

IP and Competition Law Newsletter Switzerland

First Swiss court decision gives guidance in the Google AdWords minefield

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The **first decision of a Swiss court** with regard to the use of a trademark as a **Google AdWord** has been rendered¹. The decision finally brings some light in the quest for clarification of trade mark and unfair competition law in relation to keyword advertising ("AdWords").

The clear and concise judgement draws together the diverting opinions of scholars and a number of decisions rendered by courts in the European Union. It rejects, in principle, the arguments of trademark infringement and violation of unfair competition laws by the use of AdWords. Even though the decision was only rendered in interim relief proceedings and not handed down by the Swiss Federal Court, it seems likely that it will become of guiding importance for how courts will approach the balance between the protection afforded to trade mark owners and the legitimate competition in an online environment.

1. The factual background

The case which the High Court of the Canton of Thurgau had to assess concerned the use of trademarks as "AdWords" in Google's search engine: Google (as well as other providers of similar systems) allows economic operators to bid on keywords of their choosing. If an internet user enters the respective keyword into the search engine, a short advertisement presented by the advertiser will appear above or next to the search results, aiming to attract the internet user to visit its website.

In the present case, Claimant is the owner of an exclusive license for the use of the registered trademark "Ifolor" in Switzerland and one of the leading European online providers for digital photo products. Respondent, who offers similar services, bid on a number of Google AdWords, including "Ifolor". When a user entered "Ifolor" into Google's search engine, an advertisement for Respondent's services appeared next to the search results. The text of this advertisement did not contain the trademark "Ifolor".

Claimant requested a provisional measure prohibiting Respondent the use of the trademark as an AdWord. The High Court of Thurgau rejected this request based on the arguments outlined hereinafter.

2. No use as a trademark

In its introduction to the judgement, the High Court explained some of the general principles of Swiss trademark law. Under Swiss law, the registration of a trademark renders its owner the right to the exclusive use of the trademark to distinguish its goods and services in the course of trade. The

¹ Decision of the High Court of the Canton of Thurgau dated 7 September 2011, in: sic! 6/2012, p. 387-395.

exclusivity of the usage right is however not all-embracing, but limited to the use of the trademark as an indication of origin. Thus, the exclusive right of the trademark owner covers the use of a trademark as an indication of origin in the course of trade.

The court then held that the use of a trademark as an AdWord is part of the commercial communication between the advertiser and its potential customers. Consequently, the High Court correctly determined the prerequisite of "**use in the course of trade**" to be fulfilled.

The court then assessed the question whether the use of a trademark as an AdWord was a use as an indication of origin. Thereby it pointed out that the requirement of use as an indication of origin was only fulfilled if the relevant public perceives the sign as a means of distinguishing; i.e. if the average internet user considers there to be an identity or at least a connection between the advertiser and the owner of the trademark.

The High Court tackled this question by discussing the purpose of Google's search engine, emphasizing that it was designed to provide search results for any kind of use. According to the court, the average internet user is aware of this and accustomed in ignoring advertisements appearing above or next to the requested search results. Hence it does not make a difference whether the term used for a search is a trademark or not. The court held - also taking into consideration that the advertisements are explicitly marked as such, visually separated and displayed in a different colour - that even an inexperienced internet user is able to distinguish the search results and the advertisements which appear above or next to the search results. In

the High Court's view, there is no reason to assume that the internet user perceives the advertising to be published by, or somehow connected with, the owner of the trademark.

Consequently the High Court held that the use **of a trademark as an AdWord did not constitute per se a use of the trademark as an indication of origin**, and, therefore, the High Court rejected the argument of trademark infringement.

However, the court pointed out that the matter would have to be reassessed if the **keyword did appear in the advertisement** itself: In such case, an average user might misunderstand the advertising as a search result and/or assume a commercial relationship between the advertiser and the owner of the trademark in question.

The argumentation of the High Court follows in essence the respective **decisions of the Court of Justice of the European Union**, which the Swiss decision also refers to. In *Google France*² and *BergSpechte* the ECJ noted that the use of a sign by an advertiser as a keyword to trigger a sponsored link is use in the course of trade. However, such use could only be prevented by the trademark owner if it is liable to have an adverse effect on one of the functions of a trade mark. In *Interflora*³ the ECJ specified that such negative effect was only to be affirmed if reasonably informed consumers were likely to be confused or there was a serious chance that the trademark would be diluted. This is the case if the bidding on a trademark does not enable reasonably well-informed and reasonably observant internet users, or enables them only with difficulty, to ascertain whether the goods or

² ECJ decision C-236/08 to C-238/08, Google France and C-278/08 BergSpechte.
³ ECJ decision C-323/09, Inter Flora.

services concerned by the advertisement originate from the proprietor of the trademark or an undertaking economically linked to that proprietor or, on the contrary, originate from a third party.

The decision of the High Court gives no guidance as to if the use of a **famous trademark**⁴ as a keyword would have to be assessed differently: According to some scholars, the owner of a famous trademark may also prohibit a use that does not serve as an indication of origin.

3. No unfair competition

The High Court also assessed the question whether the use of a trademark as an AdWord was a form of unfair competition.

It first held that the bidding on a keyword **does not create a likelihood of confusion**, why art. 3(d) of the Swiss Unfair Competition Act ("UCA") was not per se violated. The court thereby emphasized that a likelihood of confusion could be excluded since the trademark used as a keyword does not lead to the website of the advertiser, but only opens a link to its website within a separate and clearly as advertisement labelled window.

As the internet user clearly perceives the advertisement to have been placed by someone different to the trademark owner, there was also no risk that a connection between the trademark owner and the advertiser was made. Accordingly, the High Court also **denied an unfair exploitation of the trademark owner's reputation** (Art. 2 UCA).

Finally, the court held that the advertising triggered by the use of the

keyword does not discourage users to visit the trademark owner's website, but offers an alternative, which is inherent in any advertising. Accordingly, the High Court assessed that the **use of a trademark as a keyword does not divert potential customers in an unfair manner**. If however, the advertisement concerned did cause a deception - for example by offering imitations of the trademark owner's goods - the question would have to be assessed differently.

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Art. 15 Swiss Trademark Act.