

1-1-2010

Google AdWords and Canadian Trademark Law

Reed W. Taubner

Follow this and additional works at: <https://digitalcommons.schulichlaw.dal.ca/cjlt>

Recommended Citation

Taubner, Reed W. (2010) "Google AdWords and Canadian Trademark Law," *Canadian Journal of Law and Technology*: Vol. 7 : No. 1 , Article 11.

Available at: <https://digitalcommons.schulichlaw.dal.ca/cjlt/vol7/iss1/11>

This Article is brought to you for free and open access by the Journals at Schulich Scholars. It has been accepted for inclusion in Canadian Journal of Law and Technology by an authorized editor of Schulich Scholars. For more information, please contact hannah.steeves@dal.ca.

Google AdWords and Canadian Trademark Law

Reed W. Taubner*

INTRODUCTION

The advent of the Internet has made advertising more efficient, connecting sellers and potential buyers with greater precision than was ever before possible. But, it has also led to new trademark uses that strain the laws that evolved to govern a tangible world. Google's AdWords program is a controversial example that allows one competitor to bid on another's trademark — and potentially profit from its goodwill — such that, when a user googles that mark, the results may prominently display the bidder's website, and not necessarily that of the mark owner.

This article aims to answer two questions: should business competitors be allowed to use each other's goodwill in this way and, if so, can trademark law police the program without stifling competition? Part I examines the technical aspects of the AdWords program. Part II explores the underlying rationales of trademark law to start developing a normative position. Part III reviews the American jurisprudence and commentary to hone that normative position and to identify a compatible legal framework. Part IV compares that framework against Canadian law.

This article endorses the work of Misha Gregory Macaw who, unlike some trademark expansionists, argues that keying is permissible provided that it does not confuse buyers as to source. The implications of his position are that trademark law should apply to all instances of keying to prevent abuse, but that intervention depends on the likelihood of confusion, not simply one seller profiting from another's goodwill. A survey of Canadian commentary and jurisprudence suggests that Canadian trademark law is compatible with Macaw's thesis: the tort of passing off appears well suited to disciplining trademark use on the Internet and, although some provisions of the *Trade-marks Act* could be expanded to prohibit socially beneficial uses of competing marks, Canadian courts have applied them reservedly, especially compared to some of their American counterparts.

I. THE TECHNICAL AND COMMERCIAL BACKGROUND OF KEYING

Search engines function by finding and indexing large numbers of websites, which they then display according to their relevance to the user's search. The cofounders of Google — today's foremost search engine — once wrote that they

* B.Com (U of A), JD (Queen's). The author would like to thank Dr. Bitu Amani for her tutelage, criticisms and tremendous encouragement, and Professor Bernie Adell for his lessons on legal writing. The author would also like to thank Anna Wong and Philip Piggott for their keen eyes. This article is the winning entry of the 2009 IT.Can Student Writing Competition.

expected advertising funded search engines to be “inherently biased towards the advertisers and away from the needs of the consumers.”¹ And while Google has indeed ascended on its reputation for delivering highly relevant search results,² it has not abandoned advertising as a source of revenue. Two years later, Google launched its AdWords service,³ and now allows a seller to associate keywords with her website for a fee, though its “biased” results are displayed separately from its “unbiased” results.

The appeal of AdWords to sellers and to Google is straightforward. By paying for a “sponsored link”, a seller improves her chances of attracting customers because her website may⁴ appear in a discrete sponsored links section rather than buried among the organic results (i.e. those that Google selected purely based on their relevance to the user’s query). Figure 1⁵ shows an organic link (a Wikipedia article), as well several sponsored links, which are labeled as such. In return for the added publicity, the seller pays a fee every time a user clicks on her sponsored link. In the first two years following the creation of AdWords, Google enjoyed triple-digit growth, which one author attributes to the importance of the program to Google’s business model.⁶

¹ Sergey Brin & Lawrence Page, *The Anatomy of a Large-Scale Hypertextual Web Search Engine* (1998) [unpublished] at 18, online: Stanford University InfoLab <<http://infolab.stanford.edu/pub/papers/google.pdf>>.

² See e.g. Misha Gregory Macaw, “Google, Inc. v. American Blind & Wallpaper Factory, Inc.: A Justification for the Use of Trademarks as Keywords to Trigger Paid Advertising Placements in Internet Search Engine Results” (2005) 32 Rutgers Computer & Tech. L.J. 1 at 5-6 (Legal Trac)[footnotes omitted]:

In general, search engines treat the specific algorithms by which information is gathered and results are returned as highly proprietary and confidential. For example, the high popularity of Google’s search engine often is attributed to a perception by Internet users that Google’s algorithm returns particularly relevant results.

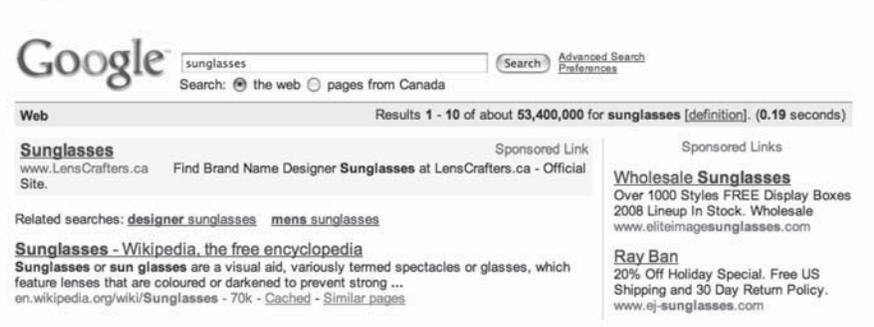
³ Patrick F. Nevins, “Is Google Doing Evil With Trademarks?” (2007) 40 Conn. Law Rev. 247 at 255.

⁴ Whether and where a sponsored link appears is discussed below.

⁵ Figure 1 is the product of searching for “sunglasses” from a computer in Kingston, Ontario. Today, search engines consider the location of the user in determining which results to display. This is obviously the case here as the top sponsored result is Canadian.

⁶ Yu Lim, “Can Google Be Liable for Trademark Infringement?: A look at the ‘Trademark Use’ Requirement as Applied to Google AdWords” (2007) UCLA Ent. L. Rev. 265 at 270. In 2004, virtually all of the company’s revenue came from advertising income, one half of which was earned through AdWords, *ibid.* at 269.

Figure 1:



To sponsor a link, a seller must first choose the keyword or keywords she would like to associate with her website. In North America, Google does not prevent one from choosing a trademark, although it does sometimes⁷ indicate trademarked keywords with a “TM.” Google also actively suggests related search terms. Figure 2 displays the results of an AdWords request for the keyword “walkman.”

Figure 2:



Bidding for a keyword does not give a seller an exclusive right to use that keyword. Instead, it indicates the maximum price the seller is willing to pay each

⁷ See e.g. Figure 2 where AdWords indicates that “walkman” is a trademark, but neither “sony” (registration # TMA283411) nor “ericsson” (registration # TMA419046) is labeled as such.

time a user clicks on her sponsored link. As shown in Figure 3, Google provides an estimate of how close to the top a sponsored link will be displayed for a given bid.⁸

Figure 3:

The figure consists of three vertically stacked screenshots of the Google AdWords calculator interface. Each screenshot shows a different maximum CPC bid and the resulting estimated ad position for the keyword 'walkman'.

Top Screenshot: The maximum CPC bid is set to 0.10. The estimated ad position for 'walkman' is 4-6. The estimated average CPC is \$0.08.

Keywords	Estimated Ad Position	Estimated Avg. CPC
walkman™	4 - 6	\$0.08

Middle Screenshot: The maximum CPC bid is set to 1. The estimated ad position for 'walkman' is 1-3. The estimated average CPC is \$0.62.

Keywords	Estimated Ad Position	Estimated Avg. CPC
walkman™	1 - 3	\$0.62

Bottom Screenshot: The maximum CPC bid is set to an empty field. The estimated ad position for 'coke' is 1-3. The estimated average CPC is \$3.10.

Keywords	Estimated Ad Position	Estimated Avg. CPC
coke	1 - 3	\$3.10

Google determines which sponsored links to display and in what order based on “Ad Rank”, a complex and somewhat opaque figure produced by multiplying the “Quality Score” of the seller’s site by her keyword bid.⁹ A site’s Quality Score is comprised of its click through rate¹⁰ (the single most important factor according to Patrick Nevins¹¹), the click through rates of the seller’s other sponsored links,

⁸ For the keyword “walkman”, a maximum bid of \$0.10 per click would likely place the seller’s sponsored link in the 4–6 range. A maximum bid of \$1 per click, on the other hand, would likely put the seller’s link in the 1–3 range. It is also apparent that more popular keywords cost more. For a top spot using the keyword “coke”, for example, one would likely have to bid \$3.10 per click.

⁹ Google: “How are ads ranked?”, online: AdWords Help <<http://adwords.google.com/support/bin/answer.py?hl=en&answer=6111>> [Google: Ranked].

¹⁰ It is the ratio of how many times a user has clicked on a given sponsored link compared to how many times that link has been displayed in total.

¹¹ *Supra* note 3 at 255.

the relevance of the keyword to the link, etc.¹² The amount the seller must actually pay per click is calculated as follows: [(Ad Rank / Quality Score) + \$0.01].¹³ The most desirable position for a sponsored link appears to be directly above the organic results (e.g. LensCrafters in Figure 1). According to Google:

Only ads that exceed a certain Quality Score and CPC [cost per click] bid threshold may appear in these positions. If the three highest-ranked ads all surpass these thresholds, then they'll appear in order above the search results. If one or more of these ads don't meet the thresholds, then the next highest-ranked ad that does will be allowed to show above the search results.¹⁴

In other words, for a top spot, a high Ad Rank is not enough; a high-quality website with a low bid may not suffice, and the same goes for a low-quality website with a high bid. In fact, it would appear that a website with a lower Ad Rank could surpass a website with a higher Ad Rank if only the former met the minimum threshold set by Google.

II. THE UNDERLYING POLICY CONSIDERATIONS

(a) The Nature of Sponsored Results

Unlike other search engines that order sponsored links purely according to what the seller paid, Google also has an eye for quality.¹⁵ Because of the way a sponsored link's Quality Score is calculated (see above), both its placement and cost depend on whether the keyword is related to the link, whether users have actually taken an interest in the link in the past, and whether the seller has a history of buying useful advertisements. Therefore, if an earphone company bought the keyword "ipod", its fairly relevant link would be more likely to appear (and appear prominently) among the sponsored results than that of an unrelated adult entertainment company that had bought the same keyword, hoping to benefit from Apple's goodwill. The earphone company would also be charged less per click, further encouraging relevancy. Yu Lim goes so far as to say "Google's model places advertisers with deeper pockets on equal footing with those advertisers that generate the greatest number of hits and doesn't just give priority to those advertisers who generate the most revenue. . . ."¹⁶

This assessment can be qualified, however. In a contest between two sponsored links of equal quality, the seller with the deeper pockets would win because the product of its quality score and the seller's bid determines an ad's display position. Moreover, to compete for the most prized spot above the organic results, pockets of a certain depth are a prerequisite and can, in fact, propel a sponsored

¹² Google: Ranked, *supra* note 9.

¹³ Google: "How much do I pay for a click on my ad on a search page? What about if my ad is the only one showing?", online: AdWords Help <<http://adwords.google.com/support/bin/answer.py?answer=87411&topic=10264>>.

¹⁴ Google: Ranked, *supra* note 9.

¹⁵ Lim, *supra* note 6 at 268.

¹⁶ *Ibid.* at 269.

link ahead of another of superior quality.¹⁷ AdWords is dualistic; on the one hand, it permits certain efficiencies (the user finds earphones, and they may be a better deal than those offered by Apple) yet, on the other hand, the sponsored results are not based purely on relevancy, but also on the relative size of competing sellers' bids. Of course, there is also the risk that highly relevant websites are not even in the running because their owners failed to bid at all. It is the normal state of the business world that those with deeper pockets have an advertising advantage. AdWords is different, though, because it allows the deep pocketed to outgun their competitors using the latter's own trademarks.

(b) The Traditional Rationales of Trademark Law: A Normative Guide

To use another seller's trademark as a metatag or Google keyword is certainly to gain benefit from that user's goodwill. But, is it legal? Many American commentators emphasize that the trademark regime in the United States does not grant full property rights in trademarks, and they are very wary of extending to a trademark holder wholesale control of the language of which her trademark is composed.¹⁸ On this basis, some argue that any use of a trademark that is not to identify the source of a good or service should be allowed,¹⁹ which is often the case of metatags and sponsored links. In a similar vein, Mark Bartholomew writes:

The copyright fair use defense protects those who would use copyrighted materials for what are seen as socially desirable ends or for purposes that pose no threat to the incentives for artistic creation. Trademark law is no different. . . . Trademark fair use defenses shield non-mark holders from liability when trademarks are used in a purely descriptive sense.²⁰

In Canada, too, the traditional view has been that the bundle of rights that trademark offers is more limited than that of tangible property. The Exchequer Court once said, "There is . . . only in a limited sense a property in a trade-mark. . . . Property in a word mark itself cannot exist, but property in that word does exist when applied to goods which go into the market."²¹ Similarly, when a seller sues a competitor who used her trademark for passing off, it is not harm to any property

¹⁷ Nevins, *supra* note 3 at 254-55, is also more skeptical than Lim, but on different ground — he believes that, by sorting its results rather than displaying them passively, Google is performing a disservice to users in favor of its advertisers. This issue is explored in Part III.

¹⁸ See e.g. Stacey L. Dogan & Mark A. Lemley, "Trademarks and Consumer Search Costs on the Internet" (2004) 41 Hous. L. Rev. 777 at 788 — "trademark rights are not property rights in gross, but limited entitlements to protect against uses that diminish the informative value of marks."

¹⁹ See Nevins, *supra* note 3 at 265.

²⁰ Mark Bartholomew, "Making a Mark in the Internet Economy: A Trademark Analysis of Search Engine Advertising" (2005) Okla. L. Rev. 179 at 207-208 [footnotes omitted].

²¹ *Williamson Candy Co. v. W. J. Crothers Co.*, [1924] Ex. C.R. 183 (Can. Ex. Ct.); affirmed [1925] S.C.R. 377, ¶8 (S.C.C.). The case arose when a confectionary maker in Kingston, Ontario tried to trademark "Oh Henry" after seeing a chocolate bar by that name at a Chicago tradeshow.

right that gives rise to a remedy, but rather the threat that any misrepresentation on the competitor's part poses to the seller's business or goodwill.²² According to the traditional view,²³ to merely invoke another's trademark and benefit from the goodwill attached is not enough; there must also be a risk of skewing the story that the mark tells, sending misinformation that could diminish its goodwill or divert sales to a competitor posing as the mark owner.

If users came to believe that AdWord's sponsored links were owned by, or affiliated with the trademark owner whose mark had triggered them, the resulting confusion would distort that mark's story, which is impermissible according to the traditional rationales underlying trademark law, which include:

- 1) reducing buyer search costs and otherwise protecting the buyer from deception,
- 2) encouraging the production of known quality goods and services, and
- 3) encouraging competition.

Most authors do not dispute the above rationales,²⁴ and they offer a suitable normative guide for the purposes of this article: if these are the benefits trademarks have to offer the market, the law should not permit trademark uses that would prevent them from doing so. Confusion as to source or endorsement is disruptive because buyers lose faith in the stories marks tell them. As a result, mark owners have less of an incentive to ensure the quality of their wares because they are less able to reap the rewards on the market, which also reduces the competitive drive between them.

Some authors suggest that the law should also prevent the diminution of the goodwill that has accumulated in a trademark *because* of the effort and expense the

²² *Star Industrial Co. v. Yap Kwee Kor*, [1976] F.S.R. 256 at 269 (P.C.).

²³ Much to the chagrin of some authors, however, some more recent rulings challenge the traditional conception of what a trademark is. See e.g. *Canada Safeway Ltd. v. Manitoba Food & Commercial Workers Union, Local 832* (1983), 73 C.P.R. (2d) 234 (Man. C.A.), at para. 12 (WL) [*Safeway*] ("The union attempts to justify use of the insignia on the ground it is engaged in a bona fide labour dispute. Even if that were so, I do not understand how appropriation of an element of the company's goodwill is justifiable. . . . [T]here is no right under the guise of free speech to take or use what does not belong to the defendant"); see generally Rosemary J. Coombe, *The Cultural Life of Intellectual Properties* (Durham, NC: Duke University Press, 1998) at 67ff. As discussed below, many commentators complain that this perceived expansion of trademark protections is particularly grievous with respect to the Internet. Many others willingly accept it.

²⁴ Some authors contest these rationales. See e.g. Coombe, *supra* note 23 at 60ff: Writing in the American context, she argues that trademark law demonstrates "more regard for the exchange value of signifying forms than for the protection of the consuming public." For example, another rationale has been forwarded — protecting a mark's goodwill from dilution — which the courts have accepted. This new rationale, Coombe says, denies the fact that trademarks are social constructs to which an individual or business association cannot give meaning alone. See *Contra* William M. Landes & Richard A. Posner, "Trademark Law: An Economic Perspective" (1987) 30 J.L. & Econ. 265.

owner incurred to attract it.²⁵ This argument is part of a greater movement toward expanding the depth of protection trademark law has to offer.²⁶ Trademark investment is certainly a difficult task and one that should be facilitated, but it is a derivative goal and not an end unto itself. Goodwill is (in a sense) the volume with which a trademark tells its story, thereby protecting buyers, directing them to the goods they want, and encouraging quality control and competition between sellers. Without these functions, there would be no reason for the law to facilitate the accumulation of goodwill in the first place. If the law took trademark investment (i.e. the accumulation of goodwill) as its end goal, one could argue that it would be inequitable for a third party to ever benefit from that investment, a notion that has gained some traction,²⁷ but that this article rejects, as have Canadian courts in refusing to recognize the tort of misappropriation (see below). As Bartholomew puts it, “much of the competition in the marketplace that is considered beneficial is based in part on freeriding.”²⁸ The law should allow any third party trademark use that does not threaten the end goals of the trademark regime, which is more consistent with the traditional view that a trademark offers only limited property rights. It follows that the law should prevent trademark uses that undermine a mark’s goodwill if doing so would render that mark’s story less true, or a true story less audible.²⁹

III. AMERICAN COMMENTARY AND JURISPRUDENCE

(a) The Legislative Background of the American Debate

The bulk of American commentary is focused on the question of whether keying constitutes trademark infringement under the *Lanham Act*. With respect to registered trademarks, section 32(1) reads:

Any person who shall, without the consent of the registrant (a) *use in commerce* any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use

²⁵ See e.g. Nevins, *supra* note 3 at 271:

[T]he symbolic functions of trademarks have expanded over the years, and perhaps trademark policing should recognize that trademarks are no longer considered merely as public identifiers of sources whose sole purpose is to be affixed to the goods or services they represent. . . . Trademarks are no longer only being utilized as a function of speech from the source to the consumer, but also are used as also [*sic*] a function of the consumer’s speech to the company. Companies purchasing keyword queries are free-riding on the strength of the connection between the consumer and the mark owner. . . .

²⁶ See e.g. Coombe, *supra* note 23 at 53, 61.

²⁷ See e.g. Safeway, *supra* note 23.

²⁸ *Supra* note 20 at 200.

²⁹ The corollary is also arguable: the law should not prevent reductions in goodwill that result in a mark’s story becoming more true, or its false story less audible. So long as the stories told are accurate, there will be an incentive to invest in trademarks without sweetening the deal by giving mark owners wholesale ownership of the language of which their marks are composed.

is likely to cause confusion, or to cause mistake, or to deceive . . . shall be liable in a civil action by the registrant for the remedies hereinafter provided.³⁰

Section 43(a) says something similar with respect to unregistered trademarks for a finding of infringement on the part of the defendant. Both essentially require:

- 1) “use” of the trademark by the defendant
- 2) that use must have been in “commerce”,³¹ and
- 3) that use in commerce must be “likely to cause confusion.”³²

Although less emphasized by the courts and commentators with respect to keying, section 43(c) of the *Lanham Act* also contains a more general prohibition — one that goes beyond merely confusing — against a “use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark.”³³

(b) Survey of the Available American Jurisprudence

The Internet has enabled several new forms of advertising that frequently involve the use of trademarks belonging to third parties. The most important today is keying, but older forms have given rise to influential jurisprudence, such as the use of metatags.³⁴ Because the cases to which these ads give rise — regardless of type — generally consider the same legal issues and draw heavily from one another, the type of ad involved need only be called to attention where relevant. Appendix A shows one possible way in which the relevant cases can be organized. The cases mostly share an analytical framework, considering:

- 1) whether the defendant used the plaintiff’s mark in commerce, and
- 2) if so, whether there is a likelihood of confusion,³⁵ or

³⁰ 15 U.S.C. §1114 (2003) [*Lanham Act*][emphasis added].

³¹ The in “commerce” requirement provides a jurisdictional basis for the *Lanham Act*; it refers to commerce federally regulated by Congress — Macaw, *supra* note 2 at 13.

³² Macaw, *ibid* at 11.

³³ *Supra* note 30, §1125(c).

³⁴ In determining the relevancy of a given website, a search engine considers not only the website’s visible text, but also elements of its code that are invisible to the user, known as metatags. In an early form of Internet advertising, sellers (particularly the sellers of adult entertainment products and services) made their websites appear more relevant to search engines by incorporating often indescriptive metatags. The practice led to irrelevant search results. As search engines became more sophisticated, they began to give less weight to metatags, the effectiveness of which as advertising tools sharply declined — Andrew Goodman, “An End to Metatags: Enough Already” (2002) [unpublished], online: Traffick <<http://www.traffick.com/article.asp?aID=102>>.

³⁵ The courts assess the likelihood of confusion using a multifactor test, such as that in *AMF v. Sleekcraft Boats*, 599 F. 2d 341 (9th Cir., 1979) at 348–54 [*Sleekcraft*] — the test considers:

- 1) the strength of the mark (i.e. distinctiveness),
- 2) the relatedness of the plaintiff’s and defendant’s goods,
- 3) the similarity of the plaintiff’s and defendant’s marks,

3) whether the use is an instance of nominative fair use³⁶ (i.e. whether the defendant was justified in using the plaintiff's trademark to identify or describe the plaintiff's wares).

The latter determination is made using the *New Kids* test, which the Ninth Circuit has said should replace the likelihood of confusion analysis entirely in cases of comparative advertising — that is, where Seller A invokes Seller B's trademark, not to pass off her goods as someone else's, but to compare them.³⁷

The jurisprudence can be divided into two camps: the cases that would expand trademark law, and the cases with more traditional outlooks. One line of cases dealing with keying, metatags, and trademark-triggered popups (see Appendix A beginning with *Playboy Entertainment v. Welles*)³⁸ found that such advertisements did not constitute infringement under the *Lanham Act*. They generally did so by finding that the defendant had not “used” the plaintiff's mark for the purposes of the *Act*, citing factors such as (i) the ads were visibly distinct from the plaintiff's website,³⁹ (ii) the ads did not impede the user from visiting the plaintiff's website,⁴⁰ and (iii) the fact that the plaintiff's trademark was not actually affixed to any wares.⁴¹

-
- 4) the evidence of actual confusion,
 - 5) whether there is evidence of actual confusion,
 - 6) whether the defendant and plaintiff sell through the same marketing channels (e.g. in the same stores),
 - 7) the amount of care the buyer is likely to exercise given the nature of the good (e.g. impulse purchases versus those made after great deliberation),
 - 8) the defendant's intent (“When the alleged infringer knowingly adopts a mark similar to another's, reviewing courts presume that the defendant can accomplish his purpose: that is, that the public will be deceived”), and
 - 9) the likelihood that either party will expand its business such that it competes with the other.

³⁶ The standard test applied to possible instance of nominative fair use was developed by the Ninth Circuit in the case of *New Kids On The Block v. New America Publishing*, 971 F. 2d 302 (9th Cir. 1992) at 308 [*New Kids*] — use of another seller's trademark is legal where: 1) the product or service is not easily identified without use of the plaintiff's trademark, 2) the mark is only used to the extent that is reasonably necessary to identify said product or services, and 3) the defendant must have done nothing to suggest sponsorship on the part of the plaintiff.

³⁷ *Playboy Entertainment v. Welles*, 279 F. 3d 796 (9th Cir., 2002) at 801 [*Welles*]:

The three-factor test better evaluates the likelihood of confusion in nominative use cases. When a defendant uses a trademark nominally, the trademark will be identical to the plaintiff's mark . . . [and] application of the Sleekcraft test . . . would lead to the incorrect conclusion that virtually all nominative uses are confusing.

³⁸ *Ibid.*

³⁹ *U-Haul International v. WhenU.com*, 279 F. Supp. 2d 723 (E.D. Va., 2003) at 727-28 [*U-Haul*].

⁴⁰ *Wells Fargo v. When U.com*, 293 F. Supp. 2d 734 (E.D. Mich., 2003) at 758-62 [*Wells Fargo*].

⁴¹ *Rescuecom v. Google*, 456 F. Supp. 2d 393 (N.D.N.Y., 2006) at 403 [*Rescuecom*].

Another line of cases (see Appendix A beginning with *Brookfield Communications v. West Coast Entertainment*),⁴² however, was much more willing to find that online advertising constituted “use” under the *Lanham Act*, and most did so emphasizing that the defendant had free ridden on the plaintiff’s goodwill.⁴³ With respect to confusion, some were willing to grant injunctions,⁴⁴ or at least deny the defendant summary judgment,⁴⁵ based only on initial interest confusion — a species or element of confusion originating on the Ninth Circuit where the buyer is initially confused as to the source or endorsement of a good, but resolves said confusion before the time of purchase. These expansionist courts seem to have considered it actionable, *per se*, because it may lead a buyer initially attracted by Seller A’s trademark to become interested and ultimately purchase Seller B’s wares instead.⁴⁶ Others performed a multifactor test for confusion (e.g. the *Sleekcraft* test)⁴⁷ as they would for a case originating in the physical world, but even they considered initial interest confusion separately, and some seemed to think it could be the determinative issue.⁴⁸

Unfortunately, no case nor article reviewed for this article seriously considers liability based on dilution per section 43(c) of the *Lanham Act*, likely because the courts have generally said either, in traditionalist cases, that it was not at issue because there had been no “use”,⁴⁹ or, in expansionist cases, that the matter had to go to trial — the results of which we do not have.⁵⁰

(c) American Commentary

Nevins states that the main schism between authors pertains to whether keying and older forms of Internet advertising in fact “use” trademarks,⁵¹ which would appear to be the same issue on which the courts split. The divide is perhaps more fundamental. It may be better characterized as one between authors who adopt the

⁴² 174 F.3d 1036 (9th Cir., 1999) [*Brookfield*].

⁴³ See e.g. *Playboy Entertainment v. Netscape Communication*, 354 F.3d 1020 (9th Cir., 2004) at 1025 [*Netscape*]; *Government Employees Insurance v. Google*, 330 F. Supp. 2d 700 (E.D. Va., 2004) at 704 [*Geico*]; *Google v. American Blind & Wallpaper Factory*, 2005 WL 832398 (N.D. Cal., 2005) at 5 [*American Blind*]; *800-JR Cigar v. GoTo.com*, 437 F. Supp. 2d 273 (D.N.J., 2006) at 285 [*JR*].

⁴⁴ See e.g. *Brookfield*, *supra* note 42 at 1057.

⁴⁵ See e.g. *American Blind*, *supra* note 43 at 5.

⁴⁶ *Netscape*, *supra* note 43 at 1025 [footnotes omitted]:

Initial interest confusion is customer confusion that creates initial interest in a competitor’s product. Although dispelled before an actual sale occurs, initial interest confusion impermissibly capitalizes on the goodwill associated with a mark and is therefore actionable trademark infringement.

⁴⁷ *Supra* note 35.

⁴⁸ See e.g. *Netscape*, *supra* note 43 at 1026–29; *JR*, *supra* note 43 at 292.

⁴⁹ See e.g. *Rescuecom*, *supra* note 41 at 404.

⁵⁰ See e.g. *JR*, *supra* note 43 at 294.

⁵¹ *Supra* note 3 at 264.

more traditional view that trademarks impart limited property rights, and those who seek to expand the law to prohibit trademark uses that benefit from the goodwill that has accumulated in another's mark, even where those uses have not caused confusion or disrupted the mark's ability to tell its story.

(i) Competing Approaches to "Use"

Nevins vehemently disagrees with "use theorists", who he says would prevent the court from even considering confusion by arguing that the alleged trademark use is not of the sort the *Lanham Act* requires for registration, and therefore cannot constitute infringement.⁵² He would prefer a tailored definition of "use" based on a purposive reading of the *Lanham Act* to cope with infringement cases involving novel mark uses.⁵³ By contrast, Macaw looks to the definition of a trademark — something (words in this case) used to "identify and distinguish"⁵⁴ one's goods — to define for the purposes of infringement a "use" as something that is perceptible to the user.⁵⁵ Despite their differences, however, both Nevins and Macaw agree, in contrast with the traditionalist courts, that buying someone's trademark as a keyword constitutes "use" for the purposes of the *Lanham Act*. Macaw, whom one might have expected to believe otherwise, reasons that:

[C]onsumers perceive American Blind's trademark upon entering it as a keyword into the Google search engine in the first place. . . . [I]n using the trademark entered by the user as a keyword to return search results, Google is using the trademark to create an association in the consumer's mind between the trademark — as perceived by the user upon entry into the search engine — and the search results returned.⁵⁶

The "use" debate is relevant for two reasons. First, Nevins argues that drawing from a trademark's goodwill can constitute "use" without any perceptible signaling. Macaw, on the other hand, believes that trademark law is being expanded too far when it comes to the Internet, and trademark law — because it primarily concerns the signaling function marks perform — should only intervene where the use is perceptible.⁵⁷ The distinction is essentially one of policy. Nevins is willing to scrutinize a use that he does not necessarily consider perceptible, even though trademark law would not have traditionally done so (how can a use distort a mark's story if it goes unperceived?). Although Macaw would also scrutinize keying, he is willing to do so because he believes that it falls within the traditional gambit of trademark law. In short, Nevins believes that a trademark potentially offers more expansive protections than Macaw does, and the widening divide between them is discussed in the next section. Second, the debate is relevant because it highlights the desirability of Macaw's approach: although his position is more traditional than that of

⁵² Similar reasoning is visible in the *WhenU.com* cases (see Appendix A), and *Rescuecom*, *supra* note 41 at 400.

⁵³ *Supra* note 3 at 268-69.

⁵⁴ *Supra* note 3 at 254.

⁵⁵ *Supra* note 2 at 12.

⁵⁶ *Supra* note 2 at 47.

⁵⁷ *Supra* note 2 at 27.

Nevins, he would not go so far as some “use theorists”, who would prevent the courts from disciplining misbehaved competitors entirely. This idea is also developed later on.

(ii) Competing Approaches to “Confusion”

With respect to confusion, Nevins and Macaw disagree on the relative importance of initial interest confusion, a factor frequently invoked by expansionist courts. Nevins seems to argue that initial interest confusion ought to be actionable, *per se*, and he supports trademark owners pursuing such actions in defense of the goodwill they have accumulated in their marks.⁵⁸ By contrast, Macaw views initial interest confusion not as a self-contained cause of action, as some authors and courts have, but as simply an element of the greater confusion analysis, and argues that literal⁵⁹ confusion is a prerequisite of infringement.⁶⁰

With respect to the alternative nominative fair use defense, Nevins, like Macaw, agrees that the doctrine is available, but Nevins mentions it to lend weight to his argument that the use issue should not bar keying infringement analyses.⁶¹ Macaw, however, explicitly supports using trademarks to make comparisons between two sellers’ wares, which encourages competition. He argues that the nominative fair use doctrine permits such uses.⁶² He also preempts those who might argue that generic terms should be used to reference the good or service in question based on the *New Kids* test,⁶³ which only allows use of a mark where identification of the good or service would be difficult otherwise. He explains:

[T]his view ignores the fact that it is essentially impossible to make any legally supportable inferences about consumer search objectives based on their selection of keywords. Factors contributing to this phenomenon include[s] . . . the wide range of possible objectives a consumer may have when conducting a search. On this . . . point in particular, trademarks may often be used in keywords as a proxy for identifying the types of goods or services for which the consumer is seeking information.⁶⁴

⁵⁸ See e.g. *supra* note 3 at 271:

[T]he symbolic functions of trademarks have expanded over the years. . . . This is a result of considerable investment on the part of the trademark owner, and perhaps consideration of goodwill should be given greater emphasis by trademark law in the future.

Similar reasoning is visible in the expansionistic cases like *Brookfield*, *supra* note 42, *Netscape*, *supra* note 43, and their progeny.

⁵⁹ Macaw uses the word “actual” to mean significant, enduring confusion, as oppose to initial interest confusion. But this term is confusing because only a likelihood of confusion is necessary under American law. Therefore, this article uses the term “literal confusion” to capture the same idea.

⁶⁰ *Supra* note 2 at 49. See e.g. *Brookfield*, *supra* note 42 at 1057; *Netscape*, *supra* note 43 at 1026–29.

⁶¹ *Supra* note 3 at 268.

⁶² *Supra* note 2 at 58.

⁶³ *Supra* note 36 at 308.

⁶⁴ *Supra* note 2 at 54–55 [footnotes omitted].

(d) The Authors' Conclusions and the Best Approach for Canada

Nevins's analysis is narrowly focused on a single vision of buyer-seller interaction: a seller that has invested in her trademark, and a buyer hoping to find that seller by searching for her mark. In his view, when buyers search for a mark, "they already know what they want to find and from whom . . . [otherwise they] would submit a query containing a generic mark."⁶⁵ For him, search engines that tempt these goal-oriented users with related but unsolicited ads based on the trademarks for which they had searched make an objectionable use of those marks' goodwill.⁶⁶

Macaw focuses on a different sort of user: one who does not know exactly what she seeks. He gives the example of a user who wants a particular type of good, but who only knows it by one trademarked name and has no desire for that brand in particular; by searching for the mark she does know, the user can find a variety of goods of the type she wants, and some may be more to her liking than the brand for which she searched.⁶⁷ Of course, there are many other users who may search for a trademark without necessarily wanting to visit the owner's website, such as those looking for product reviews, or even outright criticisms of the mark owner's goods or services. Macaw argues that AdWords is essentially comparative advertising — a boon to both consumers and market as a whole as far as it promotes competition — which is not prohibited by the *Lanham Act* and which is encouraged by the nominative fair use doctrine, provided that the sponsored link does not cause confusion.⁶⁸

Macaw falls in the middle of the spectrum and, as is often the case when intelligent people with divergent views debate, the strongest position lies somewhere in between their ideals. Yu Lim occupies one pole and can more easily be described as a "use theorist" per Nevins's nomenclature. Like Macaw, she opposes trademark expansionism and supports comparative advertising.⁶⁹ However, she does not consider AdWords to "use" trademarks, regardless of the confusion they create.⁷⁰ Nevins, of course, is closer to the opposite pole, and sees the protection of trademark investment as a goal worthy of protection unto itself. Macaw, meanwhile lies somewhere in between.

Macaw's position is the most compatible with the normative goals set out above. By disallowing confusion, but allowing AdWords to facilitate comparison, his approach encourages competition between sellers, which tends to promote product and service quality as well. Despite Nevins's assertion that sponsored results

⁶⁵ *Supra* note 3 at 270.

⁶⁶ *Ibid.* at 271.

⁶⁷ *Supra* note 2 at 55.

⁶⁸ Macaw, *supra* note 2 at 57, concludes that AdWords would constitute nominative fair use if its sponsored links were labeled clearly enough so as to not cause confusion, satisfying the third requirement of the *New Kids* test, *supra* note 36 at 308 (i.e. that the seller do nothing to suggest sponsorship by the mark holder). The more contentious first requirement (i.e. that the plaintiff's mark not be used where reference to the product or service in question would be easy without it) is addressed above.

⁶⁹ *Supra* note 6 at 279, 276.

⁷⁰ *Ibid.* at 283.

create “noise” that can hinder users looking for marker owner sites,⁷¹ AdWords may actually lower search costs: recall that Google ranks its sponsored results not only according to advertiser bid, but also according to quality. Therefore, entirely irrelevant sponsored links are unlikely to be featured prominently, and many users may actually find those that do appear useful. In a sense, AdWords is a self-regulating market for user attention. As Macaw points out, not all users hope to actually find the seller who owns the trademark they googled,⁷² and the sponsored links may serve as useful guides.

Nevins, of course, also objects on a more fundamental level to one seller free riding on another’s goodwill. As the above aims to illustrate, such free riding is not objectionable (and is potentially desirable) so long as it is not confusing. Free riding may be permissible even where it reduces the target’s goodwill — for example, where searching for the keyword “iphone” leads to a scathing review of Apple products. Such information is valuable to the market and access to it should not be denied by granting trademark owners complete control over the language of which their marks are composed. Of course, sponsored links cannot legally promote falsehoods about other sellers, but the law of torts generally (e.g. defamation) should govern such conduct, not the tort of passing off, nor the provisions of trademark legislation pertaining to confusion and depreciation.

IV. MACAW APPLIED TO CANADA

This article does not attempt to predict how Canadian courts will ultimately rule on keying, or whether it is in fact confusing. Even in the United States, where there is some jurisprudence available, this is unclear. Nor does it attempt to apportion potential liability between Goggle and the sellers that use its AdWords program. Instead, the following is an assessment of whether Canadian law is compatible with the approach that Macaw advocates — that is, one where keying is regulated by either common law or statute, but where it is permissible so long as it is not confusing. In Canada, “(i) whether the reference to a keyword which is a trade-mark constitutes trade-mark use, and (ii) whether such reference results in confusion to the user” have already been identified as the key issues the courts will have to address⁷³ — precisely the same issues with which the Americans are grappling. As a result, both American commentary and judicial reasoning are readily exportable to the Canadian context.

⁷¹ *Supra* note 3 at 270-271.

⁷² Because Macaw has a broader understanding of the role trademarks play in today’s society and economy, one that is not entirely alien to the belief of Coombe, *supra* note 24, that trademarks are social constructs and cannot be owned wholesale, he is less apt to support their commodification.

⁷³ Sheldon Burshtein, “Sale of keywords causes trade-mark disputes for search engines” (24 November 2006) *The Lawyer’s Weekly* (QL).

(a) Keying and the Common Law

(i) *Misappropriation*

Keying, as previously discussed, may strike some as being, *prima facie*, unfair. The American courts have been more willing to prohibit so-called unfair competition. In the landmark case of *International News Service v. Associated Press*, for example, the United States Supreme Court recognized a tort of misappropriation that prohibits Seller A from profiting from Seller B's property (or quasi-property as was the case in *INS*) in a way that damages Seller B and is contrary to good conscience.⁷⁴ The tort of misappropriation seems well suited to policing the free riding of third-party goodwill over the Internet because it is premised on the principle that "he who has fairly paid the price should have the beneficial use of the property";⁷⁵ but it also runs opposed to Macaw's thesis because it would appear that consumer confusion is not a prerequisite.⁷⁶ Fortunately, the tort of misappropriation has never gained traction in other common law jurisdictions. *Westfair Foods Ltd. v. Jim Pattison Industries Ltd.*⁷⁷ is illustrative of the Canadian approach, which is to rely on the tort of passing off to protect trademark owners, expanding the common law only reluctantly to avoid curtailing competition.

(ii) *Classic Passing Off*

If the common law is to police keying, it seems it must do so through the tort of passing off. As it turns out, the traditional Canadian means of regulating trademark competition is preferable to misappropriation because passing off is premised on the potential for buyer confusion as to source.⁷⁸ As expressed by the English Court of Appeal, it is founded on the notion that:

[N]o man is entitled to represent his goods as being the goods of another man; and no man is permitted to use any mark, sign or symbol, device or other means, whereby, without making a direct false representation himself to a purchaser who purchases from him, he enables such purchaser to tell a

⁷⁴ 248 U.S. 215 (1918) at 239-40 [*INS*].

⁷⁵ *Ibid.* at 240.

⁷⁶ It is also important to note that in *INS*, *ibid.*, the court partly based its ruling on the harm done to Seller B. As discussed above, keying serves comparative functions, some of which do not divert potential customers away from trademarks owners, causing them no loss. In such cases, misappropriation may be inapplicable in any event.

⁷⁷ (1989), 59 D.L.R. (4th) 46 (B.C. S.C.); affirmed (1990), 68 D.L.R. (4th) 481 (B.C. C.A.).

⁷⁸ See e.g. *Consumers Distributing Co. v. Seiko Time Canada Ltd.*, [1984] 1 S.C.R. 583 (S.C.C.), at 601 ("attention should be drawn to the fact that the passing off rule is founded upon the tort of deceit, and while the original requirement of an intent to deceive died out in the mid-1800's, there remains the requirement, at the very least, that confusion in the minds of the public be a likely consequence"); *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, 1992 CarswellOnt 1007, [1992] 3 S.C.R. 120 (S.C.C.) at para. 64 (WL) [*Ciba-Geigy*] — "There is no question that confusion, which is the essence of the tort of passing-off, must be avoided in the minds of all customers."

lie or to make a false representation to somebody else who is the ultimate customer.⁷⁹

Passing off strikes a balance. On the one hand, it facilitates competition by offering trademark owners only limited protection. As the above passage illustrates, merely benefiting from another's goodwill or even undermining it cannot replace likely confusion for the purposes of passing off, a rule that is consistent with Macaw's thesis.⁸⁰ Moreover, a clear disclaimer precluding any relationship between two sellers can dispel the risk of confusion.⁸¹

That being said, the protection that passing off provides trademark owners may be broad enough to deal with the rigors of Internet commerce, even though the tort is more than a century old. Although AdWords considers the geographic location of the sponsor in determining the relevance of a given sponsored link, users frequently face links from abroad. Canadian courts have held that, if Seller A is from another country, but her mark (or specific indicia) has accumulated goodwill in Canada, she can sue Seller B operating in Canada for passing itself off as Seller A; there is no actual use requirement.⁸² Of course, as discussed above, trademarked keywords are not only used to suggest source, and even if the two sellers carry on business in completely different fields, Seller B can create confusion by suggesting some sort of endorsement on the part of Seller A. Canadian courts have also held these to be passing off.⁸³

One might doubt whether passing off applies to keying. As the Supreme Court of Canada laid out in *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, its prerequisites are:

- 1) the existence of goodwill (specifically, goodwill in the market where the tort is alleged to have occurred),
- 2) deception of the public due to a misrepresentation, and
- 3) actual or potential damage to the plaintiff.⁸⁴

The second requirement would pose the largest obstacle if it served to filter out cases before courts had the opportunity to consider the potential for confusion, a

⁷⁹ *Singer Manufacturing. v. Loog* (1880), 18 Ch. D. 395 (Eng. C.A.); affirmed (1882), 8 App. Cas. 15 at 412-13 (H.L.).

⁸⁰ The geographic scope of common law passing off is also limited. Its protection only extends to where the plaintiff's trademark has earned a reputation and goodwill; passing off affords a trademark owner no control over the language of which her mark is comprised where her products and services are unknown and, therefore, where they cannot possibly be confused with those of another seller.

⁸¹ See e.g. *National Hockey League v. Pepsi-Cola Canada Ltd.* (1992), 70 B.C.L.R. (2d) 27 (B.C. S.C.); additional reasons at (1993), 1993 CarswellBC 642 (B.C. S.C.); affirmed (1995), 1995 CarswellBC 15 (B.C. C.A.); affirmed (1995), 1995 CarswellBC 14 (B.C. C.A.), at paras. 47-55 (WL).

⁸² See e.g. *Walt Disney Productions v. Triple Five Corp.* (1994), 53 C.P.R. (3d) 129 (Alta. C.A.); leave to appeal refused (1994), 1994 CarswellAlta 956 (S.C.C.), at paras. 66-67 (WL)[*Walt Disney*]; *Orkin Exterminating Co. v. Pestco Co. of Canada* (1985), 19 D.L.R. (4th) 90 (Ont. C.A.) at para. 46ff (WL).

⁸³ See e.g. *Walt Disney, ibid.* at para. 90.

⁸⁴ *Supra* note 78 at para. 33.

problem akin to the “use” debate in the United States. Where a trademark-keyword actually appears in the text of the sponsored link (see e.g. Figure 1, “Sunglasses” in the LensCrafters sponsored link), the text would certainly qualify as a misrepresentation if it were confusing as to source or sponsorship. However, if the trademark is entirely imperceptible (as is the case with metatags) or the user only sees that mark when she herself enters it into the search engine (as is the case with AdWords where the sponsored link does not contain the mark, although Macaw does consider this to be a perceptible use), can this qualify as a misrepresentation on the part of the seller or Google? The few Canadian courts that have considered the subject have suggested that it can.

In *Pandi v. FieldOfWebs.com*,⁸⁵ the court commented in *obiter* that it would have ordered an injunction prohibiting the defendant’s “objectionable meta tags”, which used the plaintiff’s trademark, had the defendant still been using them at the time of the trial.⁸⁶ In the more widely cited *BCAA* case,⁸⁷ the British Columbia Supreme Court held that one of the defendant’s websites that used the plaintiff’s trademarks as metatags in what the court considered a deliberate attempt to mislead users did constitute a misrepresentation for the purposes of passing off.⁸⁸ By contrast, however, even though another of the defendant’s sites had similar metatags, and even though users looking for the plaintiff’s site would likely find that site as a result, the defendant’s second site did not constitute passing off: there was no actual confusion — a key factor to be considered, although not strictly a requirement of passing off⁸⁹ — because a “brief look” at the defendant’s second site, which contained a clear disclaimer, made it clear that it was not affiliated with the plaintiff.⁹⁰ Therefore, it would seem that Canadian courts have a broad understanding of what constitutes a “misrepresentation” and are willing to consider the potential for confusion, an approach that is compatible with Macaw’s thesis, rather than filtering cases at a preliminary stage as some American courts have done.

⁸⁵ (2007), 2007 CarswellOnt 4389 (Ont. S.C.J.); additional reasons at (2007), 2007 CarswellOnt 5260 (Ont. S.C.J.) (WL). The plaintiffs whose business was the sale of adult “footed pajamas” over the Internet sued their website developer, which had launched a competing footed pajama business, in part for using the plaintiff’s fanciful domain name — “Jumpin Jammerz” — as a metatag on its own site. By the time the matter reached the court, the defendants had removed the offending metatags.

⁸⁶ *Ibid.* at paras. 41–43.

⁸⁷ *British Columbia Automobile Assn. v. O.P.E.I.U., Local 378*, 2001 BCSC 156, 85 B.C.L.R. (3d) 302 (B.C. S.C.) [*BCAA*].

⁸⁸ *Ibid.* at para. 212. More troubling, however, was that the court made this comment despite having found no evidence of confusion.

⁸⁹ *Ibid.* at para. 132. It may seem that misrepresentation without confusion is contrary to Macaw’s thesis, but he objects to the prohibition of *bonda fide* trademark uses without confusion, not those intended to deceive. An overzealous court could stretch misrepresentation to cover such uses, but the cases examined for this article were more reserved. Also, as illustrated here, the courts are heavily influenced by confusion when assessing common law passing off, which is not the case of some of the statutory provisions considered below.

⁹⁰ *Ibid.* at para. 131.

With respect to confusion, the second question in Macaw's analysis, the *BCAA* ruling is more problematic. On the one hand, the court, like Macaw, emphasized that a defendant (here, a labour union) may have valid reasons to use an owner's mark to reach people. It said, "if a site wishes to operate as a lawful vehicle during a strike or as a consumer criticism site, it must be able to reach people who are attempting to find an employer's or a producer's site."⁹¹ But, on the other hand, the court ruled that the defendant's site that did constitute passing did so because it was initially confusing to a hurried observer, although this confusion would likely dissipate after "starting to examine the site."⁹² Canadian authors Bradley J. Freedman and Robert J.C. Deane take this to mean that the court ruled on the basis of initial confusion alone,⁹³ and indeed the court did consider American cases that had adopted the initial interest confusion concept, e.g. *Brookfield*. If so, the *BCAA* ruling may be inconsistent with Macaw's thesis because he is adamant that trademark use must result in literal and not fleeting confusion. Teresa Scassa, however, is of a different view. She focuses on the court's comments regarding the site it found permissible and concludes that "[i]nitial interest confusion alone is . . . unlikely to be a sufficient basis for passing off. A more substantial level of confusion is required."⁹⁴ She also notes the expansionary aspect of initial interest confusion arguments and, like Macaw, opines that it should properly form part of a "more general test for confusion."⁹⁵

Perhaps some weight should be given to the judge's concluding remark: "I conclude that there would likely be confusion sufficient to constitute the tort of passing-off."⁹⁶ At what point does confusion reach the passing off threshold? It is clear that the bar is set below actual confusion but, if one accepts Macaw's approach, it must be set above mere initial interest confusion, at a level that would trouble the user. It is not clear on what basis the court in *BCAA* held that one of the defendant's sites constituted passing off but, given that the court found that the site had been designed to mislead (the court noted that it prominently displayed the

⁹¹ *Ibid.* at para. 128.

⁹² *Ibid.* at para. 212.

⁹³ Bradley J. Freedman & Robert J.C. Deane, "Trade-marks and the Internet: A Canadian Perspective" (2001) 34 U.B.C. L. Rev. 345 at para. 88 (QL).

⁹⁴ Teresa Scassa, "Intellectual Property on the Cyber-Picket Line: A Comment on *British Columbia Automobile Ass. v. Office and Professional Employees' International Union, Local 378*" (2002) 39 Alta. L. Rev. 934 at para. 14 (QL).

⁹⁵ *Ibid.* However, Scassa also opines that initial confusion interest becomes actionable when it results in a loss of business, an argument with which one might take issue. Imagine Seller A has a sponsored link triggered by Seller B's trademark and the court finds, at first glance, that sponsored links appear to be affiliated with their corresponding trademark owners. Imagine that the court also found the disclaimer in place sufficient to dispel any real confusion. If Seller A makes a legitimate claim about its product vis-à-vis that of Seller B and, after recovering from their initial confusion, buyers choose Seller A out of preference and not confusion, there should be no finding of passing off, despite the diversion.

⁹⁶ *Supra* note 87 at para. 212.

plaintiff's logo, etc.),⁹⁷ it is plausible that the ruling may have been based on more than initial interest confusion. It is also important to note that *BCAA* was not a case involving two sellers but rather an employer and a union. As such, users would almost always distinguish between the plaintiff's and defendant's websites because the services they offered were fundamentally different; in order to hold the defendant liable for its intentional deceit, the court had to lower the confusion bar. It may, therefore, be consistent with the *BCAA* ruling to raise the bar well away from mere initial interest confusion where two sellers are involved, except where deceit was intentional but somehow failed to create the potential for confusion.

It should be noted that the court said in *obiter* that it would be more critical of a business competitor trying to use metatags as the union did on its permissible site.⁹⁸ It is unclear whether the court meant that the potential for confusion is greater between competitors and therefore (as a matter of fact) is easier to confuse their sites, or whether it meant (as a matter of law) that such metatag use is less socially desirable in the commercial context than in the labour dispute context, lowering the confusion bar. The former interpretation is preferable in that it is more consistent with Macaw's thesis.

(b) Keying and the Trade-marks Act

The next issue, then, is whether the *Trade-marks Act*⁹⁹ complements the common law foundation, outlined above, or whether it pushes Canadian law away from Macaw's thesis. Sections 7(b), 19, 20, and 22 are of interest, and will be addressed sequentially.

(i) Section 7(b)

Section 7(b) has been held to essentially codify the common law passing off tort that nominally prohibits a seller from "direct[ing] public attention to his wares . . . in such a way as to cause or be likely to cause confusion in Canada, at the time he commenced so to direct attention to them, between his wares . . . and the wares . . . of another." In considering 7(b) claims, the courts' analyses have been heavily informed by the elements of the common law passing off,¹⁰⁰ but the statutory language has given rise to some differences between the two causes of action, the extent of which are subject to debate. For instance, it has been suggested that the broad language of "direct public attention" may mean that section 7(b) does not require any misrepresentation as such. Such a reading would put an end to the concern raised above, although it may also lower the confusion threshold below literal confusion,¹⁰¹ blurring its desirability. Unlike common law passing off, statutory actions can certainly be brought in Federal Court, which is desirable because it

⁹⁷ *Ibid.* at paras. 211-12.

⁹⁸ *Ibid.* at para. 126ff.

⁹⁹ *Trade-marks Act*, R.S.C. 1985, c. T-13.

¹⁰⁰ See *Kirkbi AG v. Ritvik Holdings Inc. / Gestions Ritvik Inc.*, 2005 SCC 65, ¶62, [2005] 3 S.C.R. 302 (S.C.C.).

¹⁰¹ Professor Bitá Amani (Faculty of Law, Queen's University, 2008).

eliminates the need for plaintiffs trying to police keying abuses (which tend to span jurisdictions) to launch multiple actions in different provinces.

(ii) Sections 19, 20, and 22

Sections 19, 20, and 22 all depend on the plaintiff's trademark having been "used" for the purposes of the *Act*. With respect to wares, section 4 deems a trademark to have been "used" when, at the time of sale or transfer "in the normal course of trade",¹⁰² it is "marked on the wares" or in any other way associated with them such that "notice of the association" is given to the recipient. With respect to services, a trademark is deemed to have been used if it is "used or displayed in the performance or advertising of those services."

The language is, *prima facie*, broad and potentially problematic. In *Playboy Enterprises v. Germain*, the Federal Court had to determine whether verbally describing goods as "Playboy" hairpieces constituted use of that mark for the purposes of registration. The presiding judge opined, "[U]se of a verbal description is not use of a trade mark within the meaning of the *Trade Marks Act*. A 'mark' must be something that can be represented visually." The judge added, however, "the 'mark' can be associated with the wares (and still be visible) otherwise than by being marked on the wares themselves or on the packages in which the wares are distributed."¹⁰³ Like Macaw, who argues that keying is visually perceptible because the user associates the marks that she entered with the search results that she obtains, the *Germain* ruling suggests that, although using a word for the purposes of registration requires more than its oral invocation, associating that word with a good can be achieved by means other than direct affixation. The definition does contain some internal limitations, such as the requirement that the mark be used at the point of transfer. However, although not exactly contemporaneous, many users now shop, contract, and exchange title online through websites that they may have found by searching for a trademarked keyword, and it is not clear whether the point of transfer restriction would present a serious obstacle to defining keying as use. Moreover, the definition of use with respect to services is particularly broad and would seem to catch all sponsored links with respect to services because they are essentially advertisements, comparative advertisement though they may be.

If exported to sections 19, 20 and 22, the above reading of use would virtually prohibit comparative advertising by means of AdWords. Section 19 grants a seller who registers a mark with respect to certain goods the exclusive right to use that mark in relation to those goods. Because it only applies when Seller A uses an unregistered mark identical to Seller B's registered mark, and only when that use directs buyers to the same wares or services specified in Seller B's registration, section 19 is the narrowest of the three provisions. But, it alone would be enough to severely curtail AdWords given a plain reading of "use" because sellers typically bid on textual trademarks as they are registered, and the provision is also a concern in that its application does not explicitly depend on consumer confusion.

¹⁰² Note that the *Lanham Act*, *supra* note 30 also specifies the commercial context.

¹⁰³ See e.g. *Playboy Enterprises Inc. v. Germain* (1987), 16 C.P.R. (3d) 517 (Fed. T.D.) at paras. 10, 14 (WL) [*Germain*].

Fortunately, the Exchequer Court took a much narrower view in the leading case of *Clairol International Corp. v. Thomas Supply & Equipment Co.*¹⁰⁴ Although focusing on the definition of use with respect to goods, the court read section 4 in light of the definition of a trademark found in section 2: a mark is something “used by a person for the purpose of distinguishing . . . wares or services . . . sold, [etc.] by him from those . . . sold, [etc.] by others. . . .” Accordingly, the court interpreted section 19 as granting an “exclusive right to the use of such mark in association with such wares or services within the meaning of sections [2 and 4] for the purpose of the trade mark. . . .”¹⁰⁵ In a sense, the court combined the issues of “use” and “confusion” by ruling that only certain kinds of use — namely where Seller B uses Seller A’s registered mark as an identifier of source — violate section 19, thereby subsuming the notion of confusion that Macaw advocates; a use of this sort surely risks actual confusion.

Section 20 — the infringement provision — is broader in that it prohibits confusing marks (not just identical ones) in association with any wares or services. However, it never was as great a concern as section 19 because it imports the notion of confusion as defined in section 6. One court explained that the crucial question is whether “casual consumers somewhat in a hurry are likely to be deceived about the origin of the wares or services.”¹⁰⁶ The statutory definition of confusion as expressed above appears to depend on literal confusion, which is consistent with Macaw’s thesis. No instance of a Canadian court deciding an Internet-related case based on initial interest confusion was identified in preparing this article. Moreover, the Federal Court of Canada in *Cie générale des établissements Michelin — Michelin & Cie v. CAW-Canada* explicitly states that the *Clairol* approach to use applies to section 20, meaning that, regardless of whether Canadian courts receive the concept of initial interest confusion enthusiastically or not, use for the purposes of section 20 must be to identify source.¹⁰⁷

On its surface, section 22 appears to resemble section 19. It states: “No person shall use a trade-mark registered by another person in a matter that is likely to have the effect of depreciating the value of the goodwill attaching thereto.” In other words, it does not require confusion either, but rather use of the same mark. However, it differs from section 19 in that said use can be in relation to any wares or services, and application of the provision is dependent on the dilution of goodwill. It is the most worrying of the three provisions because, in addition to not requiring

¹⁰⁴ [1968] 2 Ex. C.R. 552 (Can. Ex. Ct.) (WL) [*Clairol*].

¹⁰⁵ *Ibid.* at 29 [emphasis added].

¹⁰⁶ *Mattel U.S.A. Inc. v. 3894207 Canada Inc.*, 2006 SCC 22, ¶58, [2006] 1 S.C.R. 772 (S.C.C.).

¹⁰⁷ *Cie générale des établissements Michelin — Michelin & Cie v. CAW-Canada* (1996), 1996 CarswellNat 2297, [1997] 2 F.C. 306 (Fed. T.D.) at para. 26 (WL). Section 20 also excepts *bona fide* uses that accurately describes the character or quality of the non-owner’s wares (which captured comparative advertising), providing that said use neither uses trademark as a mark (which may sometimes capture AdWords) nor depreciates the owner’s goodwill. The latter condition, however, is troubling because legitimate comparison with or critical reviews of a ware can reduced the goodwill associated with its mark, but this problem will be addressed in the more frequently discussed context of section 22.

confusion, the Exchequer Court in *Clairol* broadened the definition of use to include more than mere identification of source,¹⁰⁸ which effectively eliminated the need for any sort of confusion for the purpose of the section. That being said, the court also distinguished between comparative advertising affixed to a good (in this case, a comparison chart using the plaintiff's trademark printed on the defendant's packaging) in general and comparative advertisements found elsewhere (in this case, a promotional brochure displaying the same chart). The court acknowledged that the language of section 22 is "broad enough to include a conversation in which a person aversely criticizes a good",¹⁰⁹ and applied it as follows:

[A seller] may not put his competitor's trade mark on his goods . . . for the purpose of appealing to his competitor's customers in his effort to weaken their habit of buying what they have brought [*sic*] before . . . so as to secure the custom [*sic*] for himself.¹¹⁰

On this basis, the court held that the defendant's packaging violated section 22, but not its brochures. In *Syntex Inc. v. Apotex Inc.*, the Federal Court of Appeal reinforced this distinction by discharging, based on *Clairol*, an injunction that had been granted against a drug company that had used the plaintiff's trademark in its flyer.¹¹¹ AdWords may be akin to the brochure and flyer: although it may depreciate the plaintiff's goodwill, the trademarks it uses are not affixed to any wares. Therefore, there is cause for hope that a properly disclaimed sponsored link could survive a section 22 challenge, but some doubt endures, particularly with respect to services advertised through sponsored links. American jurisprudence considering the dilution provision of the *Lanham Act* with respect to keying — a related but broader concept¹¹² — may also have an impact if and when it becomes available.

CONCLUSION

It would seem that the common law tort of passing off, as it has developed in Canada, offers a tool fairly well adapted to the challenge of policing keying on the Internet. The tort originated in an era when the courts were more suspicious of granting property rights in language, and perhaps it should not surprise us that the balance it strikes leans towards the traditionalist camp. The younger *Trade-marks Act* exhibits expansionist features that could curtail keying and, indeed, comparative advertising overall. But Canadian courts have been comparatively constrained

¹⁰⁸ *Supra* note 104 at para. 37:

No person shall use in association with ware within the meaning of section 4 a mark that is used by another person for the purpose of distinguishing or so as to distinguish wares manufactured etc. by him from the manufactured etc. by others and which mark has been registered by him as his trade mark, in a manner likely to depreciate the value of the goodwill attaching thereto.

See also Scassa, *supra* note 94 at para. 30.

¹⁰⁹ *Ibid.* at para. 36.

¹¹⁰ *Ibid.* at para. 44.

¹¹¹ [1984] 2 F.C. 1012 (Fed. C.A.).

¹¹² Freedman & Deane, *supra* note 93 at para. 33.

in applying those provisions, and their rulings to date appear to be consistent with Macaw's thesis. That is, keying is subject to the disciplines of trademark law, but the courts are unlikely to intervene unless they perceive that buyer confusion is likely. This article does not attempt to assess whether AdWords, as it exists now, is confusing, but Macaw notes that a clearer disclaimer could dispel whatever confusion it does create, meaning that keying and the efficiencies it offers are likely legal. As a concluding remark, however, it is worth noting again that very few Canadian decisions have considered metatags, and none have considered keying. It remains to be seen whether future cases will take a more expansionist approach, particularly with respect to initial interest confusion, as many American courts have done before them, or whether they will develop anything resembling a nominative fair use defense.

Appendix A: — One Possible Breakdown of the Jurisprudence¹¹³

<p><i>Brookfield Communication v. West Coast Entertainment</i>¹¹⁴ Date: 1999. Court: Ninth Circuit. Overview: Parties offered a service in common (movie database); the defendant used a metatag comprised on plaintiff's public name plus ".com"; court held there was a likelihood of infringement and granted a summary judgment in part. Use?: Not assessed. Confusion?: The court found that that confusion between the parties was not necessary; to grant a preliminary injunction, it was enough that buyers might have been diverted to the defendant, which would be an illegitimate use of the plaintiff's goodwill (initial interest confusion).¹¹⁵ Dilution?: The court deemed the issue waived because the plaintiff did not address dilution in its opening brief.¹¹⁶ Not followed in: <i>Welles</i> (distinguished), <i>Wells Fargo</i> (distinguished), <i>Contacts</i> (distinguished), <i>Rescuecom</i> (distinguished).</p>	<p><i>Playboy Entertainment v. Welles</i>¹²³ Date: 2002. Court: Ninth Circuit. Overview: Former Playboy playmate truthfully used "playboy" and "playmate" as metatags; the court did not hold the defendant liable for infringement. Use?: Not assessed. Confusion?: Instead of using a multi-factor test for confusion (<i>Sleekcraft</i>), the court found that the defendant was not liable for infringement based on a 3 factor nominative fair use test (<i>New Kids</i>); to use a confusion test would "lead to the incorrect conclusion that virtually all nominative uses are confusing"; in requiring that another's trademark be used descriptively where necessary, the nominative test also filters out confusing uses.¹²⁴ Dilution?: By acknowledging that she was indeed once a playmate, the defendant did not dilute the trademark.¹²⁵ Not followed in: <i>Netscape</i> (distinguished).</p>
<p style="text-align: center;">↓</p> <p><i>Playboy Entertainment v. Netscape Communication</i>¹¹⁷ Date: 2004. Court: Ninth Circuit. Overview: Defendant required adult entertainment advertisers using its banner ads system to link their ads to the keywords "playboy" and "playmate"; the banner ads were confusingly labeled or not labeled. Use?: The court emphasized that the defendant had benefited from the plaintiff's goodwill,¹¹⁸ but otherwise did not consider use. Confusion?: The court, per the reasoning in <i>Brookfield</i>, said it could likely deny the defendant summary judgment based on an initial confusion analysis alone, but ultimately did so using a multifactor test (<i>Sleekcraft</i>) for confusion;¹¹⁹ using the 3 factor test (<i>New Kids</i>), the court found that the nominal fair use defense was not available to the defendant because the defendant had not compared itself to anything about the plaintiff in particular, and because the defendant could have used other descriptive words.¹²⁰ Dilution?: A trial would have been necessary to determine whether the plaintiff's trademark was famous, one of the three elements of a dilution action;¹²¹ but it was no defense that the defendant had not labeled its service with</p>	<p style="text-align: center;">↓</p> <p>WhenU.Com Cases: All three cases stem from the defendant, WhenU.Com, providing software that produced popup windows depending on the webpage the user visited. The owners of webpages with which the defendant had associated third party advertisements sued.</p> <p>1. <i>U-Haul International v. WhenU.com</i>¹²⁶ was no use of the trademark: (1) the popups generated were distinct from the plaintiff's website, (2) the fact that the user could see another trademark in the popup at the same time she could see the plaintiff's trademark on its website does</p>

¹¹³ For a good overview of much of the Internet-related trademark jurisprudence, see generally Macaw, *supra* note 2.

the plaintiff's mark; the connection was made implicitly in the user's mind.¹²²

Not followed in: *Contacts* (distinguished), *Rescuecom* (distinguished).



*Government Employees Insurance v. Google*¹⁴⁴

Date: 2004.

Court: District Court (Vir.).

Overview: AdWords lawsuit.

Use?: The court declined the approach taken in *U-Haul* and *Wells Fargo* (the first two *WhenU.com* cases), and adopted instead the *Netscape* approach;¹⁴⁵ it found that the defendant had used the plaintiff's trademark because the use was not internal or merely part of the defendant's technical operations, but rather the mark had been sold, which might have implied that the mark's owner had somehow endorsed the purchaser; the court also highlighted that the defendant may have improperly profited from the plaintiff's goodwill.¹⁴⁶

Confusion?: The court endorsed the *Brookfield* progeny without explanation.¹⁴⁷ The Harvard Journal of Law and Technology reports, however, that in an oral ruling, the same court later dismissed the direct infringement claim against the defendant because, as the sponsored links had not displayed the plaintiff's mark, there was insufficient evidence of confusion; the court reserved its decision on contributory liability.¹⁴⁸ Macaw reports that the court endorsed the *Brookfield/Netscape* approach to confusion, focusing on diversion rather than a multipart test for confusion (*Lone Star*).¹⁴⁹

Not followed in: *Rescuecom* (disagreed),



*Google v. American Blind & Wallpaper Factory*¹⁵⁵

Date: 2005

Court: District Court (Cal.)

Overview: AdWords lawsuit.

Use?: The court approvingly cited the *Netscape* judgment's focus on goodwill and did not seriously probe the issue.¹⁵⁶

Confusion?: The court applied the reasoning found in *Netscape* and denied the defendant's motion to dismiss the case; there was adequate initial interest confusion to warrant further fact finding at trial to determine whether there was indeed a risk of confusion.¹⁵⁷

Dilution?: Again, the court followed the reasoning in *Netscape*, noting that affixation of the trademark to a good or service was not necessary for a finding of dilution.¹⁵⁸

Not followed in: *Rescuecom* (declined).

not establish infringement because comparative advertising is permissible, (3) the popups did not display the plaintiff's trademark, and (4) the popups did not impede the user from visiting the plaintiff's website.¹²⁷

Dilution?: The court ruled that there was no dilution because there was no use.¹²⁸

Not followed in: *Geico* (declined).

2. *Wells Fargo v. When U.com*¹²⁹

Date: 2003.

Court: District Court (Mich.).

Use?: In denying the plaintiff an injunction, the court held that the defendant had not used the plaintiff's trademark: (1) the popups did not impede the user from visiting the plaintiff's website, (2) the popups generated were distinct from the plaintiff's website, and (3) the popup was a legitimate form of comparative advertising.¹³⁰

Did not follow: *Geico* (declined).

3. *1-800 Contacts v. WhenU.com*¹³¹

Date: 2005.

Court: Second Circuit.

Use?: The court held that the defendant had not used the plaintiff's mark: (1) the defendant had not attached the mark to a good or service,¹³² (2) the defendant had not displayed the mark publicly,¹³³ (3) the plaintiff's name had been used as a URL and not as a trademark,¹³⁴ and (4) the use had been internal and not displayed to the public.¹³⁵ In doing so, the court overturned the trial court's finding that profiting from the goodwill attached to another seller's trademark and creating initial interest confusion between oneself and that seller (the trial court had noted that the popups came up simultaneously with the plaintiff's website) constituted use.

Not followed in: Unrelated cases.



*Rescuecom v. Google*¹³⁶

Date: 2006.

Court: District Court (N.Y.).

Use?: "Use" constitutes a threshold that must be reached before the court can

<p><i>Contacts</i> (distinguished) Dilution?: Not addressed. ↓ <i>800-JR Cigar v. GoTo.com</i>¹⁵⁰ Date: 2005. Court: District Court (N.J.). Overview: The defendant, a search engine, sold trademarks as keywords, and it suggested additional keywords, some of which were also trademarks. Use?: Following <i>Geico</i>, the court found that the defendant had used the plaintiff's mark because it had (1) traded in the value of the marks, (2) entered the plaintiff/defendant's marketplace by ranking its sponsored links ahead of its organic ones, thereby potentially redirecting users, and (3) suggested, of its own accord, keywords that were trademarks.¹⁵¹ Confusion?: The court applied a multi-factor test (<i>Lapp factors</i>) for confusion and found that the defendant's use of the plaintiff's trademark was potentially confusing because of the relationship in created in the user's mind between the mark and the defendant's wares;¹⁵² however, some elements of the test, as well as the issue of initial interest confusion, which the court considered separately, required a trial, and the court denied both parties summary judgment on the infringement issue.¹⁵³ Dilution?: The court ruled that confusion, actual or likely, was an element of dilution, and that the issue had to go to trial.¹⁵⁴ Not followed in: <i>Rescuecom</i> (declined).</p>		<p>consider confusion;¹³⁷ here there was no use: (1) the plaintiff's trademark was not affixed to any good or service,¹³⁸ (2) the sponsored link did not affect the organic search results and did not visibly contain the plaintiff's trademark,¹³⁹ and (3) the sponsored links did not prevent users from viewing the plaintiff's website.¹⁴⁰ Confusion?: Confusion was not at issue because there was no finding of "use." The court did observe that free riding on the goodwill of another's mark was not sufficient for a finding of infringement.¹⁴¹ However, the court also stated that, at first glance, people might have assumed that the topmost sponsored link is the most relevant search result.¹⁴² Dilution?: The court ruled that there was no dilution because there was no use.¹⁴³ Not followed in: Unrelated cases.</p>
--	--	--

Notes:

114. *Supra* note 42.

115. *Ibid.* at 1057.
116. *Ibid.* at 1046.
117. *Supra* note 43.
118. *Ibid.* at 1025.
119. *Ibid.* at 1026–1029.
120. *Ibid.* at 1030.
121. *Ibid.* at 1031.
122. *Ibid.* at 1033.
123. *Supra* note 37.
124. *Ibid.* at 801.
125. *Ibid.* at 806.
126. *Supra* note 39.
127. *Ibid.* at 727-728.
128. *Ibid.* at 729.
129. *Supra* note 40.
130. *Ibid.* at 758–762.
131. 414 F. 3d 400 (2d Cir., 2005) [*Contacts*].
132. *Ibid.* at 408.
133. *Ibid.*
134. *Ibid.* at 409.
135. *Ibid.*
136. *Supra* note 41.
137. *Ibid.* at 400.
138. *Ibid.* at 403.
139. *Ibid.* at 402.
140. *Ibid.* at 401.
141. *Ibid.* at 400.
142. *Ibid.* at 397.
143. *Ibid.* at 404.
144. *Supra* note 43.
145. *Ibid.* at 703.
146. *Ibid.* at 704.
147. *Ibid.* at 703.
148. “Making Your Mark on Google” (2005) 18:2 Harv. J.L. & Tech. at 482.
149. *Supra* note 2 at 39, n. 224.
150. *Supra* note 43.
151. *Ibid.* at 285.
152. *Ibid.* at 290.

- 153. *Ibid.* at 292.
- 154. *Ibid.* at 294.
- 155. *Supra* note 43.
- 156. *Ibid.* at 5.
- 157. *Ibid.*
- 158. *Ibid.*