth Circuit reversed, holding that Auto Gold’s use of the trademarks was neither aesthetic nor an independent source of identification. On remand, the district court granted summary judgment and an injunction to Volkswagen.

Auto Gold contended that because it purchased actual Volkswagen badges on the open market for use on the license plates, the “first sale” doctrine provided a defense to trademark infringement. The court explained that the first sale doctrine has generally focused on the likelihood of creating confusion among consumers, and that trademark infringement may also be found where there is a likelihood of confusion with non-purchasers. The

court also addressed the free-rider problem that post-purchase confusion creates. When a trademarked product is purchased, it is not the trademark that has been purchased, but a product which has been trademarked. A free-rider problem exists where a producer profits from its use of the trademark, because of post-purchase confusion about the product's origin. In response to Auto Gold's argument that there was no trademark infringement because its license plates were of high quality, the court explained that likelihood of confusion—not quality control—is the “key-stone” of trademark law. Finally, in addressing Auto Gold's contention that the public interest was served by the market competition their products created, the court explained that trademark law protects trademark holders from the competition that results from trademark infringement, irrespective of its effect on market competition.

GOOGLE FRANCE SARL v. LOUIS VUITTON MALLETIER SA

Case C-236/08, 2010 ECJ EUR-Lex LEXIS 119 (Mar. 23, 2010)

The European Court of Justice held that Google, a search engine (or, according to the Court, “referencing service provider”), is not the “user” of a trademark through the sale and display of keywords, as provided by Council Directive 89/104, art 5(1), 1988 O.J. (L 040) (EC) and Council Regulation 40/94, art. 9(1)(a), (b), 1993 O.J. (L 011) (EC). Additionally, the Court of Justice held that a referencing service provider is not liable to the proprietor of a trademark for the combination of their trademark with words like imitation or copy under Council Directive 89/104, art. 5(2) or Council Regulation 40/94, art. 9(1)(c). Finally, the Court of Justice held that an internet-referencing service provider, such as Google, cannot be held liable for its stored data when it has not taken an active role in controlling the data or does not have knowledge of its unlawful nature, according to Council Directive 2000/31, art. 14, 2000 O.J. (L 178).

Google, in conjunction with its functions as a referencing service provider, offers a paid service called “AdWords.” AdWords allows an advertiser to reserve the placement of an advertising link when a user searches for a particular keyword. Multiple advertisers can reserve the same keyword and Google determines the order in which various advertising links will be displayed through an automated process. The automated process weighs the amount that a particular advertiser has agreed to pay Google when a user clicks on its link, the number of previous clicks on any given link, and the general quality of the ad as assessed by Google. In 2003, Louis Vuitton—a maker of luxury goods—became aware that when internet users

searched on Google for its trademarks, AdWords produced advertising links to sites offering imitation versions of its products.

As a result, Louis Vuitton brought a proceeding against Google in the *Tribunal de grande instance de Paris* on the claim that Google had infringed its trademarks. On February 4, 2005, Google was found guilty of infringement and appealed to the *Cour d'appel de Paris*, which affirmed the lower courts decision on June 28, 2006. Subsequently, Google appealed the decision to the *Cour de cassation* as a matter of law. The *Cour de cassation* put the proceedings on hold and referred three substantive legal questions to the European Court of Justice, resulting in this judgment. On remand, the *Cour de cassation* supported the ruling of the European Court of Justice.

The Court of Justice, in applying Article 5 of Directive 89/104 or Article 9 of Regulation No. 40/94, assessed Google's use to determine whether or not it (1) was use in the course of trade, (2) was use in relation to goods or services, (3) had an adverse effect on the function of indicating origin, and (4) had an adverse effect on the advertising function of the trademark. On the first point, the Court found that although Google operated in the course of trade, since selling keywords was commercial activity, Google was not the user of those marks according to the terms of the statute. The Court stated that being paid to create the necessary technical conditions for a mark's use is not the same as using that mark. The Court also found that because Google was not using the mark itself, the remaining question is whether or not Google is an intermediary referencing service provider under Section 4 of Directive 2000/31 and, as a result, is exempt from liability. The court held that Google does fall under the definition of an intermediary referencing service provider because of its automated process. Even though Google does have control of the data that it stores, the Court found that there was not enough evidence to suggest that Google had knowledge of the stored data.

However, the European Court of Justice also declared that advertisers cannot use keywords corresponding to their competitor's trademarks and "arrange for Google to display ads that do not allow Internet users easily to establish [where the] goods or services covered by the ad in question originates."

