

The naked(bus) truth - using trade marks as keywords

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There is little doubt that Google AdWords (and the careful selection of keywords) can be a powerful tool to increase online business and provide a competitive edge for businesses. However, what limits trade mark law places on the selection and use of third party trade marks as keywords is still uncertain in New Zealand and Australia as there have been no cases directly decided on this point.

In February this year, some certainty was finally provided (at least in New Zealand) with the help of a case involving Nakedbus. The High Court of New Zealand issued a decision about the unauthorised use of trade marks as keywords in connection with Google AdWords (*Intercity Group (NZ) Ltd v. Nakedbus NZ Ltd* [2014] NZHC 124 (Feb. 12, 2014)). Incidentally, this was also New Zealand's first substantive decision regarding Google AdWords and the use of keywords.

The case involved two of New Zealand's largest long-distance bus companies, InterCity and Nakedbus. InterCity (the successor of the former New Zealand Railway Corporations' bus services) had traded in a near monopoly position. In 2006, Nakedbus was founded to directly challenge InterCity's dominant position in the New Zealand market.

From its launch, Nakedbus pushed the envelope by using the words "inter city" in their advertising to attract customers and take market share from InterCity. A battle ensued between the parties for the next few years, which reached fever pitch in 2012 when Nakedbus embarked upon a major Google AdWords campaign. Nakedbus purchased the keywords "inter city" and 87 variants as keywords, which generated advertisements containing the words "inter city" when the search term "inter city" (or variants) were entered into the Google search engine.

Nakedbus took the view that the term "inter city" was descriptive for city-to-city bus services, despite the fact InterCity had a registered word mark for INTERCITY. Not surprisingly, InterCity issued proceedings against Nakedbus on grounds including trade mark infringement, passing off and breaches of the Fair Trading Act 1986.

The High Court held that Nakedbus's purchase of the keywords was "use in the course of trade" in terms of Section 89(1) of the Trade Marks Act 2002, but did not amount to trade mark infringement. The reasoning largely turned on the way Google AdWords function. The purchase of the keywords was not seen or known or understood by consumers and could not be "taken" as anything by consumers, let alone "taken as being use as a trade mark"; thus, there was no use of a sign "likely to be taken as being use as a trade mark" in terms of Section 89(2) of the Act. In short, the High Court held that use of a third party's registered trade mark as a keyword is not, of itself, trade mark infringement in New Zealand.

However, it was held that Nakedbus did nevertheless infringe InterCity's registered trade mark via the text of the advertisement that resulted from use of the "inter city" keywords (eg "inter city buses from \$1 – We'll beat any inter city fare") and follow-on use on Nakedbus's website. The High Court held that such use was both "use in the course of trade" and "likely to be taken as being use as a trade mark". The conduct was also likely to deceive and confuse and the claims of passing off and breaches of the Fair Trading Act were also made out.

The New Zealand case therefore aligns with recent Australian decisions (in so far as the text from advertisements generated by keywords is concerned), but takes things a step further by providing a decision directly on point about use of a third party's registered trade mark. What, if any judicial notice is taken from the New Zealand decision remains to be seen, but it may nevertheless provide some guidance about how an Australian court could decide a similar case.

Interestingly, the New Zealand case, is also consistent with how Google views use of third party trade marks. For example, Google changed its own policy for keywords that are trade marks in New Zealand and Australian (as well as for China, Hong Kong, Macau, Taiwan, South Korea and Brazil) in April 2013, which brought its policy in line with the policy it applied to the rest of the world. Prior to this, Google would consider complaints from registered trade mark owners when their marks had been used as a keyword by a third party. Google has also announced further changes to its policy for New Zealand and Australia. As from 27 July 2014, Google will allow resellers to use trade marks as keywords, which brings Australasia into line with Canada, Ireland, the United Kingdom and the United States.

We now wait to see if the Australian Courts (and the New Zealand Court of Appeal*) agree with Google or will side with trade mark owners when it comes to use of third party trade marks as keywords.

**the decision has been appealed.*

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