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Supreme Court confirms compensation of €561,240.37 for using competitor's trademark as AdWord

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> Facts

> Madrid Commercial Court No. 12

> Madrid Court of Appeal

> Supreme Court

On 20 April 2022, the Supreme Court confirmed the 8 June 2018 judgment of the Madrid Court of Appeal, which upheld a trademark infringement action. The case concerned the use of the trademark CLÍNICAS ORTODONCIS, owned by the plaintiff, as a Google AdWords keyword.

Facts

The plaintiff was the owner of the mixed trademark CLÍNICAS ORTODONCIS for medical and dental services. The plaintiff filed an action for trademark infringement and unfair competition against Clínicas Vitaldent due to the use of the plaintiff's trademark as a keyword in Google's Adword referencing system.

Madrid Commercial Court No. 12

On 30 July 2015, at first instance, Madrid Commercial Court No. 12 fully upheld the claim, ordering the defendant to:

- pay:
 - €555,240.37 in compensation for trademark infringement;
 - €6,000 for the moral damage caused; and
- publish the judgment and pay the legal costs.

The defendant appealed the judgment.

Madrid Court of Appeal

At second instance, the Madrid Court of Appeal partially upheld Clínicas Vitaldent's appeal. On the one hand, the Court pointed out that, contrary to the appellant's allegations, the appearance of the word "Vitaldent" among the Google results when clicking on the plaintiff's trademark was due to the appellant's use of the AdWords service and was not a natural result. Therefore, the defendant's infringing use of the trademark CLÍNICAS ORTODONCIS was evident.

Regarding the compensation, the Court declared that the compensation of 1% of the turnover, as set out in article 43.5 of the Spanish Trademarks Act, is applicable in any case without the need for proof.

The Court upheld only the plea relating to the impossibility of assessing the commission of the unlawful acts based on the Unfair Competition Law and, therefore, revoked the order for costs for this reason.

Supreme Court

In the recently issued ruling, the Supreme Court confirmed the second-instance ruling based on the following grounds.

Extraordinary appeal for procedural infringement

The appellant challenged the finding of trademark infringement and the compensation amount, but the Court pointed out that, if there is disagreement with the interpretation of a legal precept, the challenge must be made via cassation appeal. Besides, with regard to the compensation amount, the Court clarified that the appealed judgment did not infringe article 217 of the Spanish Civil Procedure Law because it did not use the rules of the burden of proof. In fact, the appealed judgment did not order compensation as this would have attributed to the defendant the burden of proving that it had not taken advantage of the trademark infringement. On the contrary, compensation was ordered because the plaintiff had opted for the rule of 1% of the turnover obtained with the unlawfully marked goods or services, which requires no proof.

Cassation appeal

It was questioned, in the first place, whether the use of the trademark name as a keyword to offer competing services through advertising via the AdWords service should be considered as trademark infringement.

In this regard, the Court, after explaining how the AdWords system works and referring to what was established in this respect by the Court of Justice of the European Union (CJEU) in the *Google France* and *Interflora* cases, pointed out that, in this case, it must be assumed that the services offered by Vitaldent were identical to those of the plaintiff and that the term used as an AdWord by the defendant coincided with the plaintiff's trademark. For the Court, this meant that the ad offered by the defendant would not allow the average internet user to determine whether the services included in the ad came from the owner of the trademark or from a company financially linked to it, or whether, on the contrary, they came from a third party.

Secondly, the appellant alleged an incorrect interpretation of article 43.5 of the Trademarks Act, which allows the owner of the infringed trademark to claim 1% of the turnover obtained with the services identified with it. The defendant alleged that the 1% had been applied in relation to all the services provided by its franchise network, when it should only be directed to the sales obtained through the use of the trademark CLÍNICAS ORTODONCIS.

The Court clarified in this regard that "turnover" refers not to the services actually provided as a result of the infringement of the trademark, but to all the services that were unlawfully advertised using the plaintiff's trademark (ie, dental implants, orthodontics, pediatric dentistry and cosmetic dentistry), and that there was no need to distinguish which ones were actually provided as a result of the ad and which were not.

In view of the above, the Court dismissed Clínicas Vitaldent's appeals in their entirety, and ordered it to pay the costs.

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