Google AdWord Advertising and German Trademark Law:
Is Use of a Third-Party Trademark as a Keyword Infringing?

An issue hotly debated in various European countries is whether the use of a third-party trademark in identical or similar form as a keyword for Google’s so-called AdWord advertising constitutes a use of such trademark in a manner that the trademark owner is entitled to prevent under the European Trademarks Directive (Directive 89/104/EEC). In mid-2008, the Austrian Supreme Court and the highest French civil court, the Cour de Cassation, made references for preliminary rulings to the European Court of Justice (ECJ) on this issue. The ECJ has not yet rendered a decision on these matters.

In Germany, courts of first instance and courts of appeals were split in this regard. On January 22, 2009, the German Federal Supreme Court (Bundesgerichtshof) rendered three decisions in three different cases concerning AdWord advertising, which were fully published in mid-March. In two of these cases, the Supreme Court rejected the plaintiff’s claims. In the third matter, the Supreme Court stayed the proceedings and referred to the ECJ a question of interpretation of the European Trademarks Directive.

Case Law in Germany Before January 22, 2009

Until the beginning of this year, it was hotly disputed between different courts in Germany whether the use of a third-party trademark or other trade designation as a keyword for Google’s AdWord advertising constituted a relevant use of such mark or designation. Even if this question was answered affirmatively, courts were split with respect to whether such use led to a risk of confusion and, thus, infringement. While some courts took this view, others argued that there was no risk of confusion if the advertisements were clearly separated from the regular search results in Google, were marked as advertising and did not themselves contain the third-party mark in question. Because of this conflicting case law, it was hoped that the recent decisions by the Federal Supreme Court would provide clear guidelines to courts in similar cases in the future.

Federal Supreme Court Decisions of January 22, 2009

The “pcb” Case

In the first of the three cases, the defendant had used the abbreviation “pcb” (a common abbreviation for “printed circuit board”) as a keyword for AdWord advertising. The plaintiff owned the registered trademark PCB-POOL. As the defendant had selected the keyword option “broad match,” its advertising was also displayed in cases in which a user inserted the plaintiff’s trademark as a search term in Google. There was no doubt that there was at least a high degree of similarity between the goods in question.

The Federal Supreme Court, unlike the Court of Appeals, held that it appeared doubtful whether the use of the keyword in this case constituted a relevant use of a trademark. According to the Supreme Court, this could not be assumed if the respective keyword was not repeated in the advertising itself and there was no other reference to it.

The Supreme Court further pointed out that there could be no infringement because “pcb” constituted a merely descriptive term, the use of which was permitted under the German Trademark Act. According to the Court, this did not change simply because the option “broad match” was selected. Even if this led to search results that could include distinctive, protected marks that merely contained the descriptive term, the use of the descriptive term was permitted under the Trademark Act. As descriptive use was found here, the Court held that it did not have to refer the matter to the ECJ. The Supreme Court also rejected other claims for injunctive relief under the Trademark Act.

Incorporate an advertisement for the INTA Trademark Administrators Conference here.
The “Beta Layout” Decision

In the second case to be decided in late January, the dispute concerned an alleged infringement of a company name. The defendant’s corporate name was Beta Layout GmbH. Here again, the goods in question were circuit boards. The plaintiff had used the keyword “Beta Layout” for Google AdWord advertising. Use of that keyword as a search term in Google showed advertising by the plaintiff, even though, as before, the advertising did not contain the term “Beta Layout.”

After the defendant sent a cease and desist letter, the plaintiff filed for declaratory judgment, claiming that there was no infringement. In this case the Court could not find a merely descriptive use of the keyword. However, it still rejected the infringement action and granted the declaratory relief sought. The Court held that there was no risk of confusion under the provisions in the German Trademark Act on infringement of company names if the AdWord advertising results were displayed separately from the regular search results and if the search term itself was not part of the advertising displayed. In addition, the Court rejected the unfair competition law claims asserted by the defendant.

The Federal Supreme Court did not refer this matter to the ECJ because the protection of company names is purely the object of German domestic law and not an issue of interpretation of the European Trademarks Directive.

The “Bananabay” Case

In the third case, however, the Federal Supreme Court did not finally decide the matter. This case concerned the use of the term “Bananabay” as a keyword for AdWord advertising in connection with adult products. The plaintiff owned an identical trademark. It claimed that the defendant’s use of “Bananabay” as a keyword constituted trademark infringement. The lower courts agreed.

As this case concerned neither a merely descriptive use of a mark nor the use of a company name, the Federal Supreme Court was obliged to make a reference to the ECJ for guidance on whether the use of the trademark as a keyword for Google AdWord advertising constituted a relevant use of the mark according to Article 5(1)(a) of the European Trademarks Directive. (That provision states that “[t]he proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade … 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….”)

In its referral, the Federal Supreme Court does not clearly state how it would decide the matter. The Court seems to indicate, however, that it would lean toward deciding as it did in the “Beta Layout” case. In particular, the Court says that, given that the AdWord ads are clearly marked and separated from the regular search results and that there was no reference to the mark in the advertising itself, it appeared far-fetched to assume that users would make a connection between the search term used and the advertising showing separately from the search results.

Summary

As the courts in Austria and France were slightly more prompt than the German Federal Supreme Court in referring to the ECJ the question of whether the use of a third-party trademark as a keyword in AdWord advertising is infringing, the ECJ decisions in these matters can be expected in the summer of 2010. Despite the fact that the German Federal Supreme Court seems to lean toward assuming a permitted use rather than an infringement in the specific scenario of the “Bananabay” case, users of third-party trademarks should still be careful until the ECJ has spoken on the issue.