Features

Google AdWords Advertising and Community Trademark Law: All Clear After the Court of Justice Has Spoken?

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The issue of whether the use of a third-party trademark in identical or similar form as a keyword for Google's AdWords advertising constitutes use of a trademark under European Community trademark law has been the subject of domestic case law in various European countries.

Courts in Austria, France, Germany, the Netherlands and the United Kingdom, among others, all have had to deal with the AdWords questions.

The Austrian Supreme Court and France’s Cour de Cassation (the highest civil court), as well as the Hoge Raad (the Netherlands’ highest civil court), made references to the European Court of Justice (CJ) in 2008. The German Federal Supreme Court followed with a reference in January 2009. While the Austrian, French and German references were all decided in March 2010, the Dutch reference was decided only on July 8, 2010. A reference from the UK High Court has still to be decided. The UK court was firm that the CJ has not yet answered all of its questions.

The Google Decision and the New Orthodoxy

In its Google decision (Joined Cases C-236/08 – C-238/08, judgment of Mar. 23, 2010), the Court of Justice held that Google itself does not “use” trademarks by merely offering the AdWords service, but that it is an Internet service provider in that role and will therefore only be liable for trademark infringement if it takes a more active role or fails to take down infringing ads using third-party marks once it becomes or is made aware of them.

As far as the separate question of liability on the part of the entity placing the ad is concerned, the Court pointed out that the crucial question is not whether the third-party trademark appears in the advertisement. The use of a designation that is identical to a third-party trademark in sponsored links advertisements for goods or services identical to the ones for which the mark is protected is deemed to be “use” of the trademark. For a finding of trademark infringement, such use also needs to affect one of the main functions of a trademark, such as the function of indicating the origin of the goods or services advertised. This will be the case, according to the CJ, if the advertisement does not enable an average Internet user, or enables that user only with difficulty, to ascertain whether the goods or services referred to in the advertisement originate from the proprietor of the trademark or an undertaking economically connected to it or, on the contrary, originate from a third party. In this respect, the Court deferred to the national courts the assessment, on a case-by-case basis, of whether the facts of the specific dispute indicate adverse effects, or a risk thereof, on the function of the respective trademark.

As far as the advertising function of the trademark is concerned, however, the CJ took the view that the Google AdWords service does not have an adverse effect on the advertising function of the trademark. The Court made the point that the advertising links typically are displayed separately either beside or above the list of the regular search results, which means that typically the home page of the trademark owner will usually appear in the list of the regular search results in one of the highest positions on that list. Therefore, according to the CJ, the visibility to Internet users of the goods or services of the trademark owner is guaranteed whether or not there are advertisements or sponsored links displayed simultaneously.

In its decisions of March 25, 2010 (BergSpechte, Case C-278/08 (reference from Austrian Supreme Court), and Eis. de, Case C-91/09 (reference from German Federal Supreme Court)), the Court of Justice confirmed the decision rendered two days earlier.

The Portakabin Decision

The most recent decision, handed down on July 8, 2010 (Portakabin, Case C-558/08), has longer and more detailed findings, owing to the fact that the Dutch court had asked additional questions that were more detailed than the questions asked by the German and Austrian courts. In particular, the Hoge Raad also asked whether Article 6 of the European Trademarks Directive (Directive 89/104/EEC), which allows honest, descriptive use, permits the use of the mark in AdWords advertising. Further, the Dutch court wanted to know whether Article 7 of the Directive can be applied to permit use in relation to goods in which trademark rights have been exhausted because they have been placed on the market within the European Economic Area with the trademark owner’s consent.

On the first question of use of the mark, the Court confirmed its March decision. With respect to descriptive use, the Court held that advertisers cannot in general rely on the descriptiveness exception in order to avoid a finding of infringement. With respect to resale situations, the Court gave a very detailed ruling stating that the trademark owner cannot prohibit an advertiser from advertising the resale of goods with the owner’s trademark that were manufactured and placed on the market in the European Economic Area by the trademark owner or with his consent, unless the advertising is such as to suggest to consumers that the reseller and the trademark owner are linked or the use is seriously detrimental to the trademark’s reputation.

The Court gave detailed guidance to make it clear that the mere reference to the sale of the specific goods as “used” or “secondhand” is not sufficient to suggest a linkage between the trademark owner and the reseller. On the other hand, the Court pointed out that a legitimate reason for the trademark owner to oppose the advertisement will exist if the reseller removes the trademark and replaces it with its own, or otherwise risks, in light of volume, presentation or poor quality considerations, seriously damaging the image that the proprietor has succeeded in creating.

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for its mark. However, subject to that guidance, the Court stated that national courts can determine whether any particular use falls under Article 6 or Article 7 of the Directive. Here again, therefore, a significant part of the ultimate decision was left to domestic courts in the EU member states to decide based on the specific facts of each case.

The Outstanding UK Reference

The UK High Court (Interflora v. Marks & Spencer, [2009] EWHC 1095, [2010] EWHC 925) has confirmed that it wishes to maintain certain of its questions, in this reference to the Court of Justice, which asks for more detail on such matters as the following:

1) the specific acts that constitute use of a trademark by a keyword advertiser;
2) the various functions of a trademark and what can affect such functions; and
3) the situation where there is an identical mark used on identical goods or use of a mark with a reputation to cause detriment or take unfair advantage of the reputation of the mark in a way which does not normally require confusion or proof that the public is misled.

Where Does This Leave Us?

It can be inferred from the judgments of the Court of Justice that if the third-party trademark does not appear in the paid advertisement and there is no other representation that could make consumers believe that there is a link between the advertiser and the trademark owner, there may typically be no trademark infringement. It will be interesting to see, however, how domestic case law in the member states evolves and in which cases domestic courts will find that consumers may nevertheless be given the impression that there is an economic link between the trademark owner and the advertiser.

The wide definition of comparative advertising in Article 2 of Council Directive 84/450/EEC means that any advertising that explicitly or implicitly identifies a competitor or its goods and services is a comparative advertisement. The interface between this definition and the matters we are discussing has not been considered by the Court of Justice.

Domestic Unfair Competition Law as a Fallback?

Another question not addressed by the Court of Justice in these decisions is whether domestic unfair competition law may provide a remedy to trademark owners even if trademark law cannot.

The German Federal Supreme Court had occasion to address this issue in January 2009 (Beta Layout, Case No. I ZR 30/07). In this case, the Federal Supreme Court rejected the idea that the use of a third-party trademark as a Google AdWord could be viewed as an illicit interference with a competitor or an exploitation of the good reputation of the trademark and thus as unfair competition under German law.

According to the Court, it cannot be assumed that an Internet user makes a connection between the advertisement and the search term entered, that is, the third-party trademark, in such a way that the reputation connected to the trademark would be transferred to the competitor. The Court further held that the use of a third-party trademark as an AdWord cannot be held to constitute an illegal interference with a competitor by unfairly trying to steal a competitor’s customers. The highest German civil court took the view that competitors enjoy no legal protection of their customer base that would allow them to prevent competitors from trying to gain the customers, unless that is done using clearly unfair methods. Internet users using the GOOGLE search engine are considered to be only potential clients, both of the trademark owner and of the advertiser.

In the UK case Reed Executive plc v. Reed Business Information Ltd. ([2004] RPC 40), the Court of Appeal held that if an advertisement did not actually contain the registered trademark but was only called up by the use of that trademark in a search request, then the advertisement would not be confusing for the purposes of the UK common law of passing off.

In light of these decisions, unfair competition law may not be a viable fallback in cases in which trademark infringement claims fail.

Change of Guidelines Regarding AdWords Advertising in Europe

Following the recent judgments by the Court of Justice, Google changed its internal guidelines regarding the use of third-party trademarks in AdWords advertising. As of September 14, 2010, Google expressly allows advertisers in European countries to use third-party trademarks for AdWords purposes. The third-party marks may not appear in the advertisements, however. Furthermore, trademark owners have the right to file an objection with Google if they fear that a particular ad is confusing to Internet users.

Summary

While the Court of Justice has given significant guidance in four decisions, it remains to be seen if the Court has made it more difficult for trademark owners in the European Union to act against the use of their marks in keywords by third parties. Also, it is not clear whether domestic courts in the member states will find that Internet users may be confused as to a possible link between the trademark owner and the advertiser and thus still find trademark infringement. Trademark owners will therefore have to continue to monitor the way in which their marks may be used by third parties. However, member states’ domestic case law on unfair competition law usually suggests that it may not help trademark owners if trademark law claims fail.

Learn the latest on keyword advertising in Europe at 2011 Annual Meeting Session CT01 “Regional Update–OHIM/Europe,” on Tuesday May 16 at 10:15 am.