

EU Advocate General Recommends Liability For Keyword Purchasers

In the latest dispute involving the use of competitors' trademarks to generate advertisements in online search results, the European Court of Justice appears primed to impose a limit on advertisers' rights to do so. Although not binding, the Advocate General has advised the European Court of Justice that Marks & Spencer should be found liable for infringement as a result of their purchase of Interflora's name as a keyword to trigger display of its own advertisements in an online search engine.

Plaintiffs in recent high-profile cases on this issue have generally sued Google, the search engine, directly. One of the most notable disputes was brought by LVMH Moët Hennessy Louis Vuitton in the European Union, but last year the Court of Justice ruled Google was not liable for infringement when they allowed advertisers to pay a fee so that searches of a rival's name would trigger a display of that purchaser's own advertisements in search results.

The LVMH case did not answer the question of whether purchasers of those keywords could be liable, but the present case takes on that very question. Unlike the earlier lawsuits against Google, the plaintiff, flower delivery service Interflora, sued the keyword purchaser, Marks & Spencer, claiming trademark infringement. Searches for INTERFLORA displayed not only advertisements for Interflora's services, but also for Marks & Spencer Flowers.

Based on the recommendation from the Advocate General Niilo Jääskinen, the court is likely to find that Marks & Spencer should be liable for trademark infringement stemming from its keyword purchase. The European Court of Justice is not bound by the recommendation of the Advocate General, but does generally follow these recommendations. The decision may therefore lead to restrictions on advertisers' ability to purchase the trademarks of competitors to generate and display their own advertisements in a search

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Google Book Settlement Rejected

On March 22, 2011, Judge Denny Chin rejected the controversial 2009 Google Books Amended Settlement Agreement, finding that it does not meet the criteria set forth in Rule 23(e) of the Federal Rules of Civil Procedure that it be "fair, adequate, and reasonable." While Judge Chin noted the many benefits the Book Search project would bring, he ultimately found that it went too far, and would essentially reward Google for copyright infringement by allowing it to "implement a forward looking business arrangement that would grant [it] significant rights to exploit entire books, without permission of the copyright owners."

Google Book Search

Google's initial Book Search, launched in 2004, consisted of a program which would

scan and index books from libraries of major universities. The program allowed users to search the text of the books by entering queries into its online book search engine. The search engine would then list results showing "snippets" from each copyrighted book that fit the query. The program, however, made no effort to ascertain the owners of the copyrights to the books, much less to obtain permission.

In September 2005, The Authors Guild and three individual authors filed a class-action lawsuit against Google alleging that the book search amounted to massive copyright infringement. While Google defended its program on fair use grounds, in October 2008, after two years of negotiation, the parties reached a Class

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There's an APP STORE for that?

In our current world of smart phones and tablet computer technology, the term "app," short for "application software," has become ubiquitous. Apps run the gamut from the inane and entertaining to the educational and technical. Many are free or available for download for a small fee. Apps exist for many software platforms and devices but are most well known to the public in the context of Apple's iPhone and iPad devices. There are literally thousands of apps available for download onto these devices. To make access to apps easy for users of its devices, Apple created a centralized APP STORE where consumers can search, research, review and procure apps. Since it went online, over ten billion apps have been downloaded from the APP STORE.

In July 2008, Apple filed an application to register APP STORE for just such services. Microsoft has opposed registration of APP STORE, claiming the terms are generic for the very services Apple offers and allowing Apple rights to the mark would preclude Microsoft from offering its own "App Store" selling any apps developed for Microsoft operating platforms. This opposition is still pending and Apple is vigorously defending.

Although the APP STORE focuses on those apps that run on Apple's software platform and its own devices, there are apps that run on other platforms, such as the Google Android operating system and on non-Apple smart phones. On March 21, 2011, Amazon.com opened its own APPSTORE offering Android apps. Almost immediately, Apple filed suit against Amazon claiming infringement of its APP STORE mark. Apple contends that consumers may be confused as to the source of apps available via Amazon or a connection between Apple and Amazon. This suit, too, is in its beginning stages and appears destined to take some time to re-

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engine. However, the Advocate General's language suggests the decision may be limited to the facts of the case, as it noted that restrictions should be implemented where the use of such keywords "does not enable an average Internet user, or enables the said user only with difficulty, to ascertain whether the goods or services referred to in the ad originate from the proprietor of the trademark or an undertaking economically connected to it or from a third party." Thus, the decision may rest upon a determination that Marks & Spencer's act could mislead consumers into believing that Marks & Spencer Flowers is part of Interflora's network, and not be a far reaching precedent restricting the use of keywords in all instances.

Despite not being a party to the dispute, such a decision could still have financial consequences for Google, if its Adwords customers are now restricted in buying competitors trademarks as a keyword. Google is not the only entity likely to be affected by such restrictions. At the end of February, Microsoft announced that Yahoo and Bing would no longer be prohibiting the use of keywords and would engage in a practice that was closer to Google's approach.

The official decision is expected later this year.

—Jeannine Rittenhouse

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solve. For now, at least, Amazon continues to call its offering APPSTORE.

Over the years, Apple has been embroiled in a number of trademark controversies, such as that concerning the IPHONE mark and, of course, the decades-long tussle with the Beatles regarding APPLE. Whether Apple ultimately succeeds in obtaining sole rights to APP STORE is yet to be seen. However, it is evident that Apple is willing to put significant resources behind building its brands and awareness. These latest APP STORE skirmishes continue that trend.

—Mark A. Niede

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Action Settlement, dubbed "the biggest book deal in U.S. publishing history." In November 2008, the Settlement was preliminarily approved. After an onslaught of objections, however, the Settlement was re-negotiated on some minor points to become what is now known as the Amended Settlement Agreement (the "ASA"). The parties thereafter filed a motion for its approval pursuant to Federal Rule of Civil Procedure 23(e), which requires that a Court approve any class action settlement.

The ASA

Under the Amended Settlement Agreement, Google would gain non-exclusive rights to 1) digitize books and inserts, 2) sell subscriptions to an electronic database, 3) sell online access to individual books, 4) sell advertising on pages from books, and 5) make certain other prescribed uses. Google would retain thirty-seven percent of the profits, with the remaining sixty-three percent to be collected by a non-profit 'Book Rights Registry', and contributed to a royalty system designed to compensate the authors and

publishers. An "Unclaimed Works Fiduciary" would also be created to represent interests with respect to unclaimed works. Rightsholders would be able to opt-out of having their works included in any databases, and also would have the right to request any previously digitized works removed. Google would also be required to use "commercially reasonable efforts" to locate rightsholders, holding aside any revenues for orphan works for up to five years, after which the funds could be used to cover the expense of locating users or ultimately distributed to literary charities.

The Court did preliminarily approve the ASA in November 2009. Thereafter, however, hundreds of Class members began objecting to the ASA, 6800 class members opted out, and the Department of Justice filed a Statement of Interest. A fairness hearing was conducted, and final approval of the Amended Settlement Agreement had been pending up until the present decision.

Discussion

In order to determine whether the ASA was "fair, adequate and reasonable" un-

der Rule 23(e), Judge Chin evaluated the factors from *City of Detroit v. Grinnell Corp.*, 495 F.2d 448, 463 (2d Cir. 1974) which look to 1) the complexity, expense, and likely duration of the litigation, 2) the reaction of the Class to the settlement; 3) the stage of proceedings and the amount of discovery completed; 4) the risks of establishing liability; 5) risks of establishing damages; 6) risks of maintaining a class action through trial; 7) the ability of defendants to withstand greater judgment, 8) the range of reasonableness of the settlement fund in light of the best possible recovery and 9) the range of reasonableness of the settlement fund in light of the attendant risks of litigation. Of these factors, Judge Chin found that only two of the *Grinnell* factors weighed against approval of the ASA, including the reaction of the Class and Defendant's ability to withstand trial. With regard to the latter, the Judge easily concluded that there was no possibility that a trial would render Google insolvent. Judge Chin found that the reaction of the Class, on the other hand, could not be ignored. He noted that objections to the ASA were numerous and thus found it significant to consider each.

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The decision ultimately turned primarily on the inadequacy of class representation, which was clear from the amount of objections and members that opted out, the scope of relief, copyright, antitrust, and international law concerns.

With regard to the scope of relief that would be granted if the ASA were approved, Judge Chin found that it went too far by essentially allowing the implementation of “forward-looking business arrangements that go far beyond the dispute before the Court.” In this regard, he found that permitting the exploitation of unclaimed books was a matter best left to Congress, especially considering that Congress has already explored legislation for unclaimed “Orphan” works. Further, he found that the ASA would release claims far beyond those anticipated in the pleadings by permitting Google to make full access to copyrighted books without authorization from rightsholders, whereas the pleadings only challenged Google’s use of “snippets.” Judge Chin concluded that allowing the release of these claims for an inadequately represented Class, would essentially amount to class members giving up property rights without any say.

Judge Chin then went on to address the

copyright concerns, finding them much too great despite the ASA’s opt-out provisions. He noted that the Supreme Court has recognized that the courts should “encroach only reluctantly on Congress’s legislative prerogative to address copyright issues presented by technological advances.” He found “troubling” the notion that a court-approved settlement agreement could result in a loss of rights for certain copyright owners without their consent, noting that a copyright owner’s right to exclude others from his or her property is “fundamental and beyond dispute.”

With regard to the antitrust concerns brought primarily by the Department of Justice, Amazon.com, Inc., and Microsoft Corp., Judge Chin concluded that the ASA would indeed give Google a de facto monopoly over unclaimed “Orphan” works, by granting it the right, which no other person or company in the world would have, to freely exploit them.

Finally, Judge Chin addressed the international concerns. While Google contended that the ASA concerns U.S. copyright issues only, the Judge concluded that this greatly ignores the impact it would have on foreign works, as many pre-1989 works, those authored prior to the imple-

mentation of the Berne Convention, were registered in the United States to ensure coverage under U.S. laws. Many foreigners objected to the ASA already, claiming that it would be in violation of the Berne Convention and the Agreement on Trade-Related Aspects of Intellectual Property Rights, and also noted that the “Orphan” works problem is a global one. Given the contentions that the ASA would violate international law, Judge Chin concluded that this is just one more reason why the issue is best left to Congress.

Conclusion

In the end, Judge Chin found that the Settlement simply was not fair, adequate or reasonable. He denied it without prejudice, however, meaning a revised settlement could still be submitted. Moreover, Judge Chin did appear to hint at one way in which the settlement may be revised in order to become acceptable, indicating that many of the concerns raised in the objections could be adequately addressed if the Settlement was “opt-in” rather than “opt-out.” While Google has indicated that the system would not be workable in this form, time will tell if this option is explored.

—Carlynn Ferguson Davis