



IP and Competition Law Newsletter Switzerland

First Swiss court decision gives guidance in the Google AdWords minefield

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 clarifies how Swiss trade mark and unfair competition laws apply to AdWords (or keywords).

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 Federal Supreme 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 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 provider of similar systems) allows economic operators to bid on keywords of their own 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. Re-

spondent, 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 an interim injunction prohibiting Respondent the use of the trademark as an AdWord. The High Court 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 or services in commerce. The exclusivity of the right to use is not all-embracing, but limited to the use of the trademark as an indication of origin of the goods or services.

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 commerce" to be fulfilled.

The Court then assessed the question whether the use of a trademark as an AdWord constitutes a use as an indication of origin. Thereby it pointed out that this requirement was only fulfilled if the relevant public perceives the sign to be used as a means of indicating the origin of the goods or services; i.e. if the average internet user is made to believe that it is the owner of the trademark who advertises its goods or services, or that there is at least a connection between the advertiser and the trademark owner.

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



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 fact and accustomed in ignoring advertisements appearing above or next to the requested search results. Thereby 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 Court's view, there is no reason to assume that the internet user perceives the advertising to be published by the owner of the trademark, or by someone who is connected with the trademark owner.

Consequently the High Court held that the use **of a trademark as an AdWord does not constitute *per se* a use of the trademark as an indication of origin**, and, therefore, the 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 ones of the respective decisions of the European Court of Justice, which the Swiss decision also refers to. In *Google France*² and *BergSpechte* the ECJ noted that use of a sign by an advertiser as a keyword to trigger a sponsored link constitutes a use in commerce. 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 trademark. 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 if there was a serious chance that mark 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 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 trademark⁴ 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**, and therefore art. 3(d) of the Swiss Unfair Competition Act (UCA) was not *per se* violated. The Court 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 whose trademark is used as an AdWord, there was also no risk that the trademark owner was linked in any way to the advertiser. 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

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*.

⁴ Art. 15 Swiss Trademark Act.



owner's goods - the question would have to be assessed differently.

31 August 2012

For further information please contact:
Patrick Rohn (p.rohn@thouvenin.com)*

This Newsletter is not intended to provide legal advice.
Before taking action or relying on the information given,
addressees of this Newsletter should seek specific advice.

*in collaboration with Dr. Andreas Glarner, LL.M.