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SUPREME COURT ORDER

delivered on Tuesday October 13, 2009

Case 173/2008

HE-House A/S and HE-Cars by Henning Maersk-Moller
(both represented by attorney Mads Behrendt)

v.

Skandinavisk Motor Co. A/S
(attorney Peter Schradieck)

The previous instances, the Bailiff's Court in Copenhagen, on June 11, 2007, and the Eastern Division of the Danish High Court Section 20, on February 1, 2008, have rendered decisions in this matter. On March 31, 2008, the Danish Board of Appeals Permissions allowed the case to be set before the Danish Supreme Court.

5 Judges have participated in the adjudication: Per Sørensen, Peter Block, Per Walsøe, Asbjorn Jensen and Poul Dahl Jensen.

The claims

The appellant, HE-House A/S and HE-Cars by Henning Maersk-Moller, has requested the injunction by the Bailiff Court to be denied.

The respondent, Skandinavisk Motor Co. A/S, has claimed confirmation of the prior decisions.

The pleas

HE-House A/S and HE-Cars by Henning Maersk-Moller (HE-House), as a new plea before the Supreme Court, indicated that HE-House's use of Skandinavisk Motor Co. A/S's (SMC's) trademarks as keywords registered with internet search engines and internet directories, is not a commercial use of these trademarks, see the Danish Trademarks Act Section 4. Because of this, it is impossible that HE-House has infringed SMC's trademarks.

HE-House points out that the registered keyword's function and intention is not to be part of a promotion or advertisement - keyword advertising - but solely to provide a specific keyword advertisement in its proper context. Registered keywords work merely as an assistant to the search engine's software, so that the search engine knows when and in what context the advertisement must appear.

The registered keyword is not presented to the internet user, but only serves the purpose of ensuring that the desired advertisement appears. The generated advertisement is a result of a "silent conversation" between the search engine and the computer that holds the advertisement. The use of a trademark as a keyword should not be considered as exploitation of the trademark function as indicating origin, since the keyword is not used openly or towards an unnamed addressee, but only as an internal link to the company that has placed the advertisement on the search engine.

HE-House also argues that if HE-House's use of SMC's trademarks as registered keywords is deemed to be commercial use under the Trademarks Act Section 4, this use should be justified according to the Trademarks Act section 5, no. 3, since the use is necessary, fair and consistent with ordinary business practice. HE-House is using the SMC's marks solely to draw attention to the products and services HE-House sells. This is done without giving an impression that there is a commercial context between HE-House and the SMC, see the ECJ's interpretation of the EU Trademark Directive Article 6 (Danish Trademarks Act, Section 5) in the judgments of February 23 1999 in Case C-63/97 (*BMW*).

The High Court has not used the grounds from the ECJ ruling of March 17, 2005 in Case C - 228/03 (*Gillette*) correctly in the present case, and the facts are significantly different. The ECJ's comments on the "necessity" in the *Gillette* case only concern the situation where the user of the trademark uses this for sales of products not originating from the trademark owner. The *Gillette* case's interpretation of the necessity requirement under the Trademarks Directive Article 6 (Trademarks Act, Section 5) relates only to the use of a product that does not already bear the mark used.

SMC contends, inter alia, that HE-House's registration of SMC's trademarks as keywords in internet search engines and internet directories, in order to generate information on HE-House activities (keyword advertisement) constitutes commercial use of these trademarks under Danish trademark law.

For the interpretation of the term "commercial use" in the Trademarks Act Section 4, it is without importance whether or not the mark is used directly by the advertiser of an specific advertisement or the advertiser themselves - in this case HE-House – having registered the trademark as keywords, with this registration in any case is an active, business use of a third party mark. Moreover, HE-House's keyword advertising is clearly commercial and occurs for the purposes of advertisement; see Trademarks Act Section 4, subsection 3, no. 4, as it undoubtedly is to promote HE-House and their marketing of their products and services.

Advertisement on the internet represents a more aggressive and direct form of advertising than advertising in print media. The entered, searched trademark appears on the results page, and the trademark is thus seen in the context of the triggered advertising for HE-House's business. There is no "silent conversation" between the search engine / internet directory and the computer that holds the advertisement.

SMC also argues that the Trademarks Act Section 5, no. 3 - which is an exception – does not provide HE-House access to register and use the SMC's trademarks as keywords in internet search engines and internet directories. SMC enjoys the enhanced protection of the Trademarks Act Section 5 because of the former long-working relationship with HE-House.

HE-House has made a massive registration and use of SMC's protected trademarks to make the world aware that HE-House sells and services Skoda cars. This is neither necessary, fair or consistent with ordinary business practice, as HE-House have other ample ways to draw attention to this. The problem in this case is not identical to that which existed in the BMW case. The BMW case concerned the use of trademarks in advertisements in print media. The use of third party trademarks in physical media cannot be compared with the use of electronic media, where there is a completely different use and exposure of third-party trademarks.

It also follows from the Gillette case that access to use third party trademarks must be interpreted restrictively, and only the absolutely necessary use of such trademarks is permitted under the Trademarks Act Section 5, no. 3. On this background it is also obvious that HE-House's massive use of SMC's protected trademarks, registered keyword is not permitted under the Trademarks Act Section 5, no. 3.

The Supreme Court's reasoning and decision

The question of the injunction and prohibition against using the term "Skoda Sales & Service" in combination with a green colour (SMC's claims 1 and 3).

HE-House uses a green colour on the term "Skoda Sales & Service" which leads to an increased risk that consumers get the impression that HE-House is an authorized distributor and repairer of Skoda cars. At the same time use of a green colour is not necessary for HE-House to inform the internet users that HE-House repair and services Skoda cars.

With these observations and also to the reasons stated by the High Court, the Supreme Court upholds the High Court ruling regarding SMC's claims 1 and 3.

The question of the injunction against HE-House registration of SMC's trademarks as keywords in search engines and directories on the internet (SMC's claims 2 and 4).

These claims relate to the fact that HE-House has registered the trademark SKODA and other trademarks belonging to SMC as keywords in a number of search engines and directories on the internet, so that searches on these trademarks trigger an advertisement for HE-House's business and/or a reference to their websites. The question whether such a registration as a keyword constitutes a violation of SMC's trademarks, is based on an interpretation of the Trademarks Act Section 4 and Section 5, No. 3, taking into account whether there is commercial use of the marks in the sense in which that term is used in Trademarks Act Section 4, and - if this question is affirmed - deciding on whether that use is allowed by Section 5, no. 3. Since the Trademarks Act provisions implement the corresponding provisions in Article 5 and Article 6. 1, paragraph c, of the EU Trademark Directive (Directive 89/104/EEC of 21 December 1988), these questions of interpretation are to be decided by the ECJ, and there are cases pending, at least as regards the first question.

The Supreme Court finds no basis for suspending the injunction to await the ECJ rulings in the pending cases and/or to refer questions the ECJ, since such a suspension is not in harmony with an injunction's character of an interlocutory remedy.

4 judges - Per Sorensen, Peter Block, Per Walsøe and Asbjørn Jensen - state:

We hold that these questions of interpretation of the Trademarks Act section 4 and 5, no. 3 (Trade-marks Directive Article 5 and Article 6. 1, paragraph c) gives cause to such a doubt that it cannot be considered made likely that HE-House has infringed SMC's trademarks by letting them be registered as keywords. Nor can it be regarded made likely that HE-House has violated the Marketing Practices Act Section 1.

The condition of the Code of Civil Procedure Section 642, no. 1, for issuing the injunction is thus not satisfied, and we therefore vote that the SMC's claims 2 and 4 must be dismissed.

Judge Poul Dahl Jensen states:

The registration of Skoda Auto A/S' trademarks as keywords in a number of search engines and directories on the internet, implies that HE-House makes use of the marks as an absolute necessary element in its marketing to potential customers in competition with the proprietor and companies that have a business relationship with the proprietor. Although there may be doubts as to whether such a use infringes Skoda's trademarks, I find it sufficiently made likely that such use constitutes an infringement. The conditions under the Code of Civil Procedure Section 642 to prohibit HE-House's use of Skoda trademarks as keywords are thus met, and I therefore vote for upholding the High Court ruling regarding SMC's claims 2 and 4.

The decision was made by the majority vote.

Ruling

The decision of the Eastern Division of the Danish High Court is upheld regarding the prohibition against using the term "Skoda Sales & Service" in combination with a green colour, regarding the injunction to remove and take down signs in the form of stickers / banners on HE-Houses property containing name "Skoda Sales & Service" (claims 1 and 3).

The remainder of the request for injunction is dismissed.