

Google Adwords Decision in Europe: Trademark Owners May Prevent Competitors From Using Trademarks As Keywords

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Remember last year when the European Union's Court of Justice **ruled** that Google did not violate European Union law by selling trademarks as keywords and thereby permitting advertisers to purchase and use keywords corresponding to their competitor's trademarks in Google ads? The **decision** let Google, as an intermediary, off the hook for trademark infringement claims arising from its promotion of the practice of buying another's trademark as a keyword. That was very good news for Google's bottom line: it derives approximately **97% of its revenue from advertising**, which totaled \$23.7 billion last year.

Rather than go after Google, the EU Court of Justice stated that trademark owners may have a cause of action directly against advertisers who buy trademarks as keywords. Well, now the Court of Justice has decided its first case regarding the legality of this practice and Google's bottom line may feel the effects of this decision.

The EU Court of Justice was asked for its opinion as to whether the purchase of a keyword that is identical to another's trademark and is used to promote goods or services that compete with those offered by the trademark owner constitutes trademark infringement (or, as our friends across the Pond say, "trade mark infringement"). The EU Court of Justice **ruling** last week, the answer is "yes ... at least, sometimes".

The decision arose from a dispute between the renown British retailer Marks & Spencer (M & S) and Interflora, the operator of a worldwide flower delivery network. M & S purchased the INTERFLORA trademark as a keyword through Google's AdWords service (as well as the additional keywords INTERFLORA FLOWERS, INTERFLORA CO UK, INTERFLORA.COM, INTERFLORA DELIVERY, among others). Thus, when internet users entered the word "interflora" (for example) as a search term, an M & S advertisement for its own flower delivery service appeared under the "sponsored links". The M & S ads, though, did not display the INTERFLORA trademark. Interflora sued M & S for trademark infringement in the High Court of Justice (England and Wales), which stayed the case and referred to the EU Court of Justice the question of whether the purchase of a trademark as a keyword to advertise goods or services that compete directly with those of the trademark owner constitutes trademark infringement.

The Court held that a trademark owner is entitled to prevent a competitor from buying a keyword that is identical to its trademark and using that keyword to advertise goods or services that are in competition with those offered by the trademark owner under the mark -- under certain circumstances. For example, trademarked keyword use would be limited in circumstances where (1) a reasonable internet user would be confused about the origin of the goods or services offered in the ad, (2) it damages the trademark owner's ability to maintain its reputation or (3) the ad takes unfair advantage of the "distinctive character or repute" of the trademark.

So, is Google's AdWords program doomed (in Europe)? Will competitors no longer buy one another's trademarks as keywords (in Europe)? Not quite. Interestingly, Interflora and M & S both claimed victory after the Court issued its decision. Interflora rejoiced in the Court's pronouncement that trademark owners can prevent the purchase of their trademark as keywords for use in connection with competing ads. M & S expressed its belief that the decision supports fair competition in the marketplace. Interflora must now go back to the High Court of the UK to prove that M & S's conduct at issue in this case actually violated its trademark rights. The decision appears to leave M&S some wiggle room, in that it can establish its conduct did not adversely effect any of the functions of the INTERFLORA trademark (such as the function of indicating origin, advertising function, the "investment" function, as identified in the Court's decision). Interflora would need to establish, for example, that M & S's purchase of the trademark as a keyword and the resulting display of M & S's competing flower-delivery ad would lead a "reasonably well-informed and reasonably observant internet user" to believe incorrectly

that M & S is part of Interflora's flower delivery network. Remember, in the underlying case, M & S purchased the trademark as a keyword, but did not use the trademark in the displayed (competing) ad. Can this be enough to constitute trademark infringement? We are waiting anxiously to find out. Meanwhile, in the US, these issues remain largely undecided.

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