CANADIAN TRADEMARKS AND KEYWORD ADVERTISING: THE UNSETTLED DEBATE OVER TRADEMARK KEYWORDS

by

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Abstract

The most expensive keywords in Google AdWords by average cost-per-click in 2015 was “mesothelioma attorneys tx” priced at $272.00. Keyword advertising is a lucrative business for advertisers and search engines. This thesis will contribute to the academic discussion on unauthorized trademark use in keyword advertising in Canada. Third party advertisers are bidding on competitors’ trademarks without authorization to trigger their sponsored advertisement when the keyword is included in a consumer’s Google search. Trademark infringement has been alleged against Google in the United States and the European Union for the role played by Google AdWords. Canadian trademark law received the first case on keyword advertising in 2015. Keyword advertising is a rapidly developing field: but deep uncertainties remain for the ideal scope of keyword advertising and the ability of ss 19, 20 and 22 of the Canadian Trade-marks Act to provide what will be argued as the ideal scope of keyword advertising. In this thesis I argue that the proper scope of keyword advertising is to prohibit the unauthorized bidding on registered trademark keywords and non-comparative phrases. A doctrinal analysis will be conducted of the current interpretation of ss 19, 20 and 22 of the Canadian Act to determine the extent to which those provisions can provide the ideal scope of keyword advertising. The key issues addressed are trademark use, a likelihood of confusion and depreciation of the value of goodwill of a trademark. A comparative analysis of case law and legislation from the United States and European Union pertaining to trademark use in keyword advertising will supplement the discussion of the Canadian law where there has been a lack of judicial opinion on the subject matter. Based on the current interpretations of ss 19, 20 and 22, it is unlikely that the provisions will provide the ideal scope of keyword advertising. Therefore recommendations to reform the Canadian Trade-marks Act will be set out to address the gaps in
the law. The recommended legislative reforms will also include a provision on the extent of search engine liability for unauthorized trademark use in keyword advertising.
Preface

This dissertation is an original, unpublished, intellectual product of the author Michelle Kerluke.
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List of Abbreviations

AG = Advocate General
CPC = Cost-Per-Click
CTR = Click-Through-Rate
ECJ = European Court of Justice
EU = European Union
PPC = Pay-Per-Click
SCC = Supreme Court of Canada
URL = Uniform Resource Locator
US = United States
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Chapter 1: Introduction

This research project will undertake an analysis of Canadian trademark law in the context of keyword advertising. During the review of the current legal status of keyword advertising in relation to trademark rights, consideration will be given to the competing interests of the parties involved. With support from judicial interpretation an assessment will be conducted on the capability of the Canadian Trade-marks Act [the Act] to protect trademark rights in relation to the modern practice of keyword advertising. There has only been one Canadian case on keyword advertising, creating uncertainty for trademark owners in the extent of their rights under the Trade-marks Act in this particular online environment.

In order to engage in a comprehensive analysis of the interaction between keyword advertising and trademark rights, it is necessary to examine how other jurisdictions have dealt with this vexed area. The experiences of the United States (US) and the European Union (EU) will be incorporated into the research to compare their approaches to trademarks rights in keyword advertising. The comparative element will provide a reference point to help determine the appropriate legislative response for Canadian trademark law and subsequent interpretation by Canadian courts.

Keyword advertising is an online service provided by search engines. Throughout the research it is necessary to describe the role of the search engine in this context of keyword advertising and how their actions interact with trademark rights. After setting out the details of keyword advertising and the purpose of the online service, including the unauthorized bidding on trademark keywords, a conclusion will be made regarding the ideal scope of keyword advertising. It is necessary to consider the benefits and drawbacks of the service such as,
comparative advertising, market exposure for businesses, the unauthorized use of trademarks and unfair marketing practice. In this thesis I argue that the proper scope of keyword advertising is to prohibit the unauthorized bidding on registered trademark keywords and non-comparative phrases. Based on the ideal scope of the online service an analysis will be conducted to determine the extent to which the Canadian Act can provide the recommended scope. The analysis will examine whether the Act imposes legal responsibility on the third party advertiser or the search engine for the unauthorized use of trademarks. If the current interpretation of the Act cannot provide the ideal scope of keyword advertising it will be necessary to demonstrate whether legislative reform is required to appropriately respond to the unauthorized trademark use in this context.

Chapter 3 will set out a detailed description of keyword advertising, focusing on the features of Google AdWords. Google AdWords allows advertisers to bid on keywords and keyword phrases, which are linked to their sponsored advertisement when those keywords are used by the searcher.¹ Bidding on particular keywords causes contention with trademark owners as Google allows the sale of trademark keywords even if the advertiser is not the owner of the mark and does not have authorization to use that mark.² The benefits and drawbacks of keyword advertising will be noted. After weighing these arguments I will suggest, what is in my view, the ideal scope of keyword advertising. Chapter 4 will explore the extent to which ss 19 and 20 of the Act can fit in with the ideal scope of keyword advertising.³ Chapter 5 will explore the extent

¹ David Franklyn, “The European Court of Justice Rules on Keywords Ads and Trademark Rights” (2009) 14 Intell Prop L Bull 89.
² Ibid.
³ Trade-marks Act, RSC 1985, c T-13, s 19 rights conferred by registration (exclusive right to the use); s 20 infringement (in association with a confusing trade-mark) [Trade-marks Act].
to which s 22 of the Act can fit in with the ideal scope of keyword advertising.\textsuperscript{4} Based on the conclusions drawn in Chapters 4 and 5 it will be necessary to explore alternative approaches to apply the appropriate restraint on trademark use in the context of keyword advertising. Chapter 6 will consider possible amendments to ss 19, 20 and 22 of the \textit{Trade-marks Act} and recommendations to add a provision pertaining to search engine responsibility.

\textsuperscript{4} \textit{Ibid}, s 22 depreciation of goodwill.
Chapter 2: Background

2.1 Scope of the Research

The focus of the research will remain on Canadian trademark law in the context of keyword advertising. There has only been one keyword advertising case in Canada and it was based on a claim of passing-off.\(^5\) Canadian courts have not had the opportunity to consider trademark infringement under ss 19, 20 and 22 of the Act for the purposes of keyword advertising. These three provisions have been selected because they each require trademark use before a violation of the provision can be determined. They are key provisions of the Act. The similarities and differences in the extent of trademark use that is required will be noted in Chapters 4 and 5.

In regards to the comparative analysis, the legal approaches to keyword advertising in the US and EU will be referenced only to the extent that they can provide Canadian legislators and judiciary an understanding of different methods of interpretation for the relevant trademark issues. US case law on keyword advertising will serve as an interesting comparison for interpreting trademark use.\(^6\) The US courts have also given weight to the concept of initial interest confusion in the context of trademark use online, which will supplement the discussion of the argument in the context of Canadian trademark law.\(^7\) The particular way the European Court of Justice \([ECJ]\) views the role of third party advertisers and the search engine as an Internet referencing service will also guide the approach that Canadian legislators could take to

\(^5\) Vancouver Community College v Vancouver Career College (Burnaby) Inc, 2015 BCSC 1470 [Vancouver Community College].
\(^6\) Rescuecom Corp v Google Inc, 562 F (3d) 123 (2nd Cir 2009) [Rescuecom].
\(^7\) Brookfield Communications Inc v West Coast Entertainment Corp, 174 F (3d) 1036 (9th Cir 1999) [Brookfield Communications Inc].
search engine liability for the purposes of keyword advertising. Google AdWords has been selected to represent keyword advertising generally.

The comparative research component of the project will also include an assessment of how judiciary in the US, EU and Canada have interpreted the argument for a likelihood of depreciation of the value of goodwill of a trademark and related concepts of dilution and unfair advantage. However this research will not attempt to provide recommendations for how the US and EU can improve their judicial or legislative approaches to keyword advertising for the purposes of trademark law.

2.2 Methodology

The goal of this research is to determine the extent to which Canadian trademark law is capable of providing the ideal scope of keyword advertising. Part of this project will require doctrinal research, looking at the legal principles and case law regarding trademark rights. It will be necessary to obtain an understanding of the normative foundation of trademark protection. What is the legal basis for protecting trademarks? A comprehensive analysis of the legal issues pertaining to unauthorized trademark use in keyword advertising will help provide appropriate recommendations for Canadian trademark law. Therefore, a comparative approach will be applied to the relevant components of trademark law in three jurisdictions, US, EU and Canada.

Applying certain provisions of the Canadian Trade-marks Act to the context of keyword advertising will require evaluative research. Evaluative research tests whether certain rules can

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9 Kristin Kemnitzer, “Beyond Rescuecom v Google: The Future of Keyword Advertising” (2010) 25 Berkeley Tech LJ 401 (Google is the most prevalent search engine used on the Internet and has been a party to keyword advertising cases in the US and the EU); US: Rescuecom, supra note 6. EU: Google France, supra note 8.
Trademark legislation will be analyzed in the online context, assessing how courts have interpreted similar uses of trademarks online beyond that of keyword advertising, such as meta tags. This will provide a useful illustration for how judges may approach keyword advertising under certain provisions of the Act relating to trademark infringement.

Part of this research will also recommend law reform. In order to do so, reasons need to be provided to support why the reform should be favoured and those reasons will be drawn from an assessment of normative questions. What is the basis of these recommendations? Why should trademarks be protected under these circumstances? Incorporating a normative discipline means that a decision will have to be made between competing values and interests. Deciding why and how trademarks should be protected in keyword advertising will require a decision to give certain interest more weight over others.

In addition to the normative discipline, the argumentative component to the research will come into effect when filling in the gaps of the current law. After setting out the ideal scope of keyword advertising the next issue is whether the Canadian Act can provide the appropriate response to this type of unauthorized trademark use. If the Act is incapable of responding to the ideal scope of keyword advertising then there is a gap in the law and the argumentation will support the proposed solution.
In regards to the comparative element of the research, the trademark legislation in the three jurisdictions may require similar elements to establish trademark infringement. However, the meaning of those elements and the judiciary interpretation may vary. This will have an impact on the extent to which Canadian courts can rely on decisions from the US and the EU when presented with a keyword advertising case. According to William Twining this is a comparative law issue relating to the transferability of terms from one legal jurisdiction to another.\(^\text{15}\) For instance, the US concept of dilution and the Canadian concept of depreciation of goodwill are designed to protect an inherent value of a trademark.\(^\text{16}\) However, how has the concept of dilution been applied in the US compared to how the depreciation of the value of goodwill has been applied in Canada? Is the concept of dilution easily transferrable with the concept of depreciation of the value of goodwill? This will have to be taken into account during the research. Furthermore, how well will the concepts of trade dilution and depreciation of goodwill transfer from the brick and mortar use of a trademark to the online context of contemporary transactions? If there is an issue of transferability the recommendations will also need to take this into account.

Part of the comparative aspect of the research will also examine whether there is a functional equivalence between the jurisdictions. Functional equivalence is when two legal systems use different terminology in an area of law but achieve the same result.\(^\text{17}\) This will be appropriate when assessing the meaning of dilution and depreciation and the requirement of trademark use for the purposes of finding infringement. For instance, the US, EU and Canada all


require trademark use to establish infringement but it is explained using different terminology.\textsuperscript{18}

However, does the different terminology achieve the same result when applied in cases concerning trademark use online? This will be something to consider when assessing the ability of the Canadian judiciary to rely on keyword advertising cases in the US and the EU when determining trademark infringement under certain provision of the Canadian Act.

2.3 Research Questions

This thesis will consider the following research questions:

- What should be the ideal scope of keyword advertising?
- Can the courts apply the Canadian Act based on the current interpretation in order to provide the ideal scope of keyword advertising?
- Why is the confusion test being applied to keyword advertising? Why is it unsuccessful?
- Why is the goodwill of a trademark worth protecting?
- If the Act fails to fit in with the ideal scope of keyword advertising, should the Canadian Trade-marks Act be amended? For example, expanding the confusion analysis to include initial interest confusion.
- How can the experiences of the US and the EU assist Canadian legislatures?
- Should search engines be protected under a liability exemption provision?

2.4 Research Contributions

This section will set out the contributions of this research, by:

(1) adding to limited Canadian academic literature in this area,

(2) providing guidance to courts; and

(3) providing some possible options for legislative reforms.

This research paper is intended to contribute to the limited body of Canadian academic review of trademark infringement in the context of keyword advertising. Much of the current literature in this area is focused on the US and EU perspectives, resulting from the various case law pertaining to keyword advertising\(^9\). Canadian trademark owners have remarkably limited direction from legislative bodies regarding online activity.

Keyword advertising can provide social utility but it also creates uncertainty in the value of a trademark and the expectation owners can have of their legal rights. Reflecting upon the experiences of both the US and EU with issues surrounding keyword advertising will provide insight to the way the Canadian legislators should approach this legal matter. Conclusions made regarding the Canadian Act will guide Canadian researchers, legal professionals and the legislature in future discussion on the appropriate response to trademark rights in keyword advertising.

There has been a lack of opportunity for Canadian judges to assess the issue of unauthorized trademark use in keyword advertising. There is only one Canadian case addressing the matter and the court did not provide a complete picture for future unauthorized trademark use in keyword advertising.\(^{20}\) Specifically, the court does not provide an analysis of the possibility of trademark infringement under ss 19 and 20 of Act nor protecting the value of the goodwill in a trademark under s 22 of the Act in the context of keyword advertising. Furthermore, the


\(^{20}\) Vancouver Community College, supra note 5.
Canadian Act remains silent on trademark use online, such as keyword advertising. Google was also not a party to the case therefore there is legal uncertainty as to the extent of Google’s liability under these provisions if trademark infringement were to be found. Consideration will be given to those remaining issues with the intention of giving guidance to the judiciary for future interpretation of ss 19, 20 and 22 of the Act.

This research will set out possible future legislative reform with the intention of balancing competing interests in consideration of the ideal scope of keyword advertising. The law that is currently addressing keyword advertising and trademark infringement has attempted to merge traditional trademark law with modern advertising practices. Throughout this thesis, I argue that this attempted merging is an inchoate process, that requires deliberate, considered reform. The marketplace has adapted to the influence of the online community leading to the traditional notions of a “fair market” being challenged. The question is whether the competing interests between trademark owner, third party advertising, online consumers and search engines are sufficiently balanced based on the current interpretation of the Trade-marks Act.

2.5 Trademark Infringement & Keyword Advertising: Current Perspectives

The Internet allows goods and services to be advertised and offered for sale in a variety of ways, resulting in more opportunities for deceptive trademark use by competitors.\(^\text{21}\) The greater frequency of unauthorized use of trademarks, the more likely it is that mark owners will view the practice as unfair and a violation of their trademark rights.\(^\text{22}\) Unauthorized use of trademarks in keyword advertising is a concern for mark owners. There are two principal arguments for whether this unauthorized use can be an infringing use under trademark law: the likelihood of


\(^{22}\) Bechtold & Tucker, supra note 19.
confusion and a likelihood of depreciation.\textsuperscript{23} Sections 2.5.1 and 2.5.2 will set out a summary of the academic commentary on these two approaches to trademark protection in the context of keyword advertising.

\textbf{2.5.1 A Likelihood of Confusion}

This section will note academic commentary on the purpose of prohibiting a likelihood of confusion and the difficulties establishing this element for keyword advertising. Confusion can result from the unauthorized use of the trademark, in regards to the source of the goods or services. Furthermore this section contains arguments for the drawbacks and benefits of initial interest confusion.

Reed Taubner notes that trademark infringement based on the unauthorized use of a trademark by a third party causing a likelihood of confusion with another mark, ensures consumer confidence in the source and quality of products associated with that mark.\textsuperscript{24} To illustrate in the context of keyword advertising, when the sponsored advertisements appear on the search results page the searcher would believe the goods or services of both the searched trademark and the advertisement are “manufactured, sold, leased, hired or performed by the same person”, noted under the Canadian \textit{Trade-marks Act.}\textsuperscript{25} For example, a consumer searches for VRBO vacation rentals and a sponsored advertisement of an unknown company VB\textsuperscript{RPO} appears and the consumer believes the sponsored advertisement provides VRBO vacation rental services.

The nature of the Internet and the sophistication of the consumer can make it difficult to establish a likelihood of confusion. David Vaver remarks that the standard of comparison


\textsuperscript{24}Reed Taubner, “Google AdWords and Canadian Trademark Law” (2010) 7 Can JL & Tech 289 [\textit{Taubner, “Google AdWords”}]; \textit{Trade-marks Act, supra} note 3, ss 20, 6(5).

\textsuperscript{25}\textit{Trade-marks Act, supra} note 3, s 6(2).
between the trademarks is assessed by the court upon review of the reaction of the average consumer with reasonable apprehension.\textsuperscript{26} The more sophisticated the buyer the less likely they will be misled by the similarities between marks.\textsuperscript{27}

Consider a Google Search process: it can be difficult to establish a likelihood of consumer confusion as to the source of the goods or services due to the current frequency of Internet searches. Furthermore, minimal effort is required for a searcher to click on an advertisement, make a quick assessment of relevancy of the content of the page and return to the search engine results. Kristen Kemnitzer notes there is little search cost to the consumer when sifting through sponsored advertisements to determine if the contents of the webpage are relevant to the search objectives.\textsuperscript{28} According to Stacey Dogan and Mark Lemley the restrictions of the confusion test have caused a change in approach to trademark infringement on the Internet.\textsuperscript{29} An alternative approach is whether the unauthorized use detracts from the ability of the trademark to attract consumers.\textsuperscript{30} Dogan and Lemley note that moving away from a likelihood of consumer confusion could create greater challenges for less-known brands to enter the market, highlighting the importance of trademarks to facilitate the flow of information to consumers.\textsuperscript{31}

A subset of the traditional confusion analysis is the test for initial interest confusion. Initial interest confusion occurs before the sale, \textit{and} at the time the consumer is conducting their search.\textsuperscript{32} This has failed to present an entirely persuasive argument. Eric Goldman claims that

\begin{itemize}
\item \textsuperscript{26} Vaver, \textit{supra} note 23.
\item \textsuperscript{27} \textit{Ibid}.
\item \textsuperscript{28} Kemnitzer, \textit{supra} note 9.
\item \textsuperscript{29} Stacey L Dogan & Mark A Lemley, “Trademarks and Consumer Search Costs on the Internet” (2004) 41 Hous L Rev 777 [Dogan & Lemley, "Consumer Search Cost"].
\item \textsuperscript{30} \textit{Ibid}.
\item \textsuperscript{31} \textit{Ibid}.
\item \textsuperscript{32} Grigoriadis, \textit{supra} note 19.
\end{itemize}
this is a difficult type of argument as it lacks a clear definition and can have a negative impact on the social benefits of the Internet.\textsuperscript{33} Initial interest confusion can support trademark owners by regulating and restricting the content of the Internet.\textsuperscript{34} This approach can interfere with a searchers desire to reach all the information that is relevant to their search.\textsuperscript{35} According to Kemnitzer, if initial interest confusion was successfully relied upon for keyword advertising it could result in a downgrade of effective comparative advertising, which has an important role in facilitating informed consumer purchasing.\textsuperscript{36}

However, Patrick Nevins argues in support of expanding trademark protection through the application of initial interest confusion.\textsuperscript{37} Nevins disagrees with the argument that trademark protection should only occur in circumstances when a trademark is used in relation to goods and services and causes a likelihood of confusion.\textsuperscript{38} Trademark law should respond to instances of temporary consumer confusion and allow for regulation of commercial advertising through Google AdWords.\textsuperscript{39} Nevins argues that this approach to infringement would uphold a basic premise of trademark law in protecting consumers from deceptive practices.\textsuperscript{40} However, Taubner claims Nevins’ view may be too narrow to support the argument under Canadian trademark law.\textsuperscript{41} Nevins argues from the point of view of a particular type of consumer who is searching for

\begin{flushleft}
\textsuperscript{34} Ibid.
\textsuperscript{35} Ibid.
\textsuperscript{36} Kemnitzer, \textit{supra} note 9.
\textsuperscript{37} Nevins, \textit{supra} note 19.
\textsuperscript{38} Ibid, at para 269.
\textsuperscript{39} Ibid.
\textsuperscript{40} Ibid at para 270.
\textsuperscript{41} Taubner, “Google AdWords”, \textit{supra} note 24.
\end{flushleft}
a specific good or service of a specific trademark.\textsuperscript{42} Selling trademark keywords to third party advertisers interferes with that search and the goodwill of the mark.\textsuperscript{43}

2.5.2 A Likelihood Of Depreciation

This section contains academic commentary on the purpose of a likelihood of depreciation and the specific features of trademarks protected by this approach in the context of keyword advertising. It is also necessary to highlight the criticisms pertaining to this form of trademark infringement.

Under the Canadian Act, a likelihood of depreciation focuses on the value of goodwill of the trademark. For Vaver goodwill is what a consumer believes or associates with that trademark when they attach it to a product or service, protecting the time and investment the business has dedicated to building their brand and customer network.\textsuperscript{44} Stefan Bechtold and Catherine Tucker note that trademark owners see an injustice when it comes to keyword advertising.\textsuperscript{45} The service allows competitors to bid on trademarks as keywords and benefit from the value the mark holds and its ability to attract customers.\textsuperscript{46}

According to David Welkowitz there is a concern that keyword advertising is damaging the uniqueness or symbolic feature of certain marks some of which are recognized worldwide.\textsuperscript{47} Trademark owners in support of the depreciation argument, are seeking to protect their brands and the investment behind the mark.\textsuperscript{48} Taubner notes that keyword advertising promotes taking

\footnotesize{\begin{itemize}
\item \textsuperscript{42} Nevins, \textit{supra} note 19.
\item \textsuperscript{43} \textit{Ibid} at para 270-271.
\item \textsuperscript{44} Vaver, \textit{supra} note 23; \textit{Trade-marks Act, supra} note 3, s 22 depreciation of goodwill.
\item \textsuperscript{45} Bechtold & Tucker, \textit{supra} note 19.
\item \textsuperscript{46} \textit{Ibid}.
\item \textsuperscript{47} David S Welkowitz, “Protection Against Trademark Dilution in the UK and Canada: Inexorable Trend or will Tradition Triumph?” (2000) 24 Hastings Int’l & Comp L Rev 63.
\item \textsuperscript{48} \textit{Ibid}.
\end{itemize}}
advantage of a competitor’s goodwill, thereby infringing upon the truth of the story told by the trademark.\(^{49}\) Furthermore, this lends support for a potential shift in the modern application of trademark law and the manner in which trademarks are protected online.\(^{50}\)

However, Dogan and Lemley argue that the scope of trademark rights has reached a limit in the world of intellectual property and that protection of goodwill should only be applied in rare situations.\(^{51}\) Welkowitz also notes that if depreciation were broadly applied it would result in too many claims of infringement beyond the traditional notions of trademark protection, impeding fair competition.\(^{52}\) According to Martin Senftleben, it must be determined whether protecting the image of a brand or the particular lifestyle it supports or sells is worthy of such extended protection and whether it is in the interest of the general welfare of society.\(^{53}\)

### 2.6 Judicial Approach to Keyword Advertising: US, EU & Canada

Trademark owners have argued that Google AdWords is an infringement of their trademark rights and third party advertisers are conducting deceptive practices and causing unfair competition. Cases addressing these issues have been brought before courts in the United States, the European Union and Canada.\(^{54}\) Although none of the plaintiffs have successfully argued that keyword advertising is an infringement of their trademark rights, each court has analyzed the issues differently, resulting in a substantial lack of consistency and uncertainty for trademark owners.

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\(^{49}\) Taubner, "Google AdWords", *supra* note 24.
\(^{50}\) Welkowitz, *supra* note 47.
\(^{51}\) Dogan & Lemley, "Consumer Search Cost", *supra* note 29.
\(^{52}\) Welkowitz, *supra* note 47.
\(^{54}\) US: *Rescuecom*, *supra* note 6; EU: *Google France*, *supra* note 8; Canada: *Vancouver Community College*, *supra* note 5.
rights. This section contains a brief summary of the judicial interpretation from the US, the EU and Canada of trademark law in the context of keyword advertising.

2.6.1 United States Court of Appeals

A primary case in the US addressing unauthorized trademark use in Google AdWords is *Rescuecom Corporation v Google Inc [Rescuecom]*. The Second Circuit decided that the unauthorized use of trademarks during the bidding process in Google AdWords is a use in commerce under s 45 of the *Lanham Act*, going beyond an internal use of the mark. A use in commerce is described as “a bona fide use of a mark in the ordinary course of trade…placed in any manner on the goods …or displays associated.” The intention of this part of the Act is to invoke liability for deceptive or misleading uses of trademarks in commerce. However the court provided a limited ruling failing to determine whether a likelihood of confusion existed on part of the searchers. According to Lazaros Grigoriadis the significance of this decision is that the actions of Google and the third party advertiser in relation to the trademark were considered a use in commerce. This decision opened up the possibility for the search engine to be subjected to the likelihood of confusion test under s 32 of the *Lanham Act* for direct trademark infringement.

2.6.2 The European Court of Justice

However there was a slightly different determination in the EU. The ECJ in *Google France SARL, Google Inc v Louis Vuitton Malletier SA [Google France]* determined that Google was not

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55 *Rescuecom, supra* note 6.
56 *Lanham Act, supra* note 18.
57 *Ibid*.
58 *Ibid*.
59 *Grigoriadis, supra* note 19.
60 *Ibid*.
liable for direct trademark infringement for the unauthorized bidding on trademark keywords in
Google AdWords.62 Google’s involvement failed to satisfy the “use” requirements under art 5(1)
of the Directive 2008/95/EC on trademarks addressing rights conferred by a trademark.63 The
Court interpreted Google’s actions as merely providing the technical service or capabilities for
others to bid on trademark keywords and was not involved in the commercial interaction with the
trademark.64

The ECJ then addressed the argument of secondary liability for Google’s involvement in
the trademark infringement by a third party advertiser. This argument also failed as Google is
considered to provide an Internet referencing service, thereby deserving of limited liability
protection for Hosts under art 14 of the e-commerce Directive 2000/31/EC.65 The ECJ
determined liability based on whether Google plays an active or passive role in the information
stored through the AdWords service.66 In terms of the role played by third party advertisers, the
ECJ left it to the courts of the Member States to determine liability for trademark infringement
where there is an unauthorized bidding on a trademark keyword.67

2.6.3 The Supreme Court of British Columbia, Canada

The Supreme Court of British Columbia recently considered keyword advertising and trademark
infringement in Vancouver Community College v Vancouver Career College (Burnaby) Inc
[Vancouver Community College].68 The plaintiff argued that Vancouver Career College

64 Grigoriadis, supra note 19.; Google France, supra note 8.
of information society services, in particular electronic commerce, in the Internal Market (Directive of electronic
66 Google France, supra note 8 at para 120.
67 Google France, supra note 8 at paras 84-89.
68 Vancouver Community College, supra note 5.
misrepresented its education services under s 7(b) of the Act, partly ‘passing-off’ their services. Although the court held that Vancouver Community College had acquired goodwill through its trademark, it failed to satisfy all the requirements of passing-off under the Act.\(^{69}\) As per Affleck J, the bidding process for Google AdWords is not an unreasonable constraint of fair market competition.\(^{70}\) The searcher and the search engine control the search process while the advertiser is simply using an online advertising service.\(^{71}\) Interestingly, it was also noted that modern day Internet users must be given more credit for their online knowledge and capabilities.\(^{72}\) As the Internet has developed so has the sophistication of the user, one cannot assume they are incapable and uninformed.\(^{73}\) The Affleck J. also disapproved of the US initial interest confusion from taking hold in Canadian trademark law.\(^{74}\)

\(^{69}\) \textit{Ibid} (required elements as per Ciba-Geigy Canada Ltd v Apotex Inc, [1992] 3 SCR 120 and Oxford Pendaflex Canada Ltd v Korr Marketing Ltd et al, [1982] 1 SCR 494: goodwill in the mark, deception of the public due to a misrepresentation or likelihood of confusion, actual or potential damage to the plaintiff and acquiring distinctiveness or secondary meaning in the mark at para 40).

\(^{70}\) \textit{Ibid}.

\(^{71}\) \textit{Ibid} at para 186.

\(^{72}\) \textit{Ibid}.

\(^{73}\) \textit{Ibid} at para 188-189.

\(^{74}\) \textit{Ibid} at para 60.
Chapter 3: What is Keyword Advertising? The Benefits, Drawbacks & Trademark Use

3.1 Introduction

According to AdGooroo Advertising Insight, the most expensive keywords in Google AdWords by average cost-per-click in 2015 was “mesothelioma attorneys tx” priced at $272.00. The cost-per-click [CPC] of the keyword will change throughout the year depending on the market and the number of advertisers that are in competition at the time. The reason the keywords are priced so high is because the advertisers have the opportunity to earn an enormous amount of money from those particular legal settlements. Mesothelioma is a particularly virulent illness, inevitable leading to death. Suing for mesothelioma injuries is enormously lucrative for the firms involved, with high fees, and even higher damage awards as the norm in successful cases. In 2014 the keyword “at&t” had approximately $28.5 million dollars in advertising spend and there were 44 advertisers that were linked to that keyword. Keyword advertising matters. It is not a trifling moment in intellectual property: it is, and will continue to be a commercially significant dimension of advertising, that can wrap, or allow, competition, depending on how it is regulated. This chapter is separated into two parts. The first describes the online service of keyword advertising in Section 3.2. Keyword advertising is a self-service online advertising program offered by search engines enabling advertisers to link their advertisements to keywords entered.

75 Jim Leichenko, “The Most Expensive Keywords in Paid Search, By Cost Per Click & Spend” (6 August 2015), (article is based on figures from Google AdWords US), online: <https://www.adgooroo.com/resources/blog/the-most-expensive-keywords-in-paid-search-by-cost-per-click-and-ad-spend/>.
76 Ibid.
77 Ibid.
78 Ibid.
into the search engine by consumers.\textsuperscript{79} The second part of this chapter will highlight the benefits of the service for businesses and consumers as well as the drawbacks in Section 3.3. The goal of the chapter is to determine whether keyword advertising should be restrained after weighing the respective benefits and drawbacks of the service and if so, what degree of restraint.

Section 3.2 will provide a detailed explanation of keyword advertising generally as well as Google AdWords as an illustration of the service. There are a few leading search engines with similar keyword advertising services, however Google has dominated the search engine market.\textsuperscript{80} This is why the Google AdWords program has been selected to be the focus of this chapter and the research project as a whole. Further explanation for selecting Google AdWords to illustrate keyword advertising will be provided in Section 3.2.1.

After describing keyword advertising and Google AdWords, Section 3.3 will begin with a discussion of the key arguments presented by the proponents of keyword advertising in support of why the service is a positive addition to the marketplace. David Hyman and David Franklyn note that keyword advertising is a method of comparative advertising, benefiting businesses and consumers.\textsuperscript{81} According to Kristen Kennedy and Bonnie Brayton Kennedy, keyword advertising is a way for smaller businesses to gain exposure in a market that can easily be dominated by larger companies.\textsuperscript{82} Ashley Tan praises keyword advertising for being a trade liberalizer.\textsuperscript{83}

\textsuperscript{80} Bing ads, online: \texttt{<http://ads.bingads.microsoft.com/en-ca/home>}; Yahoo! Advertising, online: \texttt{<https://advertising.yahoo.com/>}.
After outlining the benefits of keyword advertising Section 3.3.2 will highlight academic commentary pertaining to the drawbacks of the service. Jonathan Darrow and Gerald Ferrera note the concerns relating to the unauthorized bidding on keywords that are registered trademarks of another company.\footnote{Jonathan J Darrow & Gerald R Ferrera, “The Search Engine Advertising Market: Lucrative Space or Trademark Liability?” (2008) 17 Tex Intell Prop LJ 223.} Darrow and Ferrera describe keyword advertising as a marketing practice that facilitates the free-riding on another company’s well-known brand and goodwill.\footnote{Ibid.} Zhongming Ma, Xin Liu and Tarique Hossain, explain that sponsored advertisements can negatively impact the trust of online shoppers, which can affect their search process.\footnote{Zhongming Ma, Xin Liu & Tarique Hossain, “Effect of Sponsored Search on Consumer Trust and Choice” (2013) 11:4 International Journal of Electronic Business Management 227.}

Despite the benefits of keyword advertising, the drawbacks pertaining to unauthorized trademark use are persuasive arguments to support a restraint on the service. Section 3.4 will set out the ideal scope of keyword advertising and supporting commentary. The final component will provide an outlook on how the ideal scope of keyword advertising should be implemented and how the other chapters in this research will address this issue.

### 3.2 Keyword Advertising

Section 3.2 of this chapter will begin with a brief introduction to the role of search engines in the online marketplace and how businesses are taking advantage of the advertising services offered. Secondly, a general description of keyword advertising will be set out, noting why it is a popular method of online advertising and justifying why Google AdWords has been selected to illustrate this services. Thirdly, Section 3.2 will highlight the features of Google AdWords and the tools the service offers to advertisers.
Search engines are the first point of contact for many Internet users initiating a web-search. When a user enters an inquiry into the search engine they are presented with various links to websites holding information of potential interest. From a business perspective, when a user is conducting a web-search for goods or services it is vitally important for the business’ website link to appear on the search results page. Purchasers need customers to be able to readily see their webpage; and if the webpage does not appear when searched in Google, their page is largely invisible to these potential customers. If the consumer is exposed to the link there is a greater chance that the user will visit the website to consider purchasing the goods or services offered by the business. Many businesses today rely on the Internet to build exposure of company products and attract new customers. If a business’ website link does not appear in the first or second page of the search engine results it is more difficult to gain the consumer exposure they desire. The reason for this is most search engine users view the first two pages of results as holding the most relevant information to their search interests and if they cannot see the appropriate information they may adjust their search query to generate a new set of results.

This is one reason why keywords play an important role in the search process for businesses and consumers. Search engines use algorithms, computer processes and formulas, to sort and index the information located on websites. For instance, Google’s algorithms take into account more than 200 different factors relating to the information available on the Internet in

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87 Nevins, supra note 19.
88 Kennedy & Kennedy, supra note 82.
90 Ibid.
91 Ibid.
order to return the most relevant results for the searcher.\textsuperscript{93} The indexed information is linked to the keywords entered into the search engine by the user. The results produced by the automatic, unbiased, algorithm are known as organic results.\textsuperscript{94}

The online commercial industry is highly competitive and businesses are looking for new ways to gain market exposure for their goods or services. Online advertisements will help gain that exposure and draw consumer attention. Keyword advertising is one method for businesses to promote their brand and the goods or services offered. Keyword advertising is a self-service online advertising program offered by search engines, which enables advertisers to link their advertisements to keywords entered into the search engine by consumers.\textsuperscript{95} It is a self-service program because any advertiser who is interested in the service will have to sign up and then they can monitor their personalized advertising scheme through the Google website.\textsuperscript{96} The advertisers can bid on various keywords related to the content on their website or keywords they believe will draw the most attention to their advertisement.

Advertisers continually ask: ‘what keywords are users most likely to enter when searching for products related to those offered in the advertisement?’ When the selected keyword is used as a search term the advertisement is displayed on the search results page.\textsuperscript{97} Despite the positive commercial opportunities keyword advertising creates, the service also generates criticisms particularly through the lens of trademark law.

\textsuperscript{93} Ibid.
\textsuperscript{94} Ma, Liu & Hossain, supra note 86.
\textsuperscript{95} “Google Launches Self-Service Advertising”, supra note 79.
\textsuperscript{96} Ibid.
3.2.1 Self-Service Online Advertising

The online marketplace has developed into a dominant platform for businesses of all sizes, located all over the world, to sell their goods or services and for consumers to conveniently shop for the products they are looking for. Without an online presence, businesses find it more difficult to attract new customers and maintaining the attention of their current customers. To make up for a poor online presence businesses may have to invest large sums of money for more traditional advertising practices, such as newspapers, magazines and television commercials. In addition to a Uniform Resource Locator [URL] or website address, businesses can promote their goods or services at the beginning of a customer’s search process with the help of keyword advertising in the hopes of attracting new customers and building their reputation. This online advertising service has the ability to bring the goods or services right to the customer, creating a more efficient marketplace.

3.2.1.1 Keyword Advertising: The Basics

Keyword advertising is an advertising service provided by search engines and available to anyone interested in promoting the content offered on their website. When users enter their search keywords into the search bar, the search engine will display the advertisement linked to the same keywords purchased by the advertiser. The advertisement will be located under the heading “sponsored” or “ad” on the search results page. The advertisement will display text or

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98 Kennedy & Kennedy, supra note 82.
99 Tan, supra note 83.
101 Marsoof, supra note 97.
an image or a combination of the two and the URL. Importantly for businesses looking to bid on a keyword, multiple advertisers can bid on the same keyword. There are limited spaces for sponsored ads on the search results page, therefore the search engine will rank the sponsored advertisements to determine the order in which the ads are placed. The Google AdWords ranking process will be described in more detail in Section 3.2.2 discussing Google AdWords.

Google AdWords is one keyword advertising service available to advertisers. Yahoo! Advertising and Bing ads also offer a keyword advertising service. However, a number of sources support the conclusion that Google is the most dominant search engine. Furthermore, within the topic of keyword advertising many academic articles select Google AdWords as the primary illustration of the service. Due to the dominant presence of Google with support from the following sources it is appropriate that Google AdWords is the focus of this research on keyword advertising. Greg Lastowka describes Google as the preferred search engine for most users in the United States. Debra Dudek, Ann Mastora and Monica Landoni, conducted a study on search engines and found that Google was the most popular search engine among the participants and the most used search tool. Nevins notes how the term ‘Google’ has become a part of everyday language, for instance when someone asks a question the response given is “Google it”. The public associates the term Google with a reliable source of information.

103 Marsoof, supra note 97.
104 Ibid.
105 Bing, supra note 80; Yahoo!, supra note 80.
109 Nevins, supra note 19.
110 Ibid.
Due to the popularity of Google it is one of the highest earning Internet companies.\textsuperscript{111} In 2015 Google earned \$74.5 billion, an increase of almost \$10 billion from the year before.\textsuperscript{112} These numbers indicate that Google business is not providing the free Google Search to Internet users, their business is advertising. Searching is merely their conduit to profits. Google’s dominant market share is also reflected in the number of legal actions pursued against the search engine for presumably interfering with intellectual property rights of others.\textsuperscript{113}

### 3.2.2 Google AdWords

This section will first begin with a brief background on the development Google AdWords. Secondly, a description of how the service works, including the CPC scheme. Thirdly, features available to assist advertisers, including the Keyword Planner. Fourthly, the presentation of the sponsored advertisements and Google’s ranking method.

In 1998 Sergey Brin and Lawrence Page, the creators of Google, wrote an article on their web-indexing service explaining their intention for the service and why they believe it stands out from other web-indexing services available at the time.\textsuperscript{114} Brin and Page noticed “search engines have migrated from the academic domain to the commercial”.\textsuperscript{115} However, paid advertising was thought to negatively impact the search experience of users and the effectiveness of the search engine.\textsuperscript{116} Interestingly, Brin and Page’s goal for Google was to stay

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\textsuperscript{111} Tan, \textit{supra} note 83.


\textsuperscript{115} \textit{Ibid} at section 1.3.2.

\textsuperscript{116} \textit{Ibid}.
away from commercialization and provide relevant and reliable academic sources of information.\(^{117}\) As stated in Appendix A of the article:

[W]e expect that advertising funded search engines will be inherently biased toward the advertisers and away from the needs of the consumers...advertising income often provides an incentive to provide poor quality search results...the better the search engine is, the fewer advertisement will be needed for the consumer to find what they want.\(^{118}\)

However, these original goals for the company did not last long. In 2000 a Google blog post was released titled, “Google Launches Self-Service Advertising Program” indicating the beginning of the AdWords program.\(^{119}\) The Google blog post described AdWords as an easy to use service benefiting the overall search experience and advertisers.\(^{120}\) Advertisers who use the service will receive “ads [that] appear instantly…unlimited ad creation…advanced keyword targeting options…web-based reporting tools [and]… ad performance feedback.”\(^{121}\) Brin and Page justified their transition from an academic focused search engine to one focused on the commercial domain by informing users that the money generated from their advertisements allows Google to provide its services for free, including Google Search, Maps and Gmail.\(^{122}\) The creators of AdWords produced a program that is flexible allowing advertisers to tailor their ads to their business’ objectives and offers assistance to get the most out of the advertisement.

The AdWords works to bring more customer attention to the advertiser’s goods or services by targeting the consumers that are seeking the particular products at that particular time.

\(^{117}\) Ibid.
\(^{118}\) Ibid at Appendix A.
\(^{119}\) “Google Launches Self-Service Advertising”, supra note 79.
\(^{120}\) Ibid.
\(^{121}\) Ibid.
\(^{122}\) Ads Help, “About Google Ads”, online: <https://support.google.com/ads/answer/1634057>. 
and control the geographic reach of the ads if preferred by the advertiser.\footnote{Google AdWords, “Why Google AdWords?”, online: <www.google.ca/adwords/>} Anyone is able to register for the service, which requires the completion of a few relatively simple steps:

1) create an advertisement for the specific product (tell consumers what you offer);
2) select the keywords that will allow the ad to appear on the search results page;
3) set up a daily budget, which is not exceeded by Google.\footnote{Ibid.}

Regarding the daily budget, a Google news report was released in 2002 introducing improvements to the AdWords service, specifically the cost-per-click [\textit{CPC}] pricing scheme.\footnote{Google, News Release, “Google Introduces New Pricing for Popular Self-Service Online Advertising Program”, (20 February 2002), online: <http://googlepress.blogspot.ca/2002/02/google-introduces-new-pricing-for.html> [Google Introduces New Pricing].}

The CPC scheme offers financial flexibility to advertisers. CPC means that advertisers will only pay a fee to Google when a searcher clicks on the advertisement.\footnote{Ibid.} When creating the AdWords advertisement the advertiser determines how much they would like to pay for each keyword. Some keywords are more expensive than others due to competition for exposure. In order to secure a high ranking the business may have to look beyond the lowest bid possible.\footnote{Kennedy & Kennedy, \textit{supra} note 82.} When that keyword is entered into the search bar and the sponsored link is clicked the advertiser would pay Google the corresponding fee for that keyword.\footnote{“Google Introduces New Pricing”, \textit{supra} note 125.} Nevins describes the CPC as one of the most attractive features of AdWords.\footnote{Nevins, \textit{supra} note 19.} Importantly for the advertiser, the bids placed on each keyword are not permanent as Google allows fees to be adjusted whenever the advertiser wishes to do so.\footnote{Why Google AdWords?, \textit{supra} note 123.} AdWords will also generate productivity reports showing the number of clicks the ads are receiving when each keyword is entered into the search engine and the

\begin{footnotes}
\footnotetext[123]{Google AdWords, “Why Google AdWords?”, online: <www.google.ca/adwords/>.}
\footnotetext[124]{Ibid.}
\footnotetext[126]{Ibid.}
\footnotetext[127]{Kennedy & Kennedy, \textit{supra} note 82.}
\footnotetext[128]{“Google Introduces New Pricing”, \textit{supra} note 125.}
\footnotetext[129]{Nevins, \textit{supra} note 19.}
\footnotetext[130]{Why Google AdWords?, \textit{supra} note 123.}
\end{footnotes}
corresponding bid, assisting the advertiser to create the most efficient ads. If a keyword is generating a lot of clicks the advertiser may wish to increase the bid to ensure the advertisement remains in a top placement on the search results page. If a keyword is not generating many clicks the advertiser may wish to remove the keyword from their keyword list, allowing them to maneuver this portion of their budget to a more productive keyword.

Google AdWords has various features to assist advertisers. In regards to keyword selection, AdWords offers the Keyword Planner tool or workshop to provide advertisers suggestions of popular keywords for the goods or services offered in the advertisement. The popular keywords will help generate the most traffic to the sponsored advertisement and improve the likelihood of consumers visiting the website. An element of the Keyword Planner is the traffic forecast, which will predict how well the keywords will perform, how many clicks they may generate a day and the position the ad may appear in when triggered by the keyword. The Search term report will show what consumers were searching for when the ad appeared on the results page and how it performed. The search term is the word or group of words the customer enters into the search engine and if the advertiser has not yet purchased the term it can be added to the keyword list. The Keyword Planner also includes a feature that generates a report for the advertiser on the keywords that perform poorly and recommend new keywords to

131 Ibid.
132 Google AdWords, “Keyword Planner: Search For New Keyword or Ad Group Ideas”, online: <https://adwords.google.ca/KeywordPlanner>.
136 Ibid.
add to their Search Network Campaign. The Search Network is “a group of search-related websites where your ads can appear…including Google search sites and other Google sites.” The Keyword Planner is designed to assist advertisers in optimizing their ad campaign with the budget available.

In regards to the presentation of the sponsored advertisements, Google displays up to four sponsored ads at the top of the search results page and advertisements that fail to meet this threshold may be displayed at the bottom of page. The advertisements at the top of the page may appear above or on the right side of the organic results. However, there can be more than one advertiser bidding on a specific keyword. Therefore Ad Rank will determine which ads will be viewed in the search results and in what order. Ad Rank is a combination of the bid on the keyword, or the maximum CPC, and the quality of the advertisement and website. The quality is determined by the Quality Score, which includes the click-through-rate [CTR] expected for the advertisement, the relevance of the advertisement to the goods or services offered on the website and the website experience or whether the user finds exactly what they are searching for when they get to the website. A high Quality Score means that the advertisement and corresponding web page are relevant and useful to the person who entered the keyword, when a consumer finds what they are looking for they are more likely to click on the link and more clicks leads to a

140 O’Connor, supra note 89.
141 AdWords Help, “Ad Rank”, online: <https://support.google.com/adwords/answer/1752122>.
142 AdWords Help, “Check and Understand Quality Score”, online: <https://support.google.com/adwords/answer/2454010>; Understanding the Landing Page Experience, online: <https://support.google.com/adwords/answer/2404197>.
higher position in the search results. An illustration of sponsored ads in relation to the organic results can be viewed below in Figure 3-1 and Figure 3-2.

Figure 3-1 Sponsored advertisements located above the organic search results

143 “Check and Understand Quality Score”, Ibid.
This section gave an outlook on the popularity of keyword advertising for businesses and search engines. Furthermore a general description of the online service was provided followed by the details and features of Google AdWords. To summarize the concept of keyword advertising, Hyman and Franklyn provide an general business model of the AdWords service – users receive a free search process and relevant information about their search goals, advertisers have direct access to the users and provide paid ads and search engines gain revenue by selling the keywords.\(^{144}\) The second part of the chapter will set out various benefits and drawbacks of keyword advertising as noted by academic commentators.

\(^{144}\) Hyman & Franklyn, *supra* note 81.
3.3 Keyword Advertising: The Benefits and Drawbacks

3.3.1 The Benefits

Since the introduction of keyword advertising to the online market there has been a radical growth in popularity of the service. Google AdWords attracted 350 businesses in the first month of operation. Since the launch in 2000 there is currently “over a million businesses [that] rely on Google AdWords” and now businesses can attract consumer attention through AdWords on all devices – desktop, laptop, tablet and mobile. The growth in use of the program has drawn the attention of many academics and there has been a mix of positive and negative commentary. The proponents of keyword advertising have claimed it is an online source of comparative advertising, allows smaller businesses to gain market exposure, enhances the search process for consumers and liberalizes trade.

3.3.1.1 Comparative Advertising

According to Kaylene Williams and Robert Page, the purpose of comparative advertisements is to convince consumers that the product in the advertisement is more appealing than the competitor’s product. Saadiya Suleman notes that comparative advertising entails objective ads that describe the benefits of the goods or services compared to another source of similar goods or services. Comparative advertising does not represent false statements about the competitor, the intention to lower the competitor’s reputation or unfairly or dishonestly discredit

145 “Google Launches Self-Service Advertising”, supra note 79.
147 Darrow & Ferrera, supra note 84; Kennedy & Kennedy, supra note 82; Shannon Cummins et al, “Consumer Behaviour in the Online Context” (2014) 8:3 Journal of Research and Interactive Marketing 169; Tan, supra note 83.
another business. In the context of trademark use, Shipman explains that comparative advertising may include a reference to a trademark or a descriptive reference to the mark if it is truthful. Comparative advertisements provide consumers with quality and trustworthy information on a particular product. The more quality information available the more informed the consumers are prior to making a purchase decision. Informed decision-making can, in both theory and practice, create a more efficient marketplace. Consumers are more likely satisfied with their purchases, less likely to return the product and possibly pass on positive reviews to friends or return to the same company for their next shopping experience. More informed decisions also represent a transparent marketplace, consumers are able to view the details of various sources of products and are not restricted to the source with the largest market share. Suleman claims transparency is good for the public interest as prices are controlled, the quality of goods or services is maintained and consumers are exposed to fair and honest advertising.

Hyman and Franklyn note that keyword advertising is an example of comparative advertising. To illustrate, a consumer enters a keyword or combination of keywords into the search engine and various sources of goods or services are generated. From the list of search results consumers are able to browse through the sponsored and organic links and take as much time as is needed to make a purchase decision. Darrow and Ferrera claim keyword advertising is a social utility as sponsored advertisements facilitate competition amongst businesses listed

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150 Ibid.
152 Suleman, supra note 149.
153 Ibid.
154 Ibid.
155 Ibid.
156 Hyman & Franklyn, supra note 81.
157 Ibid.
under the sponsored and organic listings. Fair competition is an essential element of a free marketplace. Search engine algorithms are designed to produce relevant results based on the keywords entered into the search field. Sponsored advertisements are also linked to the same keywords used by the searcher. Therefore when a search generates sponsored advertisements consumers are exposed to multiple sources offering the goods or services they are looking for at that moment. Whether or not a consumer makes a purchase during their keyword search, they have been presented with various options for what is available in the marketplace.

3.3.1.2 Market Exposure for Small Businesses

Due to the nature of keyword advertising any business is able to start an account and release their advertisement online next to other sponsored ads and the organic results. This includes smaller businesses or start up companies that may have difficulties building a customer network through traditional advertising. According to Kennedy and Kennedy, it can be challenging for a small business that is not well-known to obtain a strong position in the organic results. Organic results are ranked according to the search engine algorithm that sorts the content on the Internet and stores the data for use upon entry of relevant keywords. All the websites holding relevant data will then be ranked according to the degree of relevancy to the specific search entry. Relevancy is also determine by Google’s PageRank system, which assesses the importance and quality of a website. Smaller companies who are not well-known or do not have a

158 Darrow & Ferrera, supra note 84.
159 Ibid.
160 Ibid.
161 Kennedy & Kennedy, supra note 82.
162 Nevins, supra note 19.
163 Ibid.
sophisticated web page that clearly displays the goods or services offered may have difficulty moving their way up the ranks to a top spot in the organic search results. Kennedy and Kennedy claim that due to the difficulty to break through the organic ranking system CPC advertising could be the only opportunity to ensure a business’ exposure to consumers.  

Darrow and Ferrera compared keyword advertising to in-store product placement. Product placement is when generic or less well-known brands will be placed next to known brands on a store self. This enables small businesses to build their reputation with consumers shopping for similar goods or services. Keyword advertising provides small businesses an opportunity to attract new customers and build their company by being placed next to top ranked websites in the organic listing. Although this method of product placement can be expensive, the budget is controlled by the advertiser and they can decide how much they want to spend on keywords and which keywords should receive a higher bid. Google AdWords provides the tools to monitor the ad performance and how frequent purchased keywords are generating clicks, giving an indication when a keyword list should be updated. The flexibility of Google AdWords adds to the appeal of the service for small businesses to gain optimum exposure online.

3.3.1.3 Consumer Search Experience

Keyword advertising benefits the consumer search experience by lowering consumer search cost and providing intent-based advertisements.

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165 Kennedy & Kennedy, supra note 82.
166 Darrow & Ferrera, supra note 84.
167 Ibid.
168 Ibid.
170 Darrow & Ferrera, supra note 84.
171 “Optimize Your Keyword List”, supra note 133.
Darrow and Ferrera claim keyword advertising reduces consumer search cost, another factor adding to market efficiency.\(^{172}\) According to Shannon Cummins et al., the Internet advertising market is adapting to the individual attitudes and beliefs of consumers, transferring the in-store experience to the online platform.\(^{173}\) Search engines are providing the service and businesses are able to monitor consumer search activity to tailor their ad campaign to consumer behaviour to create the best chance of a sale. When a consumer is presented with a wide selection of information tailored to their search request they spend less time trying to find the exact product they are looking for. Additionally, Cummins et al. note the combination of organic and sponsored links on the search results page improves the CTR and sales.\(^{174}\) A low consumer search cost benefits the consumer, the advertiser and the search engine as it represents convenience, efficiency and profits.\(^{175}\)

Nevins describes keyword advertising as an opportunity for businesses to move away from content-based ads to more direct intent-based ads.\(^{176}\) Content advertisements display general information or various offers that businesses hope will be of interest to the readers, such as newspapers, magazines and radio.\(^{177}\) Content ads are a traditional method of advertising created to include various keywords and phrases without a guarantee that the consumer will view the ad as relevant.\(^{178}\) According to Nevins, the design of sponsored advertisements is to detect the intention of the consumer from the keywords they use for their search.\(^{179}\) The search engine

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\(^{172}\) Darrow & Ferrera, supra note 84.  
\(^{173}\) Cummins et al, supra note 147.  
\(^{174}\) Ibid.  
\(^{175}\) Darrow & Ferrera, supra note 84.  
\(^{176}\) Nevins, supra note 19.  
\(^{178}\) Darrow & Ferrera, supra note 84.  
\(^{179}\) Nevins, supra note 19.
ensures that the consumer can view an advertisement linked to the same keyword purchased by a business. Therefore, advertisements are displayed at the time and place when a consumer is searching the market for that particular good or service.\textsuperscript{180} This is beneficial for businesses because there is greater chance the consumer will view the advertisement as relevant compared to content-based ads, which means it is more likely for the consumer to click on the ad to view the website. Keyword advertising brings the in-store shopping to the comfort of a consumer’s home computer or when they may not have the time, or inclination to search through every aisle or shelf for the product they are seeking. Enhancing the consumer search experience is one of the goals of keyword advertising.

\textbf{3.3.1.4 Trade Liberalizer}

The potential global reach of sponsored advertisements is part of the reason why it has been described as a trade liberalizer.\textsuperscript{181} If a business wishes to serve the local and/or international market, sponsored ads can also be tailored to a specific geographic region.\textsuperscript{182} For instance, a local company that offers services to nearby neighbourhoods can limit the exposure of their ad to people searching for the service in the designated area. According to Tan, since AdWords is not restricted by territorial boundaries it is an effective tool to liberalize international trade.\textsuperscript{183} AdWords can assist companies that are regionally based and want to expand into international zones but do not have the financial capital to increase their advertising campaign through the traditional avenues.\textsuperscript{184} The pricing scheme of AdWords, CPC and flexible rates, means that a

\textsuperscript{180} Darrow & Ferrera, supra note 84.
\textsuperscript{181} Tan, supra note 83.
\textsuperscript{182} AdWords Help, “Target Ads to Geographic Locations”, online: <https://support.google.com/adwords/answer/1722043?hl=en>.
\textsuperscript{183} Darrow & Ferrera, supra note 84.
\textsuperscript{184} Ibid.
business does not require a large budget to begin their advertising campaign or enter the international market. Global firms that have been operating under the impression that they control the market share will now have to make room for new entrants to the international trading domain through the use of sponsored ads. Tan argues that when trade can move freely across borders it strengthens the world economy.\textsuperscript{185} There is an increase in quantity and quality of goods, offering consumers from different jurisdictions the best price and value available.\textsuperscript{186} Tan also points to the fact that the trade liberalization created by Google AdWords, as the service currently stands, allows for free trade with little government regulation from any country.\textsuperscript{187} The lack of government regulation enhances the appeal of the service for certain businesses and consumers. The fewer formalities required of a business the more efficient and cost effective the transaction. Tan’s view of trade liberalization would likely apply to keyword advertising generally, however Google AdWords was the focus of the work\textsuperscript{188}.

Despite the noteworthy contributions of keywords advertising—a form of comparative advertising, providing small businesses an opportunity expand their market exposure, enhancing the consumer search process and liberalizing trade—there are drawbacks of the service that provide reasons to support a degree of restraint. After setting out the drawbacks in the next section, Section 3.4 of this chapter will provide further explanation as to who or what should be applying a restraint and in what context.

\textsuperscript{185} Ibid.
\textsuperscript{186} Ibid.
\textsuperscript{187} Ibid.
\textsuperscript{188} Tan, \textit{supra} note 83.
3.3.2  The Drawbacks

Hyman and Franklyn note, one of the biggest points of contention that academics and trademark owners have with keyword advertising is the unauthorized bidding on keywords that are the registered trademarks of another business. 189 Google has an open trademark keyword policy and has allowed the unrestricted keyword bidding on trademarks since 2004. 190 There are concerns that allowing trademarks to be used in unauthorized ways will cause consumer confusion, depreciate the value of the trademark itself and facilitate free-riding on the goodwill of well-known brands. 191 Additionally, keyword advertising may negatively impact the consumer trust in the online shopping experience. 192 For example when a consumer searches for ‘Chanel handbags’, and generic brand owners purchase the Chanel keyword, and sponsored ads for ‘Channel handbags’ fill the top of the search results page. The drawbacks need to be taken into account when evaluating the merits of the current status of keyword advertising and the future direction of the service. This section will discussion the drawbacks of keyword advertising pertaining to trademark use, the likelihood of consumer confusion, trademark goodwill, free-riding and consumer trust.

3.3.2.1  Trademarks: Use, Confusion and Goodwill

The trademark policy for Google AdWords states, “Google will not investigate or restrict the use of trademark terms in keywords, even if a trademark complaint is received.” 193 However, “Google will investigate and may restrict the use of a trademark within the ad text. Ads using

189  Hyman & Franklyn, supra note 81.
190  Darrow & Ferrera, supra note 84 at 2121.
192  Ma, Liu & Hossain, supra note 86.
restricted trademarks in their ad text may not be allowed to run. This policy applies worldwide.”194 Google’s message to advertisers regarding trademark keywords, “advertisers are responsible for the keywords they choose to trigger their ads and the text they choose to use in those ads.”195 Google will take into account any concerns raised by trademark owners however, “because Google is not a third party arbiter, [Google] encourage[s] trademark owners to resolve their dispute directly with the advertisers.”196 A few trademark owners have raised their concerns by taking legal action against Google and third party advertisers in the United States and third party advertisers in Canada, but none have had an impact on Google’s trademark policy.197 Until the judiciary or legislature decide to restrain the unauthorized use of trademarks Google’s trademark policy will likely remain in its current form. The lack of success in the courtroom has attracted further academic commentary on the area.

Darren Meale recognizes that trademark owners assume their registered marks are shielded from unauthorized use for purposes of keyword advertising where the goal is to market the goods or services to customers in search of that brand.198 According to Meale, the opinion on this matter is divided. One opinion is that well-known brands invest time and money into building their customer network and the reputation of their products. It should be an easy decision for less known businesses to take the opportunity to link their advertisements to as many big brand keywords that they can afford. For example, a business that sells generic cleaning supplies, but links their products to Clorox or Windex, will receive more favourable

194 Ibid.
196 Ibid.
197 EU: GEICO v Google, Inc, supra note 113; Rescuecom, supra note 6.
198 Meale, supra note 191.
attention than if they linked their products to the brands they actually sell. What better way to
gain exposure to online consumers in a competitive market than to place an ad in front of
potential customers looking for well-known brands?\textsuperscript{199} The other opinion comes from trademark
owners who view this type of use as a violation of their trademark rights.

Darrow and Ferrera recognize that one of the goals of trademark law is to prevent
consumer confusion as to the source of the goods or services.\textsuperscript{200} In the context of keyword
advertising, consumers would be confused if they cannot determine the difference between the
organic links and the sponsored links on the search results page.\textsuperscript{201} At one time Google shaded
the background of the sponsored links that appeared above the organic results to help the
consumer distinguish between the two lists.\textsuperscript{202} Google no longer provides a shaded background
for the sponsored advertisements, which could create the confusion identified by Darrow and
Ferrera. Additionally, confusion occurs if the consumers are under the impression that the
trademark entered as a keyword is somehow affiliated with the sponsored ad in the search results
when in fact there is no such affiliation.\textsuperscript{203} Confusion impedes a traditional function of
trademarks, to clearly identify the source of the goods or services to reduce consumer search cost
and facilitate an efficient marketplace.\textsuperscript{204} These are the types of situations that trademark owners
seek to prevent; and for trademark law to provide a remedy.

Trademarks also have value in themselves through goodwill built up from a long history
in the marketplace, consistent quality in the goods or services or an extensive advertising

\textsuperscript{199} Darrow & Ferrera, supra note 84.
\textsuperscript{200} Ibid.
\textsuperscript{201} Ibid.
\textsuperscript{202} O’Connor, supra note 89.
\textsuperscript{203} Darrow & Ferrera, supra note 84.
\textsuperscript{204} O’Connor, supra note 89; Taubner, "Google AdWords", supra note 24.
campaign. There is a concern that allowing the unauthorized bidding on trademark keywords, which then triggers third party advertisements unassociated with the mark, will depreciate the value of goodwill of the marks. According to Meale, the goodwill in a mark helps to build and secure a strong customer network and attracts new customers who have a desire for the brand.\textsuperscript{205} Goodwill is a source of encouragement or motivation for consumers to enter the trademark into the search engine.\textsuperscript{206} The trademark starts to lose its ability to attract customers when the value of the goodwill in a mark depreciates, interrupting the profit stream to owners. The risk of consumer confusion and the impact that sponsored links can have on goodwill are reasons why mark owners create their own sponsored advertisements, paying high prices for their trademark as a keyword in order to out bid the competition.\textsuperscript{207} Without the assistance of Google, trademark owners are left to acquire some control in the sponsored advertising market. Canadian trademark law also provides a remedy for the depreciation of the value of the goodwill.\textsuperscript{208}

To provide an example, Peter O’Connor conducted a study on the use of trademarks in hotel searches to determine the extent that third party advertisers were bidding on the trademarks for their keyword list to trigger the sponsored ad.\textsuperscript{209} The Internet is a popular source of information for consumers seeking to organize their travel plans, including flights and hotel. Brand name hotels are often included in the search to limit the range of organic search results generated prior to making a purchase.\textsuperscript{210} According to O’Connor the results showed an abuse of the trademarks with the potential to divert consumers away from the website of the mark

\textsuperscript{205} Meale, supra note 191.  
\textsuperscript{206} Darrow & Ferrera, supra note 84.  
\textsuperscript{207} O’Connor, supra note 89.  
\textsuperscript{208} Trade-marks Act, supra note 3, s 22 depreciation of goodwill (discussed in Chapter 5 of this thesis).  
\textsuperscript{209} O’Connor, supra note 89.  
\textsuperscript{210} Darrow & Ferrera, supra note 84.
owners. The study showed that sponsored advertisements were triggered in 75% of the searches using the trademark hotel name. O’Connor states that action is needed to protect hotel trademarks in the online search process. However, in response to the criticisms of Google’s open trademark policy, Google claims they should not be responsible for monitoring the unauthorized use of marks in an advertiser’s keyword list. Tan notes that if Google was to act as an enforcer of all trademark complaints the costs for keywords would likely increase to supplement the effort required to undertake that task and maintain an efficient search engine for users.

3.3.2.2 Trademarks: Goodwill and Free-Riding

Another drawback of keyword advertising is that the unauthorized use of trademarks is an unfair marketing practice and allows advertisers to free-ride on a companies investment. Suleman explains that bidding on another company’s trademark for a keyword list is a matter of taking advantage of the mark’s goodwill to promote one’s goods or services. Darrow and Ferrera recognize that keyword advertising as a method of comparative advertising is a good quality of the service, however the concern for free-riding is something worthy of consideration. The difficulty is to determine the difference between comparative advertising, or fair competition, and free-riding. Not all trademarks will be used by third party advertisers for the benefits of free-riding or the diversion of consumers. According to Darrow and Ferrera, trademarks that are used

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211 Ibid at 242.
212 Darrow & Ferrera, supra note 84.
213 Ibid at 232.
214 Tan, supra note 83.
215 Darrow & Ferrera, supra note 84.
216 Suleman, supra note 149.
217 Darrow & Ferrera, supra note 84.
for free-riding are generally created after significant time and expense.\textsuperscript{218} The investment into a trademark ensures that the features of the mark are a representation of the business and presented in a way that draws consumer attention.\textsuperscript{219} Successful trademarks that are original and creative may require the assistance of professional expertise, adding another expense to the business.\textsuperscript{220} However if a finished product is something that is distinctive and will become well-known then it is a powerful asset of a business. Darrow and Ferrera appreciate the effect that an attractive trademark can have on consumers and in turn facilitate the selling of company products, a feature that is deserving of legal protection.\textsuperscript{221} The advertisers that are bidding on established trademarks as keywords in order to profit from the goodwill and consumer recognition of those marks are free-riding.\textsuperscript{222} However Meale comments that the question of whether this type of unauthorized use of trademarks is unfair could be a matter of policy and beyond the reach of trademark law.\textsuperscript{223}

### 3.3.2.3 Consumer Trust and Intention

Keyword advertising has the ability to bring consumer trust into question. Conducting an Internet search also entails an element of trust between the consumer and the website owner or the consumer and the search engine. According to Ma, Lio and Hossain, consumer trust online pertains to the consumer trust in a company based on an assessment of their website.\textsuperscript{224} Furthermore, “trust reflects a consumer’s perception of a site’s ability to perform required functions and the firm’s positive intentions in support of the online storefront.”\textsuperscript{225} Cummins et al.

\textsuperscript{218} \textit{Ibid.}
\textsuperscript{219} \textit{Ibid.}
\textsuperscript{220} \textit{Ibid.}
\textsuperscript{221} \textit{Ibid.}
\textsuperscript{222} \textit{Ibid.}
\textsuperscript{223} Meale, \textit{supra} note 191.
\textsuperscript{224} Ma, Liu & Hossain, \textit{supra} note 86.
\textsuperscript{225} \textit{Ibid} at 228.
note that trust is a critical consumer concern with Internet advertising. The extent to which a consumer trusts the source of the advertisement affects the decision to click the link and continue the online shopping experience. Ma, Liu and Hossain conducted a study on the “Effect of Sponsored Search on Consumer Trust and Choice”. The study showed that consumers’ initial reaction is to have a negative emotional response to the sponsored links due to the nature of the sponsored results in comparison to the organic list. Consumers have to rely on their trust in a website when shopping online because there is no opportunity to try or touch the product as when shopping in a store. It is important for the consumer to believe the website is providing reliable information and it can meet their expectations in the product. The sponsored links in the search results do not appear to instill confidence in the consumer that the link is a source of the product they can trust. The study also showed that there is a higher level of trust in the organic results. Therefore, the participants took a longer time searching the organic list and it was more likely for them to select the link.

In addition to trust, keyword advertising interferes with the search intention of the consumer. As discussed in the benefits of keyword advertising to enhance the consumer experience with intent-based advertisements, the service can also be criticized in this context. According to Nevins, allowing the unauthorized use of trademarks negatively impacts the search experience. When a consumer includes a trademark in their search request they are

226 Cummins et al, supra note 147.
227 Darrow & Ferrera, supra note 84.
228 Ma, Liu & Hossain, supra note 86.
229 Darrow & Ferrera, supra note 84.
230 Ibid.
231 Ibid.
232 Cummins et al, supra note 147.
233 Nevins, supra note 19.
demonstrating their intent to shop for products of that mark.\textsuperscript{234} Nevins describes a trademark keyword search as the consumer’s conversation with the search engine and organic listings are the search engine’s response back to the consumer.\textsuperscript{235} However, the sponsored advertisements triggered due to an unauthorized use of a trademark keyword are the noise interfering with that conversation.\textsuperscript{236} Nevins argues that a consumer’s search intention should be protected from this noise or intrusion.\textsuperscript{237}

The drawbacks of keyword advertising that have flowed from allowing trademarks to be used without authorization have led to claims of trademark infringement and unfair competition. The risk of consumer confusion, deprecation of the value of goodwill of the trademark, free-riding on the goodwill and interfering with consumers search intention are supporting reasons to restrain the extent to which advertisers can use trademarks without the authorization of the mark owner. The impact on consumer trust in the online shopping market may not be directly related to the unauthorized use of trademarks but is worthy of consideration when analyzing the value of keyword advertising.

3.4 The Ideal Scope of Keyword Advertising

Section 3.2 of this chapter has set out a description of keyword advertising, focusing on the Google AdWords service. Section 3.3 noted academic commentary on the benefits and drawbacks of keyword advertising. After weighing both the benefits and drawbacks of keyword advertising, I will argue that keyword advertising should no longer permit unauthorized bidding

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\textsuperscript{234} Darrow & Ferrera, supra note 84.  \\
\textsuperscript{235} Ibid.  \\
\textsuperscript{236} Ibid.  \\
\textsuperscript{237} Ibid.  \\
\end{flushright}
on trademark keywords or keyword phrases incorporating a trademark where there is no comparative element included in the phrase.

From the perspective of trademark owners and a few of the above noted academics, the most significant concern about keyword advertising is the unauthorized use of trademarks by third party advertisers. Trademark owners are concerned about the misuse of their investment, i.e. the trademark, and the impact that will have on the success of the company. Currently, there is a lack of protection of the interests of trademark owners in the context of keyword advertising. The competing interests between a trademark owner, a third party advertiser and a search engine presently weigh in favour of the third party advertiser and search engine. The recommended scope of keyword advertising will balance those interests, considering the benefits of a transparent and competitive marketplace.

The partial restraint on trademark use should be imposed on the unauthorized use of registered trademarks as keywords, as opposed to both registered and unregistered trademarks. The reason being, there are currently advantages of trademark registration including statutory protection against infringing use under the Canadian Trade-marks Act.\(^{238}\) Protection against unauthorized trademark use, as a keyword, for keyword advertising will be another advantage of registration. It will be determined whether this protection can be achieved through the current interpretation of certain provisions under the Trade-marks Act. Therefore, the trademark infringement provisions ss 19, 20 and 22 of the Act will be considered in the context of the ideal scope of keyword advertising as they only provide protection to registered trademarks.

\(^{238}\) Trade-marks Act, supra note 3 (ex. ss 19-20, 22).
Trademarks owners can continue to use their marks as keywords, as well as third party advertisers that have been granted permission by the mark owner, have a licensing agreement or use the trademark as part of a keyword phrase that indicates it is for the purpose of comparative advertising. For instance, a keyword phrase may be “similar services to Netflix” and a sponsored advertisement for Shomi appears above the organic results, see Figure 3-3 below. Shomi and Netflix provide video on demand services in Canada and compete against each other in the online market. In this example, Shomi is a third party advertiser and has used the trademark “Netflix” to target consumers searching for alternative video on demand services of a well-known brand. Third party advertisers that use a trademark in a way that is clearly for comparative advertising are not unfairly free-riding on the goodwill of another trademark. However, third party advertisers that bid on phrases such as “Adidas running shoes” should not be permitted to do so without authorization. This keyword phrase does not indicate to Google’s Ad Rank system that it is a sponsored ad using a trademark without authorization for the purposes of comparative advertising.

This recommendation to redefine keyword advertising is not only for the benefit of nationally or internationally known trademarks and the companies that own or license the marks. It will also benefit registered trademarks of local businesses, which compete for consumer attention with other local businesses and national or international businesses in the local market that sell similar goods or services.
Supporting Arguments

In this thesis I argue that the proper scope of keyword advertising is to prohibit the unauthorized bidding on registered trademark keywords and non-comparative phrases. One potential concern is, third party advertiser may try to circumvent the restriction on trademark use by bidding on a comparative phrase but are not a competitor to that trademark. The remedy to this issue will be addressed in Chapter 6 in the discussion of recommended reforms to s 20 of the Act.

Before explaining why trademark use should be restrained it is important to note that certain trademark use contributes to the social utility of keyword advertising and a total ban on trademark use is not recommended. There is a risk that if trademarks were no longer a keyword option for any advertiser it would limit the benefits of the service.\textsuperscript{239} As noted by Darrow and Ferrera sponsored advertisements facilitate fair competition, which is a key element of an

\footnote{Hyman & Franklyn, \textit{supra} note 81.}
According to Suleman, sponsored advertisements also help consumers make informed decisions between goods and services. Under my proposed approach, third party advertisers that sell similar goods or services to those associated with a trademark will continue to have their sponsored advertisements displayed in the search results when generic keywords or phrases are entered into the search engine. For instance, the Ad Rank and Quality Score of Google AdWords function to ensure that the relevant and quality sponsored advertisements appear next to the organic results. The organic results are generated by automatic algorithms, which rank the listings according to the sophistication of the websites and quality content. It is likely that the top ranked websites are the goods or services of a well-known trademark or brand. With the assistance of the Keyword Planner third party advertisers can create effective keyword lists without trademark keywords or phrases and still have the opportunity to gain consumer exposure to their goods or services. Darrow and Ferrera compare this type of exposure to in-store product placement, assisting unknown business to build a reputation. It is also important to allow some trademark use for the purpose of liberalizing trade, providing trademark owners a cost effective method of building national and international exposure if desired.

However, the open trademark keyword policy, such as the one for Google Adwords, indicates the search engine has no intention to investigate complaints of trademark owners. Therefore, there is very little risk to third party advertisers when bidding on the trademarks of competitors or well-known brands. When conducting a cost-benefit analysis, the benefits weigh

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240 Darrow & Ferrera, supra note 84.
241 Suleman, supra note 149.
243 Darrow & Ferrera, supra note 84.
244 Tan, supra note 83.
in favour of unauthorized trademark use. Unauthorized trademark use raises questions about possible infringement under ss 19, 20 and 22 of Canadian Trade-marks Act, which will be addressed in Chapters 4 and 5. However, according to the wording of the Google policy, trademark owners are left with few options to remedy their concerns. The owner can approach the third party advertiser to request they no longer bid on the trademark or they can invest more money into their marketing campaign to out-bid advertisers for a top spot in the sponsored results. The first option is unlikely to be successful. Why would a third party advertiser stop doing something that is permitted and financially rewarding? The second option would be more difficult for smaller companies with a limited marketing budget, as they likely cannot afford to increase the keyword bids. The open trademark keyword policy is a representation of O’Connor’s discussion of the abuse of trademarks. When multiple third party advertisers bid on the same trademark without authorization it is an abuse of trademarks when the marks are entered into the search engine and sponsored advertisements appear in front of the consumer.

In this thesis I argue that the proper scope of keyword advertising is to limit the unauthorized use of registered trademarks as keywords due to interference with the function of a trademark, consumer trust and the value of the goodwill of a mark.

Firstly, Darrow and Ferrera note the concern about possible consumer confusion when the consumer enters the trademark as a search term but a third party advertisement with no association to the mark appears on the search results page. There is a risk that the consumer

\[245\] O’Connor, supra note 89.
\[246\] Ibid.
\[247\] Darrow & Ferrera, supra note 84.
will have difficulty clearly identifying the source of goods or services, impeding a traditional function of a trademark.\textsuperscript{248}

Secondly, there can also be a negative impact on consumers’ trust in the source of the sponsored advertisement to meet their expectations of the quality of the product associated with the trademark.\textsuperscript{249} This may lead consumers to lose trust in the ability of the search engine to provide reliable sources of product information, which can have negative consequences for the search engine and their advertising service. As noted in Section 3.3, consumers that had less trust in the sponsored results were more likely to make a selection from the organic list. If advertisers are not getting a response from consumers they may move their advertisement elsewhere, causing a loss of revenue for the search engine.

Thirdly, unauthorized bidding on trademark keywords triggering an advertisement unassociated with the trademark and the trademark owner may depreciate the value of the goodwill of the mark.\textsuperscript{250} When strain is placed on the goodwill of a trademark the consumer network of that business is threatened.\textsuperscript{251} There is also the issue of free-riding on a well-known trademark or taking advantage of the goodwill for personal gain, which has been described as an unfair marketing practice.\textsuperscript{252} Limiting the use of trademarks for keyword advertising by prohibiting the unauthorized bidding on trademark keywords by third party advertisers will help to balance the interests between the trademark owner, third party advertiser and search engine.

\textsuperscript{248} O’Connor, supra note 89.
\textsuperscript{249} Ma, Liu & Hossain, supra note 86.
\textsuperscript{250} Meale, supra note 191.
\textsuperscript{251} Ibid.
\textsuperscript{252} Suleman, supra note 149; Darrow & Ferrera, supra note 84.
3.4.2 Moving Forward

The next issue to address is, who or what should be responsible for applying this restraint on trademark use? The first option is trademark law because the unauthorized use of trademarks is a primary concern for this research. It is necessary to determine whether trademark owners can successfully seek a remedy for unauthorized bidding on the trademark keyword by claiming trademark infringement. A legislative response will provide trademark owners consistency and predictability in regards to trademark rights in keyword advertising. There has been a limited response from the Canadian courts on the issue of trademark use in this context. Therefore the current interpretation of ss 19, 20 and 22 of the *Trade-marks Act* will be the focus of discussion for Chapters 4 and 5. Chapter 6 will discuss possible reforms to the Act.
Chapter 4: Canadian *Trade-Marks Act* Sections 19 & 20: Assessing the Ability to Provide the Ideal Scope of Keyword Advertising

4.1 Introduction

As noted in Chapter 3, keyword advertising is an example of an online service that has facilitated a new method of trademark use creating tension between mark owners and competitors. Canadian courts have had little opportunity to assess how infringement provisions under the Act would apply to this type of trademark use online. The purpose of this chapter is to demonstrate the extent to which ss 19 and 20 of the *Trade-Marks Act* can provide the ideal scope of keyword advertising as set out in Chapter 3.253 Can registered trademark owners rely on ss 19 and 20 of the Act to establish an infringing use when a third party advertiser has bid on their trademark keyword without authorization for keyword advertising? The challenges that trademark owners may encounter in pursuing infringement will be noted for each claim.

Sections 19 and 20 are two of the provisions that define the scope of rights held by a registered trademark owner. There must be “use” of a trademark to comply with ss 19 and 20 of the Act. There is a two-part test for “use” that must be satisfied under these sections – use in association with goods or services as per s 4 and use as a trademark as per s 2 of the Act.254 Parties applying either section in the context of keyword advertising will have to overcome the same hurdles to establish “use”. The common element and interpretation of use between these two provisions is why they will be discussed in the same chapter.

253 *Trade-marks Act*, supra note 3, ss 19 and 20 require the two-part test of use and it is appropriate for the purposes of this research that they are discussed within the same chapter.

The first part of this chapter will set out an analysis of s 19 of the Act. Section 4.2 will begin with a discussion of the required elements for a claim of infringement under the provision. Key judgments will be cited to illustrate the current interpretation of the various elements. After setting out the elements the provision will then be applied to keyword advertising. Section 4.2 will conclude with a statement of the likelihood that the unauthorized use of trademarks in keyword advertising infringes s 19 of the Act. Does keyword advertising fall within the scope of protection provided by s 19 of the Trade-marks Act?

The second part of the chapter will set out an analysis of s 20 of the Act. Section 4.3 will begin with a brief discussion of the role s 20 plays in trademark protection and how it can be distinguished from s 19, including the different circumstances in which s 20 could be applied. The elements required for a successful claim of infringement will be discussed: trademark use and a likelihood of confusion. Section 20 will then be applied to keyword advertising. Section 4.3.2 will begin with a summary of the recent Canadian case on keyword advertising noting how the case is relevant to s 20 of the Act. Then relevant case law from the US and the EU will be referenced to further assess the applicability of s 20 of the Act to keyword advertising. The case law from the US and EU are only discussed in Section 4.3 of the chapter because the courts consider similar elements as required under s 20 of the Act in the context of keyword advertising. Based on this analysis, a conclusion will be made about the extent to which bidding on a trademark keyword or non-comparative keyword phrase without authorization is an infringing use under the provision.

\[255\] Rescuecom, supra note 6; GEICO v Google, Inc, supra note 113; Google France, supra note 8.
To further the analysis, Section 4.3 will also provide a comparison to keyword advertising with a similar type of online trademark use in meta tags. Meta tags are identifiers of specific content on webpages used by website owners and search engines to match relevant results to keywords entered into the search bar. Website owners have included trademarks of other companies in their meta tags without authorization, which has attracted arguments for trademark infringement. Use of trademarks in meta tags and keyword advertising are similar as they are considered an invisible use of marks. The judicial interpretation of meta tag use will give further insight into how the judiciary may interpret a claim of infringing use under s 20 in the context of keyword advertising.

The traditional approach to the element of confusion will be the focus of Section 4.3 of the chapter. It is important to note that a non-traditional confusion argument for trademark infringement has been presented in cases pertaining to trademark use online. This argument is known as ‘initial interest confusion’ and it has been referenced more frequently in US case law compared to Canadian cases. The relevant case law will be introduced to show the extent of the application of the argument in Canada. Then US case law will be discussed to illustrate the reasoning behind the argument for initial interest confusion and why it may not be an appropriate substitution for the traditional confusion requirement. Furthermore, initial interest confusion may not be an acceptable argument for establishing keyword advertising as an infringing use in

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256 British Columbia Automobile Assn v OPEIU, Local 378, 2001 BCSC 156 [BCAA].
257 BCAA, ibid.
260 Freedman & Deane, supra note 258; Brookfield Communications Inc, supra note 7.
Canada. Finally, the chapter will summarize the extent to which trademark owners can rely on ss 19 or 20 of the Act to establish infringement from the unauthorized use of their registered trademarks for keyword advertising.

4.2 Trade-marks Act: Section 19

This part of the chapter will begin by setting out the elements required for a claim of infringement under s 19 of the Act. Based on the interpretation of the required elements, particularly use and use as a trademark, an assessment will be conducted on the applicability of the provision to the unauthorized use of trademarks in keyword advertising.

Section 19 of the Trade-marks Act provides that: “…the registration of a trade-mark in respect of any goods or services, unless shown to be invalid, gives to the owner of the trade-mark the exclusive right to the use throughout Canada of the trade-mark in respect of those goods or services.”

One incentive for trademark owners to register their marks is the exclusive right to use throughout Canada as granted under s 19 of the Act. However due to the judicial interpretation of the elements of s 19, the circumstances in which registered trademark owners can rely on this provision for claims of infringement are limited. Regardless of this limitation it is important to assess whether s 19 can provide the ideal scope of keyword advertising, as it is one of the primary infringement provisions under the Act.

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262 Trade-marks Act, supra note 3.
4.2.1 Elements of Section 19

A violation of s 19 of the Act requires four elements and each will be discussed below. The trademark owner must first establish that the defendant used the trademark as per s 4 of the Act. Second, the trademark was used as a trademark. Third, the trademark was used within Canada. Fourth, the trademark was used in association with the goods or services as registered.

4.2.1.1 Use

Sections 2 and 4 describe the meaning of use under s 19. Section 2 defines “use” as, “in relation to a trade-mark, meaning any use that by s 4 is deemed to be a use in association with goods or services.” This is the first limb of the two-part test for trademark use as set out in Clairol International Corp v Thomas Supply & Equipment Co [Clairol]. Section 4 separates use in relation to goods from use in relation to services. The application of s 4(1) or s 4(2) under s 19 will depend on whether the registered mark in question is associated with goods or services, as noted on the trademark registration. In relation to goods, s 4(1) provides that: “a trade-mark is deemed to be used in association with goods if, …in the normal course of trade, it is marked on the goods themselves or on the packages in which they are distributed or it is in any other manner so associated with the goods that notice of the association is then given…”

Section 4(2) use in relation to services provides that “a trade-mark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services.”

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263 Ibid, s 2.
265 Trade-marks Act, supra note 3, s 4(1).
266 Ibid, s 4(2).
On a first impression of the wording of s 4(1), use in relation to goods does not include advertising as it does under s 4(2) for services. This likely places a limit on the type of commercial activities that may fall within the scope of s 19 in relation to goods. The Trade-marks Opposition Board in Wishbuds Inc v Sandoz GmbH stated, advertising does not constitute use in association with goods under s 4(1) of the Act. Taubner notes this limitation is particularly noticeable in an online context where the trademark appears on a website for advertising purposes. Under s 4(1) of the Act the trademark must be used or displayed at the time of transfer of the goods from the buyer to seller. The Canadian Trade-mark Opposition Board has also stated that use of a trademark on a website alone is insufficient to prove that there was use in association with goods as per s 4(1) of the Act. However, use at the time of delivery of the product was sufficient evidence.

In regards to the first limb of the two-part test of use set out in Clairol, Teresa Scassa notes that Thurlow J. carefully defined the boundaries between infringing and legitimate uses when interpreting s 4 for the purposes of s 19. If the plaintiff’s trademark is registered for goods than only use in association with goods under s 4(1) is relevant to infringement under s 19. Therefore s 4 is critical to finding infringement under s 19 as only the uses that fall within the language used in s 4 can be considered infringing uses. The interpretation of use in Clairol was applied in Cie générale des établissements Michelin-Michelin & Cie v CAW- Canada

269 Trade-marks Act, supra note 3, s 4(1); Taubner, "Maintaining Trademark Rights in Canada", supra note 268.
270 Manufacturier de bas de nylon Doris Léée/Doris Hosiery Mills Ltd v Suzy’s Inc, [2009] TMOB No 117.
271 Ibid at para 71.
273 Scassa, "Canadian Trademark Law", supra note 272, ch 8 at 449.
274 Scassa, "Canadian Trademark Law", supra note 272.
[Michelin-Michelin], where it was described as technical interpretation. Justice Teitelbaum in Michelin-Michelin claims the reason for the technical reading of use is that infringement for registered trademarks is not supposed to act as a blanket prohibition for all types of unauthorized uses of marks. Any non-commercial use of a mark will not infringe s 19 as per the interpretation of ss 4(1) and 4(2) of the Act. For instance, use for critical commentary or product description will not fall into the scope of s 19 infringement.

4.2.1.2 Used as a Trademark

Section 19 “use of a trademark”, requires the use of an identical mark and the identical mark is used as a trademark. Scassa notes that any use of a trademark that is similar to or different from the registered mark will not fall within the scope of s 19. However use of similar trademarks can be addressed under s 20, which will be discussed in Section 4.3 of the chapter. The second limb of the two-part test for “use” is the trademark was used as a trademark. The interpretation of the second limb of the test is derived from the term “trademark” under s 2 of the Act: “a mark that is used by a person for the purpose of distinguishing or so as to distinguish goods or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others.”

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275 Michelin-Michelin, supra note 254.
276 Ibid at para 29.
277 Ibid at paras 29, 40.
278 Ibid at para 19.
279 Scassa, "Canadian Trademark Law", supra note 272.
280 Ibid.
281 Clairol, supra note 264 at para 29.
282 Trade-marks Act, supra note 3, s 2.
In regards to the “purposes of distinguishing”, the question is whether the trademark was used for the purpose of distinguishing or identifying the goods or services as those of the defendant.\textsuperscript{283} Justice Teitelbaum in \textit{Michelin-Michelin} explains the trademark must be used as a trademark for the purpose of distinguishing the defendant’s goods or services in connection with the plaintiff’s mark.\textsuperscript{284} Furthermore, “to use a mark as a trade-mark, the person who used the mark on the goods or in connection with the services must have intended the marks to indicate the origin of the goods or services.”\textsuperscript{285}

\textbf{4.2.1.3 Within Canada}

Section 19 grants the exclusive right to use the mark \textit{within Canada}. Scassa notes that this component has particular significance in the context of the Internet, as there can be jurisdictional uncertainties in the enforcement of rights.\textsuperscript{286} As per the judgment in \textit{Express File Inc v HRB Royalty Inc} regarding use in association with services, the advertisement may originate somewhere outside of Canada but the services must be available within the Canadian border.\textsuperscript{287} The borderless nature of the Internet facilitates advertisements from all over the world and advertisements for services could relate to services only available internationally, falling outside the scope of protection under s 19.

\textbf{4.2.1.4 Goods or Services}

Finally, the use in association with \textit{goods or services} is restricted to the identical goods or services noted on the registration of the trademark.\textsuperscript{288} If the unauthorized use of the mark is

\begin{itemize}
\item \textsuperscript{283} \textit{Clairol}, \textit{supra} note 264 at para 33.
\item \textsuperscript{284} \textit{Michelin-Michelin}, \textit{supra} note 254 at para 35.
\item \textsuperscript{285} \textit{Ibid} at para 22.
\item \textsuperscript{286} Scassa, “Canadian Trademark Law”, \textit{supra} note 272.
\item \textsuperscript{287} \textit{Express File Inc v HRB Royalty Inc}; 2005 FC 542 at para 20.
\item \textsuperscript{288} Scassa, “Canadian Trademark Law”, \textit{supra} note 272; \textit{Clairol}, \textit{supra} note 264.
\end{itemize}
associated with goods or services other than what is stated on the registration, the registered
trademark owners may have an action for infringement under s 20 of the Act.289

4.2.2 Application of Section 19 to Keyword Advertising

This section of the chapter will discuss how an infringement claim under s 19 might proceed in
the context of keyword advertising, including the limitations of the provision in this context. The
analysis will consider the possibility of a claim against the third party advertiser and Google for
the unauthorized use of a trademark in association with goods or services. For the purpose of this
discussion the following example will be used. Company A is the registered owner of a
trademark in association with cleaning supplies and a home cleaning service. While conducting
a general Google search for their products, inserting their trademark as a keyword in the search
bar, an advertisement appears at the top of the first page of the search results. However, this
advertisement is associated with Company B, who is not affiliated with Company A, does not
have permission to use Company A’s trademark and sells a generic brand of homemade cleaning
supplies and offers a home cleaning service. Company A discovers that Company B has
purchased Company A’s trademark in Google’s AdWords and believes this must be an
infringement of their exclusive right to use their mark, as granted by their valid registration.
Company A will soon discover that it will be very difficult to establish all the required elements
for a successful infringement claim under s 19 for this type of online trademark use.

For the purposes of keyword advertising there are two options to claim an infringing use
under s 19 of the Act. The first option is the third party advertiser or Company B in the above
example, for bidding on the trademark keyword in AdWords. The second option is Google as the

289 Scassa, "Canadian Trademark Law", supra note 272.
seller of that keyword.\textsuperscript{290} In order to successfully claim use in relation to goods under s 4(1), the use must be at the time of transfer of the property from the buyer to the seller or at the time of possession of the property.\textsuperscript{291} Based on the keyword bid by the third party advertiser through the AdWords program, it is unlikely that this type of use meets the criteria under s 4(1) in relation to the cleaning products noted on the trademark registration. There is no transfer of property at the time of bidding on a trademark keyword to trigger a sponsored advertisement. Furthermore when the trademark is not used in the text of the advertisement nor on the associated website it is unlikely that it will be used on the goods if transaction is completed. The Trade-mark Opposition Board has also stated that use for the purposes of advertising does not fall under s 4(1) of the Act.\textsuperscript{292} Therefore Company A cannot get over the first hurdle of the two-part test for use in association with goods, whether the defendant is the third party advertiser or Google.

4.2.2.1 Use in Association with Services & Google

In regards to the home cleaning services noted in the above example, if Company A wants to pursue a claim of s 19 infringement against Google for selling their identical trademark to Company B the services must be identical to what is noted on Company A’s registration.\textsuperscript{293} However in this illustration Google would be using the trademark in association with the AdWords service while the trademark is registered for home cleaning services. Therefore Company A will not be able to show evidence that the services are identical and the claim would fail to meet the threshold of the fourth element of under s 19 of the Act. This would be the likely

\textsuperscript{290} Ibid.
\textsuperscript{291} Trade-marks Act, supra note 3, s 4(2): Clairol, supra note 264.
\textsuperscript{292} Wishbuds Inc v Sandoz GmbH, supra note 267.
\textsuperscript{293} Scassa, "Canadian Trademark Law", supra note 272, (describes Google’s action as selling the keyword for the AdWords service at 549); Michelin-Michelin, supra note 254 at para 33.
outcome for most registered trademark owners if pursuing an action against Google under s 19 in the context of keyword advertising.  

4.2.2.2 Use in Association with Services & the Third Party Advertiser

Where Company A wishes to pursue action against the third party advertiser, Company B, they may have difficulties establishing an infringing use under s 19 if the services are not provided in Canada even though the advertisements reach Canadian consumers.  

If the services are provided in Canada and the services of both companies are identical, Company A must show that the use was for the purpose of distinguishing the services as those of the Company B. This falls under the second limb of the two-part test, use as a trademark. According to Scassa if the trademark is not used within the text of the sponsored advertisement or in the URL for website, it is unlikely that the court will interpret the mere bidding on a trademark keyword as use for the purpose of distinguishing the services as those of Company B.  

If the trademark is used in the text of the advertisement it is more likely to suggest an association between the third party advertiser and trademark owner. The presence of this association may support the argument that the trademark was used for the purpose of distinguishing or identifying the origin of the goods.  

Based on this analysis, there are multiple barriers to a claim of infringement under s 19 in the context of keyword advertising, including use in relation to goods, use for identical services and use of a trademark to distinguish source of services. Whether choosing to pursue an action against Google or a third party advertiser, the trademark owner would have difficulty obtaining a

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294 Scassa, "Canadian Trademark Law", supra note 272.
295 Express File Inc v HRB Royalty Inc, supra note 287.
296 Trade-marks Act, supra note 3, s 2 "trade-mark"; Clairol, supra note 264.
297 Scassa, "Canadian Trademark Law", supra note 272.
favourable outcome. Due to the restricted interpretation of the elements of s 19 of the Act, it is unlikely that the provision will fit in with the ideal scope of keyword advertising.

4.3 Trade-marks Act: Section 20(1)

Section 4.3 will begin by setting out the required elements for a claim of infringement under s 20 of the Act: use and confusion. Then the provision will be applied to the context of keyword advertising to determine if it can provide the ideal scope of keyword advertising. A summary of the facts and judgment in Vancouver Community College v Vancouver Career College (Burnaby) will be incorporated into the discussion of keyword advertising as it is the one Canadian case that addresses this type of unauthorized trademark use. US and EU case law will also be referenced to assist in illustrating similar trademark issues in keyword advertising as the courts have had more experience in this context compared to Canada. Due to the absence of Canadian case law addressing s 20 of the Act in the context of keyword advertising a comparison will be made to trademark use in meta tags. This will help determine the extent that s 20 can provide the ideal scope of keyword advertising. Notably, s 20 of the Act grants trademark protection in different circumstances than those under s 19. Based on the elements of s 20 there is a possibility that the provision will respond better to the ideal scope of keyword advertising. Following the discussion of meta tags, Section 4.3.3 will set out initial interest confusion, which has been argued for the purpose of trademark use online primarily in the US. However there is uncertainty as to whether this argument would be applicable in Canada for the purposes of s 20 of the Act.

Section 20(1) provides that: “the right of the owner of a registered trade-mark to its exclusive use is deemed to be infringed by any person who is not entitled to its use under this
Act and who (a) sells, distributes or advertises any goods or services in association with a confusing TM or trade name.”

Section 19 has been described as a more limited form of protection to unauthorized trademark use compared to s 20. Scassa notes that s 19 is more likely a remedy for unauthorized trademark use involving counterfeit goods, as the provision requires the identical trademark and identical goods and services. Section 20 has a wider scope than s 19 because it is designed to protect against use of confusing marks. A confusing trademark may be an identical mark or something similar and it can be associated with any goods or services, not limited to those noted on the registration. Furthermore, s 20(1)(a) “sells, distributes or advertises” of the Act may be the missing element to respond to keyword advertising uses in relation to goods, which is unlikely under s 19 as concluded in Section 4.2 of the chapter.

The following section will set out the required elements for a claim of infringement under s 20 of the Act: use of a trademark and the mark used was confusing. These elements will then be applied to the context of keyword advertising to determine if this online activity falls with the scope of protection provided by s 20.

4.3.1 Elements of Section 20

4.3.1.1 Use

The two-part test of use under s 19 was applied to s 20 in Michelin-Michelin. The first limb of the test is use in association with goods or services as per s 4 of the Act. Scassa argues that the interpretation of use cannot be completely limited to the wording of s 4 due to s 20(1)(a) of the

299 Trade-marks Act, supra note 3, s 20.
300 Scassa, "Canadian Trademark Law", supra note 272.
301 Ibid.
302 Michelin-Michelin, supra note 254.
303 Ibid at para 26; Trade-marks Act, supra note 3, ss 4(1)-(2).
Act targeting those who use the trademark to sell, distribute or advertise the goods or services.\textsuperscript{304} Therefore the courts will conduct an analysis of s 4 use for goods or services but it will also be in connection with the particular commercial activity, including advertising.\textsuperscript{305} Teitelbaum J. in \textit{Michelin-Michelin} considered the use of a trademark on the Union’s recruitment pamphlets for a claim of infringement under s 20 of the Act.\textsuperscript{306} Distributing pamphlets was insufficient to qualify as use “in the normal course of trade” or as commercial activity for the purposes of use in association with goods.\textsuperscript{307} The plaintiff was also unable to establish that the pamphlets were an advertisement of a service due to a lack of commercial or economic element in member recruitment.\textsuperscript{308}

The second limb of the two-part test is use as a trademark, which represents the interpretation of “trademark” under s 2 of the Act.\textsuperscript{309} Therefore the use of the mark must be for the purpose of distinguishing the goods or services from those of others or identifying the source of the goods or services. If a mark is used for reference or informational purposes it is not considered use as a trademark.\textsuperscript{310}

\textbf{4.3.1.2 Confusion}

The second element under s 20 is confusion. Confusion is the primary element under s 20 and one of the reasons the provision can be distinguished from infringement under s 19 of the Act. The confusion analysis is important to trademark law because is helps to maintain competition in

\textsuperscript{304} Scassa, "Canadian Trademark Law", supra note 272.; \textit{Trade-marks Act}, supra note 3, s 20(1)(a).
\textsuperscript{305} Scassa, "Canadian Trademark Law", supra note 272.
\textsuperscript{306} \textit{Michelin-Michelin}, supra note 254.
\textsuperscript{307} \textit{Trade-marks Act}, supra note 3, s 4(1); \textit{Michelin-Michelin}, supra note 254 at para 40.
\textsuperscript{308} \textit{Michelin-Michelin}, supra note 254 at para 40.
\textsuperscript{309} \textit{Trade-marks Act}, supra note 3, s 2.
\textsuperscript{310} \textit{Michelin-Michelin}, supra note 254 at paras 41–43.
the marketplace.\textsuperscript{311} According to Taubner, consumer confusion can interfere with the incentive for trademark owners to maintain quality products because there is less opportunity to gain the financial reward in the market if unauthorized uses are permitted to cause confusion.\textsuperscript{312} This section will begin by setting out the relevant provisions on under the Act pertaining to the confusion analysis. Then the test of confusion will be explained through reference to judicial interpretation.

Satisfying the element of confusion requires reference to two further provisions under the Act, ss 2 and 6. Section 2 defines ‘confusing’ as: “when applied as an adjective to a trade-mark or trade-name, means a trade-mark or trade-name the use of which would cause confusion in the manner and circumstances described in section 6.”\textsuperscript{313}

Section 6(2):

The use of a trade-mark causes confusion with another trade-mark if the use of both trade-marks in the same area would be likely to lead to the inference that the goods or services associated with those trade-marks are manufactured, sold, leased, hired or performed by the same person, whether or not the goods or services are of the same general class.\textsuperscript{314}

Section 6(5), sets out a non-exhaustive list of circumstances for the court to consider:

(5) In determining whether trade-marks or trade-names are confusing, the court…shall have regard to all the surrounding circumstances including (a) the inherent distinctiveness of the trademarks or trade-names and the extent to which they have become known; (b) the length of time the trade-marks or trade-names have been in use; (c) the nature of the goods, services or business; (d) the nature of the trade; and (e) the degree of resemblance between the trade-marks or trade-names in appearance or sound or in the ideas suggested by them.\textsuperscript{315}

\begin{footnotes}
\item[311] Taubner, "Google AdWords", \textit{supra} note 24.
\item[312] \textit{Ibid}.
\item[313] \textit{Trade-marks Act, supra} note 3, s 2.
\item[314] \textit{Ibid}, s 6(2).
\item[315] \textit{Ibid}, s 6(5).
\end{footnotes}
The test of confusion is a matter of first impression from the perspective of the “casual consumer somewhat in a hurry”, as noted in *Masterpiece Inc v Alavida Lifestyles Inc* [Masterpiece Inc]. The casual consumer somewhat in a hurry has an imperfect recollection of the owner’s trademark and the question is whether that consumer is likely to be confused. Actual confusion is not required although an absence of evidence of confusion will weigh in the balance of there being no confusion on the part of the consumer, as in *Mattel USA, Inc v 3894207 Canada Inc* [Mattel]. The likelihood of confusion focuses on confusion relating to the source of the goods and services.

In considering all the surrounding circumstances including those listed under s 6(5) of the Act, the nature of the trade and the nature of the goods will impact how the court views the consumers of those goods or services and how likely they would be confused. Consumers of expensive goods may be less likely confused on first impression when they view a trademark because they have a tendency to take a careful approach to their product search. To illustrate the court in *Mattel* noted, the consumer looking to buy a car will take more care than when buying a doll. The test of first impression does not take into account the amount of research a consumer may conduct after the initial exposure to the visible trademark, the care and attention different consumers may give to their purchase is based on their approach to the activity. In *Veuve Clicquot Ponsardin v Boutiques Clicquot Ltee* [Veuve Clicquot], the nature of the goods in

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316 *Masterpiece Inc v Alavida Lifestyles Inc* Supreme Court of Canada, 2011 SCC 27 [Masterpiece Inc].
317 Ibid at para 41; *Veuve Clicquot Ponsardin v Boutiques Clicquot Ltee*, 2006 SCC 23 at para 20; *Mattel USA, Inc v 3894207 Canada Inc*, 2006 SCC 22 at para 58 [Mattel].
318 *Mattel*, supra note 317.
319 *Masterpiece Inc*, supra note 316 at para 41.
320 *Trade-marks Act*, supra note 3, s 6(5).
321 *Masterpiece Inc*, supra note 316 at para 67.
322 *Mattel*, supra note 317 at para 58.
323 *Masterpiece Inc*, supra note 316 at para 69.
question were luxury champagne and mid-priced women’s clothing and the court was of the opinion that the difference was so great it would not create confusion in the consumers’ minds.\textsuperscript{324} The likelihood of confusion can be adjusted based on the nature of the trade as well, this may include consideration of the nature of online trading versus shopping in the store where the consumer may adjust the length of time they consider their purchase or how they approach their decision-making.

\textbf{4.3.2 Application of Section 20 to Keyword Advertising}

This section of the chapter will illustrate how the courts may apply the two-part test of use and the likelihood of confusion test under s 20 to keyword advertising. The section will begin with a summary of the recent Canadian keyword advertising case \textit{Vancouver Community College}.\textsuperscript{325} The facts of the case will be set out along with an explanation of how the case applies in the context of s 20 in this chapter and s 22 discussed in Chapter 5. There will be a brief discussion of the interpretation of trademark use in keyword advertising cases in the US and the EU, which will be a useful comparative component that may be considered in future Canadian case law. To assist with the application of s 20 to keyword advertising in Canada, the section will be followed by a discussion of the court’s approach to a similar online activity, trademark use in meta tags.

The cases that have considered the use of meta tags under the Act include \textit{British Columbia Automobile Association v OPEIU} [\textit{BCAA}] and \textit{Red Label Vacations Inc. v 411 Travel Buys Limited} [\textit{Red Label Vacations}].\textsuperscript{326} Although the court in \textit{BCAA} focuses on a claim of passing-off under s 7(b) of the Act, the interpretation of the nature of the trademark use online and the

\textsuperscript{324} \textit{Veuve Clicquot}, supra note 317 at paras 31-33.
\textsuperscript{325} \textit{Vancouver Community College}, supra note 5.
\textsuperscript{326} \textit{British Columbia Automobile Association v OPEIU}, Local 378, 2001 BCSC 156 [\textit{BCAA}]; \textit{Red Label Vacations Inc v 411 Travel Buys Limited}, 2015 FCA 290 [\textit{Red Label Vacations}].
presence of confusion will assist the analysis of s 20 for the similar online context of keyword advertising.

4.3.2.1  **Vancouver Community College v Vancouver Career College (Burnaby)**

In *Vancouver Community College* the plaintiff argued that Vancouver Community College misrepresented its services as those of the plaintiff through keyword advertising.\(^{327}\) A claim of passing-off was brought under s 7(b) of the *Trade-marks Act*.\(^{328}\) Vancouver Career College used the trademarks VCC and VANCOUVER COMMUNITY COLLEGE as keywords in keyword advertising and in the body of advertisements. The plaintiff owned the trademarks. In addition to passing-off they claimed the use directed public attention to its businesses and services in a way that caused a likelihood of confusion.\(^{329}\) Prior to taking legal action the plaintiff attempted to resolve the issue directly with the defendant, as suggested by the Google’s trademark policy noted in Chapter 3.\(^{330}\) The plaintiff brought forward evidence of students who claimed they have been confused by the use of the trademark in keyword advertising.\(^{331}\) The students were under the impression they had applied to Vancouver Community College when in fact they had applied to Vancouver Career College.

Justice Affleck considered the list of circumstances under s 6(5) confusion to determine if there was a likelihood of confusion based on the defendant’s use of the trademarks and the evidence of the likelihood of confusion caused by the advertising. Based on the first impression of the searcher as required under the confusion analysis, Affleck J. stated “the first impression

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\(^{327}\) *Vancouver Community College*, supra note 5.

\(^{328}\) The analysis of *Vancouver Community College* in the context of passing-off is discussed in an unpublished paper completed by the Author for a Directed Research Project: Michelle Kerluke, *Unfair competition in cyberspace: A move towards search engine regulation* (L.L.M, University of British Columbia, 2016) [unpublished].

\(^{329}\) *Vancouver Community College*, supra note 5 at para 3.


\(^{331}\) *Vancouver Community College*, supra note 5 at para 19.
cannot arise on a Google AdWords search at an earlier time than when the searcher reaches a website”.\textsuperscript{332} The defendant’s website was clearly identified as their own therefore, there was no likelihood of confusion based on bidding on trademark keywords in keyword advertising.\textsuperscript{333} Commenting on bidding on keywords, Affleck J. notes “it would be imprudent for this court to attempt to preclude or even limit that practice in this jurisdiction unless it can be shown to be an unreasonable constraint on competition”.\textsuperscript{334}

The decision in \textit{Vancouver Community College} will be discussed in the context of the confusion analysis under s 20, particularly in the section explaining initial interest confusion. The case also includes a partial discussion on the goodwill of a trademark, which will be noted in Chapter 5 analyzing infringement under s 22 of the Act. However, based on the argument presented by the plaintiff and the analysis of the facts by Affleck J there is no clear connection of the case to the elements required for infringement under s 19 of the Act. For these reasons any discussion of the application of the law in \textit{Vancouver Community College} will be limited to the context of ss 20 and 22 for the purposes of this research.

\subsection*{4.3.2.2 Assistance from US and EU Case Law}

As noted by Scassa, the wording of s 20 is likely broad enough to capture the actions of the third party advertisers purchasing the keyword and the search engine selling the keyword.\textsuperscript{335} In relation to Google’s sale of the keyword to advertisers, US and EU case law can be helpful to predict what the court may consider in characterizing Google’s involvement. The courts in these jurisdictions have undergone a greater assessment of the interaction between trademark rights

\begin{footnotesize}
\begin{itemize}
\item[\textsuperscript{332}] \textit{Ibid} at para 183.
\item[\textsuperscript{333}] \textit{Ibid} at paras 183, 186, 193.
\item[\textsuperscript{334}] \textit{Ibid} at para 186.
\item[\textsuperscript{335}] Scassa, "Canadian Trademark Law", supra note 272.
\end{itemize}
\end{footnotesize}
and keyword advertising. Even though the US and EU trademark legislation requires a different test for *use* than the Canadian Act, in the past Canadian courts have considered foreign judicial interpretation of trademark use online where there is a lack of guidance from Canadian cases.\(^{336}\)

Google’s sale of trademark keywords to advertisers was considered to be a “use” in *GEICO v Google, Inc.*\(^{337}\) In *Rescuecom Corp v Google Inc* [*Rescuecom*] the US 2nd Circuit Court of Appeals, agreed there was sufficient evidence of “use” because “Google encourages the purchase of Rescuecom’s mark through its Keyword Selection Tool”, whether or not the trademark is registered with the buyer.\(^{338}\) However the ECJ in *Google France* decided that the act of the search engine was not a use in the course of trade because Google itself does not use the trademark in accordance with the infringement provision.\(^{339}\) Although the ECJ found that the selection of the keyword by the third party advertisers is use in the course of trade.\(^{340}\) However, since the EU and US do not follow the two-part test of trademark use as applied in Canada the cases may not be sufficient persuasion for Canadian courts to accept that the bidding on or selling of trademark keywords is *use* under the current interpretation of s 20 of the Act.

If an action is against the third party advertiser or Google for unauthorized use and the Canadian courts determine there has been use, another challenge will be overcoming the threshold of confusion considering the surrounding circumstances under s 6(5) of the Act. There will be particular difficulty with a claim against the search engine. The analysis of the nature of the goods or services and the nature of the trade will likely result in unclear connections from the


\(^{337}\) *GEICO v Google, Inc*, supra note 113.

\(^{338}\) *Rescuecom*, supra note 6 at para 129.

\(^{339}\) *Google France*, supra note 8; Directive (trademarks) 2008/95/EC, supra note 18, art 5(1).

\(^{340}\) *Google France*, supra note 8 at para 52.
goods or services provided by the trademark owner to those of a search engine. Scassa notes that a claim against the third party advertiser may be a better choice under the current reading of the Canadian Act.

The court must answer the following questions to determine whether the bidding on a trademark keyword by a third party advertiser is an infringing use under s 20. Is the bidding on the keyword a use of the trademark applying the two-part test of use? Is the trademark that was used confusing to the casual consumer somewhat in a hurry? The Canadian courts have yet to engage in a discussion of keyword advertising for the purposes of s 20. In order to answer these questions, it will be helpful to first consider how the courts have interpreted use of another’s trademark in a meta tag for the purposes of infringement under s 20. Meta tags and keyword advertising have certain similarities that support making this comparison, which will be discussed in the next section of the chapter.

4.3.2.3 Application of Section 20 to Meta Tags

As previously noted, the wording of use in relation to goods under s 4(1) of the Act, presents difficulties for an online context. There are also ‘uses’ online, where the trademark use is not visible to the consumer but the use is also not authorized and is impacting the consumer search process. The invisible uses include meta tags and keyword advertising. In keyword advertising, when the trademark is not used in the description of the sponsored advertisement or the URL of the associated website the only potential use occurs outside the visual field of the consumer. The invisible use occurs when the third party advertiser bids on the trademark

341 Scassa, "Canadian Trademark Law", supra note 272.
342 Ibid.
343 Freedman & Deane, supra note 258.
keyword through Google AdWords during the process of creating the sponsored advertisement.  

Metag tags can include the business’ trademark or types of goods or services sold through the website, such as Nike shoes, travel insurance or discount flights. Google will use the meta tags to sort the content on websites, gathering information to assist in the ranking of those sites for the organic search results. Google will match the most relevant content to the consumer’s search engine request. The concerns that mark owners have with the use of meta tags is when businesses or competitors are using the owner’s mark without authorization to interfere with Google’s website ranking process, bringing consumers to websites that do not contain the goods or services associated with the meta tag trademark. Trademark owners may be under the impression that this type of unauthorized use is an infringing use and hope to pursue a claim under s 20 of the Act. However the courts have not interpreted this online activity favourably for mark owners due to insufficient evidence of the required elements, use and confusion.

Justice Sigurdson in BCAA provided an overview of meta tag usage online, describing it as a tool for a website owner to provide important information about the content of their website to search engines. The search engine collects the information provided by the meta tag to create the index or directory of website content for efficient search queries for search engine users. Often it is the meta tag keyword that links to the keywords entered into Google Search

345 Scassa, "Canadian Trademark Law", supra note 272, ch 9 at 552ff.
346 Freedman & Deane, supra note 258.
347 Ibid.
348 Ibid.
349 BCAA, supra note 326 at para 32.
350 BCAA, supra note 326 at para 32.
by Internet users.\textsuperscript{351} In this case, OPEIU [the \textit{Union}] was using the plaintiff’s trademarks BCAA and CAA as meta tags for their website relating to the Union being on strike.\textsuperscript{352} The intention of the meta tags was to improve the popularity of the Union website through the search engine ranking process, bringing more Internet users to their site.\textsuperscript{353} Sigurdson J. believed that the Union’s website could be quickly and easily distinguished from any association with BCAA and therefore “there was no confusion or possibility of confusion” on part of the ordinary consumer.\textsuperscript{354} It was even more unlikely for there to be confusion in this case from the use of trademark meta tags because the Union’s site was premised on labour relations and critical commentary of BCAA, not commercial motivation.\textsuperscript{355} The use of the meta tags was found to be a reasonable method of bringing awareness of the issues to potential customers of BCAA.\textsuperscript{356}

In \textit{Red Label Vacations}, the meta tags used by 411 Travel Buys, a company offering similar travel services, included RED TAG VACATIONS and SHOP, COMPARE & PAY LESS and resembled the registered trademarks of Red Label.\textsuperscript{357} However, the meta tags were not visible to Internet users once they reached 411 Travel Buy’s website.\textsuperscript{358} In considering use under s 20 of the Act, the court determined there was no evidence that any of Red Label’s trademarks were visible on the website.\textsuperscript{359} Therefore the trademarks were not used “for the purpose of distinguishing or identifying 411 Travel Buys’ services in connection with Red Label’s

\begin{itemize}
\item \textsuperscript{351} \textit{Ibid} at para 33.
\item \textsuperscript{352} \textit{Ibid}.
\item \textsuperscript{353} \textit{Ibid} at para 62.
\item \textsuperscript{354} \textit{Ibid} at para 121.
\item \textsuperscript{355} \textit{Ibid}.
\item \textsuperscript{356} \textit{Ibid}.
\item \textsuperscript{357} \textit{Red Label Vacations Inc, supra} note 326 at para 6 (registered trademarks of Red Label: “redtag.ca vacations”, “Shop. Compare. Payless!! Guaranteed” at para 3).
\item \textsuperscript{358} \textit{Ibid} at para 6.
\item \textsuperscript{359} \textit{Red Label Vacations Inc, supra} note 326.
\end{itemize}
The particular use in the case could not amount to infringement under s 20 of the Act. However, the court left open the possibility that including a registered trademark in a meta tag could amount to use under s 20 and could lead to a successful claim of infringement. In the Court’s analysis of confusion on the facts, the use of the meta tags would not cause consumer confusion as to source of services offered on the website. This conclusion was based on the finding that the use of the trademarks would not lure consumers to visit the website because a consumer still has the choice of which website link they select amongst all the search results.

Based on the judgments in BCAA and Red Label Vacations in relation to s 20, it will be difficult for registered trademark owners to claim invisible use in meta tags amounts to infringement. However, would this determination be the same for keyword advertising? Is there a significant difference between meta tags and keyword advertising in relation to how trademarks are used, or the purpose of the use, to persuade the court to interpret s 20 of the Act differently?

In Red Label Vacations a third party’s unauthorized use of a mark in a meta tag was out of the visual field of the consumer and not actually used on the website of the third party. There is likely to be a similar interpretation for keyword advertising, an invisible use in the bidding on the keyword. The issue for courts persistently seems to the fact that the consumer cannot physically ‘see’ the use, but instead the ‘use’ is an invisible vector that directs them to the non-infringing website. The courts are looking for the trademark to be used for the purpose of distinguishing the source of the goods or services from the perspective of consumers, a difficult

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360 Ibid at para 22; Trade-marks Act, supra note 3, ss 2, 4(2).
362 Ibid at para 36.
363 Ibid.
364 Red Label Vacations Inc, supra note 326.
threshold to meet with an invisible use as seen in relation to meta tags in *Red Label Vacations*.\(^{365}\)

By the time the sponsored advertisement appears in front of the consumer there is no clear indication the advertisement is distinguishing the goods or services of the registered mark owner from those of others. In these circumstances the court is currently unwilling to find *use* for the purposes of s 20 of the Act.

However, *Red Label Vacations* left open the possibility of finding *use* in the context of an invisible use.\(^{366}\) This could have an impact on use under s 19 as well however there must be *use* of an identical mark under s 19. The decision in *Red Label Vacations* was premised on trademark meta tags that were similar to the registered mark, which would not be actionable under s 19 of the Act. If *use* is established there remains the issue of a likelihood of confusion under s 20 of the Act. All the relevant circumstances must be considered under s 6(5) confusion analysis as one factor does not trump the other, including the fame of the mark.\(^{367}\) There was difficulty establishing confusion based on the traditional approach in *Red Label Vacations* because the result of the meta tag use was to leave the consumer with a choice to select the website, not lure them to making a purchase.\(^{368}\) There was also no additional use on the competing company’s website, which was another factor against finding confusion.\(^{369}\)

Keyword advertising can be described in a similar way, providing the consumer a choice to select the sponsored advertisement link amongst the list of search results. Where there is no use of the trademark in the text of sponsored advertisements or on the actual website, the court

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\(^{365}\) Ibid.
\(^{366}\) Ibid at para 22.
\(^{367}\) Mattel, supra note 317.
\(^{368}\) *Red Label Vacations Inc, supra* note 326; “Traditional approach to confusion” is reference to a likelihood of confusion and the analysis under s 6(5) of the Act.
\(^{369}\) Ibid.
will likely conclude that there is no likelihood of confusion. Due to the difficulty of establishing
traditional confusion for invisible trademark use in the online context trademark owners have
argued for initial interest confusion to support an infringing use. Initial interest confusion has
primarily been cited in US case law, however there are a few Canadian cases that have
incorporated a discussion of this concept. The next section will provide a definition of initial
interest confusion and an analysis of the relevant US authorities. Following the discussion of the
case law, critical academic commentary pertaining to initial interest confusion will be noted.
Based on this analysis and comments from Canadian judges a claim will be about whether initial
interest confusion can be applied under the current reading of s 20 of the Act.

4.3.3 Initial Interest Confusion

Initial interest confusion is based on the argument that prior to the time of sale the consumer is
confused as to the source of the goods or services.\(^{370}\) Therefore the confusion leads to the
consumer’s initial interest even if the there is no longer confusion by the time of the purchase
decision.\(^ {371}\) According to Jennifer Rothman initial interest confusion is an expanded approach to
“confusion”, which establishes trademark infringement based on the fact that prior to purchase
the consumer is attracted to or distracted by a competitor’s goods or services.\(^ {372}\) Initial interest
confusion targets the harm or loss of business that results from the consumer initially seeking out
the goods or services of Company A but are lured to make a purchase from Company B.\(^ {373}\)
According to Rothman this is a contravention of the traditional rationale of trademark protection,

\(^ {370}\) Taubner, "Google AdWords", supra note 24.
\(^ {371}\) Becker & Patel, supra note 344.
Cardozo L Rev 105.
\(^ {373}\) Taubner, "Google AdWords", supra note 24.
for trademarks to be an indicator of source and to ensure fair competition in the marketplace.\textsuperscript{374} Bradley Freedman and Robert Deane describe initial interest confusion as a response to the nature of the Internet and the occurrences of unauthorized trademark use, such as meta tags and keyword advertising.\textsuperscript{375} According to Scassa initial interest confusion is a species of confusion and should fall under the general test for confusion where it would be another factor to consider for whether a likelihood of confusion exists.\textsuperscript{376}

4.3.3.1 Initial Interest Confusion: Illustration from US Case Law

A few Canadian cases have incorporated discussion of initial interest confusion in a trademark infringement analysis. The Federal Court of Appeal from \textit{Red Label Vacations} stated “these reasons ought not to be read as endorsing…remarks relating to “initial interest confusion.”\textsuperscript{377} Justice Affleck in \textit{Vancouver Community College} stated that “initial interest confusion is a term of art in US trademarks law which has not been incorporated into Canadian law.”\textsuperscript{378} Justice Sigurdson in \textit{BCAA} made reference to relevant US case law to provide an example of how the doctrine has been previously applied.\textsuperscript{379} The court cited \textit{Brookfield Communications Inc v West Coast Entertainment Corp [Brookfield Communications Inc]}, as “an interesting case”, which led into a discussion of how other US cases have made reference to initial interest confusion, either distinguishing or refusing to apply the concept.\textsuperscript{380} Although Sigurdson J. in \textit{BCAA} decided there

\begin{itemize}
\item\textsuperscript{374} Rothman, \textit{supra} note 372.
\item\textsuperscript{375} Freedman & Deane, \textit{supra} note 258.
\item\textsuperscript{376} Scassa, “Canadian Trademark Law”, \textit{supra} note 272 at 520–525.
\item\textsuperscript{377} \textit{Red Label Vacations Inc, supra} note 326 at para 45.
\item\textsuperscript{378} \textit{Vancouver Community College, supra} note 5 (reference to the Federal Court decision in \textit{Red Label Vacations} at para 60).
\item\textsuperscript{379} \textit{BCAA, supra} note 326.
\item\textsuperscript{380} \textit{Ibid at para 75}.
\end{itemize}
was no evidence of any confusion he did not overtly reject the doctrine in his analysis on
trademark use in meta tags.

Therefore a brief discussion on the US application of initial interest confusion will assist
in analyzing the possibility of infringement for invisible uses, such as keyword advertising. The
US 9th Circuit Court of Appeals in *Brookfield Communications Inc* accepted the argument for
initial interest confusion to support a finding of trademark infringement where there was use of a
confusingly similar mark in a website’s meta tags.\textsuperscript{381} The court considered the factors for
whether there was a likelihood of confusion as to source, a key element of trademark
infringement.\textsuperscript{382} The Court found that a searcher is unlikely to be confused from selecting a
website from the search results and there is no indication on the actual site that it is associated
with the trademark used in the meta tags.\textsuperscript{383} Recognizing that the Internet requires a flexible
approach to the law, the court carried on to decide whether initial interest confusion exists.\textsuperscript{384}
Despite not finding a likelihood of confusion the use of the trademark in the meta tags resulted in
initial interest confusion.\textsuperscript{385} There was initial interest confusion because the use in the meta tags
diverted customers away from the website and the associated goods or services they were
initially seeking.

Rothman is deeply critical of this decision because trademark infringement was found in
absence of a likelihood of confusion, contrary to traditional US statutory interpretation and

\textsuperscript{381} *Brookfield Communications Inc*, *supra* note 7.

\textsuperscript{382} *Ibid* (Example of factors: similarity between marks, proximity of products or services of the two companies,
strength of plaintiff’s mark, marketing channels used, evidence of actual confusion at para 1053).

\textsuperscript{383} *Ibid* at para 1062.

\textsuperscript{384} *Ibid* at para 1054.

\textsuperscript{385} *Ibid* at para 1062.
Jeffrey Becker and Purvi Patel note that *Brookfield Communications Inc* left the state of initial interest confusion without legal certainty or guidelines for future judicial application. Although trademark infringement was found in *Brookfield Communications Inc* there is significant uncertainty as to the degree of confusion required for a successful application of the argument. Scassa notes initial interest confusion can be a cause for concern that if it is accepted the courts are expanding trademark law beyond its purpose. Furthermore, the initial interest confusion argument stems from the perspective of the unsophisticated or inexperienced Internet user. This type of user is one that is likely unaware of the nature of the Internet or the relationship between a business with an online platform and the search engine. According to Scassa, the more the Internet becomes an everyday activity for all age groups the more unlikely it is for the courts to believe that there is any presence of confusion prior to making a purchase where there has only been an invisible use of a trademark.

The critical academic response has not stopped plaintiffs’ pursuit of claiming infringement based on initial interest confusion and the diversion or luring of customers towards competitors’ goods. It is a lower threshold to meet and appears to respond well to invisible uses where it would be difficult to bring evidence of a likelihood of confusion.

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386 Rothman, *supra* note 372.
392 *Playboy Enterprises, Inc v Welles, Inc*, *supra* note 261; *Playboy Enterprises, Inc v Netscape Communications Corp*, *supra* note 261; *BigStar Entertainment Inc v Next Big Star Inc*, 105 F Supp (2d) 185 (SD NY 2000); *Wells Fargo & Co v WhenU.com, Inc*, 293 F Supp (2d) 734 (SD ED Mich 2003).
Canadian registered mark holders wishing to pursue a claim of s 20 infringement due to the unauthorized bidding on a trademark keywords may see the appeal of initial interest confusion to support their case. From Company A’s perspective, when Company B places a high bid on Company A’s trademark to ensure their sponsored advertisement appears at the top of the search results page, they are bringing more traffic to their website and diverting customers away from Company A’s website. However when compared to the US jurisdiction, there is more uncertainty in the strength of this argument within Canadian trademark law as courts have not been explicitly supportive of initial interest confusion. It is important to note, the cases that have discussed initial interest confusion are in the context of meta tags and keyword advertising but the cause of action is infringement via passing-off under s 7(b) of the Act. However, for the purposes of this research initial interest confusion is relevant to the discussion of s 20 infringement as confusion is a key component of the provision. Based on the current judicial interpretation of invisible trademark use, a likelihood of confusion and initial interest confusion it is unlikely that s 20 can fit in with the ideal scope of keyword advertising.

4.4 Conclusion

Based on the above analysis, the ideal scope of keyword advertising falls outside the boundaries of the current interpretation of ss 19 and 20 of the Canadian Trade-marks Act.

Section 4.2 discussed the exclusive right to use granted under s 19 of the Trade-marks Act. The restricted interpretation of the provision and the required elements means that ideal scope of keyword advertising likely falls outside the boundaries of protection under the provision. Whether choosing to pursue an action against Google or a third party advertiser, a favourable outcome would be difficult.
Section 4.3 of the chapter focused on s 20 of the Act, concluding that due to the nature of bidding on a trademark keywords to trigger a sponsored advertisement it will still be difficult for the registered mark owner to claim that it is an infringing use. Under the two-part test of use the trademark must be used for the purpose of distinguishing the source of the goods or services. It is a difficult threshold to meet for an invisible use, as seen in Red Label Vacations in relation to meta tags.\textsuperscript{393} Without more guidance from the court it is uncertain that bidding on a trademark keyword would be sufficient to meet the use threshold under s 20. Furthermore if use is established trademark owners will face difficulty showing that there is a likelihood of confusion based on the sponsored advertisement triggered by the keyword when the trademark does not appear in the text of the advertisement or in the URL of the associated website.

The argument for initial interest confusion has appeared in Canadian trademark cases in response to commercial interactions on the Internet, as distinguished from traditional trading practices. However, the courts do not appear to be convinced by this approach to confusion for novel trademark uses online and have not provided any guidance on the possible application of the argument. Chapter 5 will undergo a similar analysis of s 22 of the Act to determine the extent to which the protection of the goodwill of the trademark can limit the unauthorized bidding on trademark keywords and non-comparative phrases.

\textsuperscript{393} Red Label Vacations Inc, supra note 326.
Chapter 5: Canadian *Trade-Marks Act* Section 22: Assessing the Ability to Provide the Ideal Scope of Keyword Advertising

5.1 Introduction

There is a third provision under the Act that should be considered in the context of keyword advertising, s 22 depreciation of goodwill. Similar to ss 19 and 20, the depreciation provision is only available to registered trademark owners. The purpose of this chapter is to demonstrate to what extent registered trademark owners can rely on s 22 of the Canadian *Trade-marks Act* to establish an infringing use based on the unauthorized use of trademarks in keyword advertising. Importantly, Canadian courts have not yet considered this question.

In Chapter 4 an analysis of ss 19 and 20 of the *Trade-marks Act* [the Act] was conducted to determine whether the provisions could provide the ideal scope of keyword advertising. As noted in Chapter 3 the unauthorized bidding on trademark keywords and non-comparative keyword phrases in keyword advertising should be prohibited. Chapter 4 concluded that the restricted interpretation of s 19 would prevent a successful application to either the unauthorized bidding on or sale of trademark keywords. As for s 20, based on the current interpretation of the provision in an online context registered trademark owners will have difficulty establishing use and a likelihood of confusion in order to claim keyword advertising constitutes an infringing use.

Section 5.2 of the chapter will begin with a brief discussion of the history of depreciation under s 22 of the Act, when the concept was introduced into trademark law and how it has developed over time. Further justification will be provided for why it is necessary to determine whether s 22 can provide the idea scope of keyword advertising, considering the importance of goodwill of a trademark online. Then the elements of s 22 will be set out. The recent Supreme
Court of Canada [SCC] decision in *Veuve Clicquot Ponsardin v Boutiques Cliquot Ltee* [*Veuve Clicquot*] clarifies the current interpretation of the provision. \(^{394}\) In Section 5.2.4 the elements of s 22 will be applied to the context of keyword advertising. Although there is one Canadian case involving keyword advertising, *Vancouver Community College*, it is based on a claim of passing-off and does not discuss keyword advertising under s 22. \(^{395}\) Therefore it will be useful to note possible arguments the court may consider in relation to the scope and value of the depreciation provision in this context. Academic criticisms of depreciation will be acknowledged in Section 5.2.5. There is a concern that if s 22 of the Act is widely responsive to novel commercial uses of trademarks, it will provide too much protection to registered marks, beyond the intention of the *Trade-marks Act*. \(^{396}\)

As noted in Chapter 4 the courts in the US and the EU have had an opportunity to address the interaction between trademarks and keyword advertising. The relevant experiences in these jurisdictions will also assist in providing an understanding of the application of some of the elements of s 22 of the Act to keyword advertising in Canada. However the trademark legislation is worded differently in the US and EU compared to the Canadian Act, particularly in relation to trademark use. \(^{397}\) These differences will likely prevent the cases from being relied upon by a judge in any future Canadian keyword advertising case applying the current reading of s 22 of the Act. Although, the comparison will provide Canadian lawmakers with a brief look at what other jurisdictions are experiencing, how they are reacting to this legal issue and the impact

\(^{394}\) *Veuve Clicquot*, *supra* note 317 at para 67.

\(^{395}\) *Vancouver Community College*, *supra* note 5; *Trade-marks Act*, *supra* note 3, s 7(b) passing-off.


\(^{397}\) *Lanham Act*, *supra* note 18, s 1127 “trademark…intention to use in commerce”; *Directive (trademarks) 2008/95/EC*, *supra* note 18, arts 5(1) & 5(2).
keyword advertising has on trademarks. For the purposes of this chapter, it will not be proposed that the Canadian judiciary should follow the judgments from the US or EU jurisdictions.

5.2 Trademarks Act: Section 22

Section 22(1) of the Trademarks Act provides that: “No person shall use a trade-mark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto.”

Before discussing the specific elements of s 22, it will be helpful to provide a brief outline of the context of the provision and how it has developed in Canada. This section will begin with a summary of a piece of work of a prominent US academic in the area of non-traditional trademark protection. The term dilution will be noted in the description of the work, it is a US concept that will be further discussed later in the chapter as part of the SCC’s interpretation of s 22. Following the historical development is an explanation for why goodwill of a trademark is important in the modern online marketplace especially so in keyword advertising. This is further justification for analyzing the extent to which s 22 of the Act can provide the ideal scope of keyword advertising.

5.2.1 Historical Development of Depreciation in Canadian Trademark Law

In 1927 Frank Schechter wrote an article for the Harvard Law Review entitled “Rational Basis of Trademark Protection”. Schechter introduced an alternative approach to the meaning and purpose of a trademark, responding to modern use in international trading regimes.

Traditionally trademarks have been protected as indicators of origin of the goods or services.

398 Trademarks Act, supra note 3, s 22.
400 Ibid.
401 Ibid.
According to Schechter trademarks should be more than mere indicators of source for consumers.\textsuperscript{402} Schechter questioned the meaning of \textit{source} when goods travel from international manufacturers to domestic distributors and local retailers before actually reaching the consumer.\textsuperscript{403} Based on the new function of trademarks it can no longer be said that trademarks are just a representation of the goodwill of the business.\textsuperscript{404} In the modern market the trademark itself has goodwill and the goodwill of the mark and the clarity of its distinctiveness make up the selling power of the trademark.\textsuperscript{405} The trademark is what consumers see or think of before or at the time of purchase, which can then influence the decision-making process. Schechter recommended extending the protection of trademarks against dilution.\textsuperscript{406}

The importance of goodwill of the trademark has been recognized under the Canadian \textit{Trade-marks Act} since 1953. Section 22 prohibits the depreciation of the value of the goodwill of a registered trademark.\textsuperscript{407} In the same year, the \textit{Report of Trade Mark Law Revision Committee to the Secretary of State of Canada} [\textit{the Report}] was produced with the recommended Bill amending the \textit{Trade-marks Act}.\textsuperscript{408} The recommendations included s 22, targeting goodwill and depreciation. Goodwill can be interpreted as the reputation of the business and can also represent the positive mental image consumers have regarding the particular company behind the trademark.

\begin{flushright}
\textsuperscript{402} \textit{Ibid.}.
\textsuperscript{403} \textit{Ibid.}.
\textsuperscript{404} \textit{Ibid.}.
\textsuperscript{405} \textit{Ibid.}.
\textsuperscript{406} \textit{Ibid.}; (Dilution: “gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods” at 825).
\textsuperscript{407} \textit{Trade-marks Act, supra} note 3, s 22.
\textsuperscript{408} \textit{Report of Trade-mark Law Revision Committee to the Secretary of State of Canada} (1953), as cited in Harold G Fox, \textit{Can Law Trade Marks Unfair Compet}, 2nd ed (Toronto: Carswell, 1956) vol 2 at 1142 [\textit{The Report of Trademark Revision Committee}].
\end{flushright}
The Committee, in their discussion of the scope of protection granted to trademarks, recognized that there has been a belief in the commercial industry that the current state of protection was too narrow. The Report notes that goodwill in a trademark can be determined by the length of use, the merit of the product and large financial investment in advertising, resulting in the owner’s right of protection. The Committee left discretion to the court to determine the exact scope of protection for each case with consideration of all the circumstances. The proposed s 22 would help modernize the law and be a representation of fair-trading, adding flexibility to the boundaries of trademark protection. Even though Schechter was not directly cited in the Report, the aim of the Committee to protect the goodwill in a mark and the reputation in the minds of the public appears to follow a similar understanding of the importance of the selling power of trademarks. However instead of maintaining the term dilution the Committee expanded protection by prohibiting the depreciation of goodwill in the trademark.

Until recently, the leading case regarding the interpretation of s 22 of the Canadian Act was Clairol International Corp v Thomas Supply & Equipment Co [Clairol] in 1968. In Clairol, the plaintiff had argued that the unauthorized use of their trademarks depreciated the value of the goodwill in the marks. The trademarks MISS CLAIROL and HAIR COLOR BATH were used in colour comparison charts located on the defendant’s marketing brochures and

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410 Fox, vol 2, supra note 408 at 1163.
411 Ibid at 1165.
412 Ibid at 1167.
413 Ibid at 1167.
414 Clairol, supra note 264.
packages. As disused in Chapter 4, *Clairol* gave a technical interpretation of the meaning of *use* under ss 2 and 4 of the Act for the purposes of s 19 and applied the same interpretation to s 22. That is, the trademark must be used in association with the goods or services as per the language under s 4. It is considered a technical interpretation because unless the use of trademark clearly complies with exact wording of s 4(1) or s 4(2) it cannot qualify as an infringing use under the provision. Thurlow J. believed that the positioning of the trademark on the packaging of the product constituted use and would likely depreciate the value of the goodwill of the mark, representing the competitor’s direct intention to benefit from such unauthorized use. However, placing the mark on the comparative shade charts in the brochures was merely an example of fair market comparative advertising. Therefore the brochures were beyond the scope of s 4 *use* and therefore cannot be prohibited under s 22. The highly technical interpretation of use under s 22 led to a more narrow interpretation of the provision than it otherwise might have been. According to James Holloway, the judgment in *Clairol* restricted the application of s 22 and counteracted the intentions of the Trademark Revision Committee. After *Clairol* it was not until 2006 that the SCC in *Veuve Clicquot* conducted further analysis of the scope of protection provided by s 22 of the Act. According to Daniel Bereskin, the significance of the SCC judgment in *Veuve Clicquot* is that it has created the possibility of claims of infringement under s 22 for unauthorized uses of registered trademarks in a variety of

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416 *Ibid* at para 36; *Trade-marks Act, supra* note 3, s 4(1): in the normal course of trade, marked on the goods themselves or on the packages in which they are distributed, s 4(2): used or displayed in the performance or advertising of those services.
417 *Vaver, supra* note 23, ch 4 at 472.
418 *Clairol, supra* note 264 at paras 45–46.
419 *Clairol, supra* note 264 Thurlow J at para 38.
420 *Ibid* at 36.
421 Holloway, *supra* note 16.
422 *Veuve Clicquot, supra* note 317.
circumstances beyond the interpretation provided in *Clairol*.\textsuperscript{423} The next section will support my view that unauthorized trademark use in keyword advertising should be considered under s 22, particularly in response to the importance of goodwill online. This will lead into a discussion of the elements of s 22, as set out in *Veuve Clicquot*.

### 5.2.2 The Value of Goodwill of A Trademark Online

This section highlights the importance of goodwill of a trademark online. The discussion will note the new competitive spaces provided by the Internet and how trademarks are used in that context and relied upon by consumers. Based on these considerations trademarks can be viewed as information assets, a value that can fall within the meaning of the goodwill of the mark.

The online marketplace has facilitated new methods of commercial activity and advertising where trademark owners are experiencing competing uses of their marks in ways that traditional infringement provisions, such as ss 19 and 20 of the Act, may not be equipped to provide appropriate remedies.\textsuperscript{424} Therefore certain online activities could be better suited for a depreciation analysis, with a purposive approach to preserve the inherent distinctiveness and reputation of the mark.\textsuperscript{425}

The Internet has provided additional competitive spaces for market players. Doris Long argues that new methods of competition serve a valuable purpose and trademarks should be afforded recognition for the role played in these spaces.\textsuperscript{426} Activities such as domain name use for efficient product search, ranking and placement of relevant search content in search engine

\textsuperscript{423} Bereskin, *supra* note 396.

\textsuperscript{424} *Trade-marks Act, supra* note 3, ss 19-20 (limitations from current application); *BCAA, supra* note 326; *Red Label Vacations Inc, supra* note 326.

\textsuperscript{425} Holloway, *supra* note 16.

\textsuperscript{426} Doris Estelle Long, “Rebooting Trademarks for the Twenty-First Century” (2011) 49 U Louisville L Rev 517.
results and online advertisements, including pop-up ads and sponsored links. Advertisers thrive on the Internet, reaching potential customers in a variety of ways including, social media sites, news platforms and search engines. Internet advertising is a class of its own. Parallel to the prevalence of these online features is the heightened frequency of consumer presence online. The noted Internet features aid consumer navigation online, to reach the targeted goods and services more efficiently and effectively. The more consumers rely on the Internet to purchase goods and services the more opportunity there is for direct interaction with and recognition of trademarks. This type of information provided by trademarks online cannot be properly valued through the traditional lens of ensuring quality and origin of goods and services, preventing consumer confusion and deception. Therefore, this is a distinct and valuable difference from the traditional value of trademarks in response to the variety of uses that are specific to the Internet.

Long referred to this new perspective of trademarks as nontraditional information assets, which grants recognition to features of a trademark that have generally been viewed as secondary or unworthy of protection. These assets include the money and effort that is required to produce informational and emotional responses in minds of the consumers, linked to purchasing decisions. This type of asset can also fall under the umbrella of the goodwill of trademark. The Internet has provided a unique environment for market competitors to develop and expand their business assets and for consumers to stay connected with their favourite brands more efficiently

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427 Ibid.
428 Ibid.
429 Ibid.
430 Ibid.
431 Ibid.
and effectively. The variety of business interactions over the Internet domain calls for a protection of the information-asset value of trademarks.

The modern perspective of trademarks, specifically in response to uses online, aids the understanding of why keyword advertising is deserving of a comprehensive analysis under s 22 of the Act. The next section of the chapter sets out the current interpretation of the elements of s 22 provided by the SCC in *Veuve Clicquot*.

5.2.3 **Elements of Section 22**

This section will provide a brief summary of the facts of *Veuve Clicquot* and lead into the discussion of the specific elements of s 22.

5.2.3.1 **The Supreme Court of Canada in *Veuve Clicquot***

The SCC in *Veuve Clicquot* opened the door to a broader interpretation of s 22 as a whole. The Court confirmed the four elements required for a successful claim, taking a step in a forward-thinking direction for trademark protection. *Veuve Clicquot* involved the use of a famous trademark VEUVE CLICQUOT, associated with goods of champagne and wine. The defendant placed a similar mark CLIQUOT on the sign outside the storefront of a mid-priced clothing shop, on bags and business cards and invoices. Justice Binnie writing for the Court set out four elements: (1) use of the registered trademark in association with goods or services; (2) proof of goodwill in the trademark; (3) likely connection or link made by consumers between the goodwill of the trademark and the defendant’s use of the trademark; and (4) likelihood of

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432 *Veuve Clicquot*, supra note 317.
433 *Ibid* at para 5.
depreciation, where depreciation is given an ordinary meaning of lowering the value or underrating.\footnote{\textit{Ibid} Binnie J at para 46.}

5.2.3.1.1  **Use**

First, for the purposes of trademark \textit{use} under a depreciation claim s 4 of the Act provides that:

\begin{itemize}
\item[(4)(1)] A trade-mark is deemed to be used in association with wares if, at the time of the transfer of the property in or possession of the wares, in the normal course of trade, it is marked on the wares themselves or on the packages in which they are distributed or it is in any other manner so associated with the wares that notice of the association is then given to the person to whom the property or possession is transferred.
\item[(2)] A trade-mark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services.\footnote{\textit{Trade-marks Act}, \textit{supra} note 3, s 4; \textit{Veuve Clicquot}, \textit{supra} note 317 at para 47.}
\end{itemize}

The plaintiff must show that the trademark was used in connection with particular goods or service regardless of whether the defendant was in direct competition with the plaintiff.\footnote{\textit{Veuve Clicquot}, \textit{supra} note 317 at para 46.} Binnie J. noted the misspelling of the famous mark was not accepted as a defence to use of the registered trademark. The misspelling of the trademark is not a violation of the first element as long as the trademark is sufficiently similar to be recognizable in the minds of a “casual observer.”\footnote{\textit{Ibid} at para 48.} According to Vaver this interpretation of \textit{use} is more liberal than the technical reading presented in \textit{Clairol} because \textit{Veuve Clicquot} accepted uses associated with goods or services beyond those connected to the trademark.\footnote{\textit{Vaver}, \textit{supra} note 23 (technical reading: trademark must be used in a manner described under s 4 at 472).} Therefore Vaver claims that the SCC in \textit{Veuve Clicquot} would not have distinguished the use for the purpose of the colour comparison charts in the brochure and the use on the product packaging as done in \textit{Clairol}.\footnote{\textit{Clairol}, \textit{supra} note 264 (distinguished between use on packaging and use in brochures, only the use on packaging qualified for infringement at para 28).} Thurlow J. in
Clairol did not accept the use of the trademark in the brochures because it did not satisfy the meaning of s 4(1) use in association with goods.\textsuperscript{440}

5.2.3.1.2 Goodwill in the Trademark

Second, according to Binnie J. when assessing ordinary commercial use \textit{goodwill in the mark} is the positive association that attracts customers to the trademark owner’s goods or services over those of others.\textsuperscript{441} Harold Fox notes, goodwill speaks to the reputation of the name of the business and adds value to the business therefore it cannot exist independently of the business or the associated trademark.\textsuperscript{442} When determining the existence of goodwill in the mark a list of factors is to be taken into account.\textsuperscript{443} Fame is one factor within the list but would not be determinative of an outcome.\textsuperscript{444} Although fame is not necessary the trademark must be sufficiently well-known to have established goodwill in order for something to depreciate.\textsuperscript{445} If fame is present it will be considered along with the other factors noted by Binnie J.:

General factors such as the degree of recognition of the mark within the relevant universe of consumers, the volume of sales and the depth of market penetration of products associated with the claimant's mark, the extent and duration of advertising and publicity accorded the claimant's mark, the geographic reach of the claimant's mark, its degree of inherent or acquired distinctiveness, whether products associated with the claimant's mark are confined to a narrow or specialized channel of trade, or move in multiple channels, and the extent to which the mark is identified with a particular quality.\textsuperscript{446}

\begin{footnotes}
\item[440] \textit{Clairol}, supra note 264 at para 28.
\item[441] \textit{Veuve Clicquot}, supra note 317 at para 50.
\item[442] Fox, vol 1, supra note 408 at 517.
\item[443] \textit{Veuve Clicquot}, supra note 317 at para 54.
\item[444] \textit{Veuve Clicquot}, supra note 317.
\item[445] \textit{Ibid} at para 46.
\item[446] \textit{Veuve Clicquot}, supra note 317.
\end{footnotes}
In *Veuve Clicquot*, the trademark at issue had well-established goodwill with a significant amount of fame and the Court believed it was capable of extending beyond that of champagne and wine.\(^{447}\)

### 5.2.3.1.3 The Link in the Mind of the Consumer

Third, the *link in the mind of the consumer* between the goodwill of the mark and the third party use was a turning point in the *Veuve Clicquot* decision. Binnie J. decided to place more weight on establishing a link in the minds of the consumer between the trademark they see and the goods and services of the mark owner.\(^{448}\) Even though a likelihood of a connection or link is sufficient there needed to be some evidential proof rather than arguing 'a link could be established.'\(^{449}\) According to Binnie J., the standard of interpretation is from the perspective of “the somewhat-hurried consumer.”\(^{450}\) If there is no association in the mind of the consumer between the third party use of the mark and the goods or services of the mark owner there can be no impact on the goodwill and no interference on the rights conferred on a registered mark.\(^{451}\)

### 5.2.3.1.4 The Likelihood of Depreciation

Fourth, *the likelihood of depreciation* can spark debate in establishing a clear definition and what consists of a sufficient amount of evidence. Binnie J. noted that depreciation could entail a lessening of the distinctiveness of the mark through the use by multiple users or competitors.\(^{452}\) Reference was also made to US dilution concepts of blurring and tarnishment to illustrate

\(^{447}\) *Ibid* at para 55.
\(^{448}\) *Ibid* at paras 48-49.
\(^{449}\) *Ibid* at para 60.
\(^{450}\) *Ibid* at para 56.
\(^{451}\) *Ibid* at para 56.
\(^{452}\) *Ibid* at para 63.
similarities between the meaning of dilution and depreciation.\textsuperscript{453} However Binnie J. explained that the difference in the wording of s 22 of the Canadian Act compared to the US \textit{Lanham (Trademark) Act} allows depreciation to apply to something outside of blurring or tarnishment but without going into detail as to what that could be.\textsuperscript{454} William Darling criticizes the reference to US case law and the concept of dilution, arguing that the interpretation actually went beyond the intention of the provision.\textsuperscript{455}

Darling is concerned that this interpretation could lead to unpredictable results that are inconsistent with the traditional understanding of trademark law.\textsuperscript{456} The uncertainty in the general scope of the depreciation provision is due to the lack of opportunities for the Canadian courts to interpret and apply s 22.\textsuperscript{457} Regardless of the method of commercial activity there must be some evidence of a likelihood of depreciation of the goodwill from the unauthorized use.\textsuperscript{458} After completing the analysis of all four components, Binnie J. concluded that there was no likelihood of depreciation in the goodwill of the trademark in \textit{Veuve Clicquot} due to insufficient evidence.\textsuperscript{459}

This section outlined the four elements of s 22 as interpreted by the SCC in \textit{Veuve Clicquot}. The SCC adjusted their approach to the elements of s 22 from the decision in \textit{Clairol} and received some academic criticism for their reference to the US concept of dilution. However,

\begin{flushleft}
\textsuperscript{453} \textit{Ibid} at paras 64-66. \\
\textsuperscript{454} \textit{Ibid} (“Canadian courts have not yet had the opportunity to explore its limits” at para 67); \textit{Lanham Act}, \textit{supra} note 18 ss 1125(c)(1), 1125(c)(2)(B)-(C). \\
\textsuperscript{455} Darling, \textit{supra} note 409. \\
\textsuperscript{456} \textit{Ibid}. \\
\textsuperscript{457} \textit{Veuve Clicquot}, \textit{supra} note 317 at para 67. \\
\textsuperscript{458} \textit{Ibid}. \\
\textsuperscript{459} \textit{Ibid} at para 70.
\end{flushleft}
this is the current interpretation of the provision and serves as the starting point for how the Canadian courts may assess the unauthorized use of trademarks in keyword advertising.

5.2.4 Application of Section 22 to Keyword Advertising

This section will apply the elements of s 22 to the unauthorized bidding or sale of a trademark keyword to determine if it can fit in with the ideal scope of keyword advertising. Since the SCC decision in *Veuve Clicquot*, s 22 has the potential to offer protection of registered trademarks for unique trading techniques that fall outside the infringing uses under ss 19 and 20 of the Act.\(^{460}\)

The section will begin with a brief discussion of the decision in *Vancouver Community College* as the only Canadian case to address keyword advertising and how it relates to the elements under s 22. Then each element of s 22 will be applied to this context. Reference will be made to US and EU case law under the first element *use* and will serve as a point of comparison for the interpretation of trademark use in the context of keyword advertising. The cases are useful to illustrate the aspects of keyword advertising the courts considered and how they interact with trademarks.

Keyword advertising has presented new challenges for trademark owners trying to assert their rights and has tested the limits of Canadian trademark law. As noted in Chapter 4 the judgment in *Vancouver Community College* was restricted to a claim of passing-off, under s 7(b) of the *Trade-marks Act*.\(^{461}\) There was discussion of goodwill regarding goods or services as required under passing-off. Evidence was brought forward pertaining to the plaintiff’s long-time standing in the community and reputation as a career training college.\(^{462}\) Justice Affleck determined that the evidence was sufficient to show there was goodwill in the name Vancouver

\(^{460}\) Vaver, *supra* note 23.
\(^{461}\) *Vancouver Community College*, *supra* note 5.
\(^{462}\) *Ibid* at para 46.
Community College.\textsuperscript{463} Although goodwill regarding goods and services under passing-off is not the same language as goodwill in the trademark as required under s 22, the type of evidence considered by Affleck J. is relevant to understanding the meaning of goodwill generally. However it is still uncertain how the courts may assess all the elements of s 22 of the Act in the context of keyword advertising and whether that assessment will provide the ideal scope of the service.

\textbf{5.2.4.1 Use}

The use element under s 22 requires that the trademark be used in association with goods or services following s 4 of the Act. As noted in Chapter 4, discussing the two-part test of use under s 19, keyword advertising presents challenges to establishing use in association with goods under s 4(1), which requires use at the time of transfer or possession of property.\textsuperscript{464} It would be unlikely to successfully argue that merely the bidding on or sale of the trademark keyword is use of the mark at the time of transfer or possession of the property.\textsuperscript{465} However, use in association with services under s 4(2) of the Act allows for use for the purposes of advertising, and it is possible that the bidding on or sale of the trademark keyword will fall within the scope of the provision.

\textbf{5.2.4.2 Trademark Use: US & EU Comparison}

As noted in Chapter 4 the Canadian courts may reference US case law pertaining to a particular issue in trademark law where there is limited interpretation from Canadian judges.\textsuperscript{466} The US 2nd Circuit Court of Appeals in \textit{Rescuecom} looking for a “use in commerce” as required under s

\textsuperscript{463} \textit{Ibid} at para 52.
\textsuperscript{464} \textit{Trade-marks Act, supra} note 3, s 4(1).
\textsuperscript{465} \textit{Wishbuds Inc v Sandoz GmbH, supra} note 267.
\textsuperscript{466} \textit{BCAA, supra} note 326; \textit{Veuve Clicquot, supra} note 317.
1127 of the *Lanham (Trademark) Act*, found that Google’s actions under the AdWords service constitutes such use. As described in Chapter 3 Google AdWords offers the Keyword Suggestion Tool or the Keyword Planner to advertisers, which recommends particular keywords to the bidder including trademarks. The Keyword Planner and the subsequent sale of that keyword goes beyond a purely internal action free from legal scrutiny. The approach taken in the US is one interpretation of trademark use in the context of keyword advertising. The ECJ had a different interpretation of the roles played in trademark use by third party advertiser and the search engine.

The ECJ in *Google France* also found trademark use for the purposes of keyword advertising. However trademark use was not found based on the role of Google as an Internet referencing provider but on the part of the third party advertiser who bid on the trademark. The ECJ, considering art 5(1) rights conferred by a trademark under the EU Directive on trademarks [*Directive on trademarks*], believed that the act of the third party advertiser bidding on the keyword to link to their advertisement was using another’s trademark in a commercial context, or use in the course of trade. According to the ECJ, even though Google is being paid for allowing the use of the trademark by the third party it is insufficient to be classified as a commercial use and any determination of trademark infringement should be derived from the actions of the bidding advertiser.

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467 Rescuecom, supra note 6 at para 129; Lanham Act, supra note 18, s 1127: “use in commerce…use of mark in the ordinary course of trade”.
468 “Optimize your Keyword List”, supra note 133.
469 Rescuecom, supra note 6 at para 129: internal search algorithm would be insufficient for “use in commerce”.
470 *Google France*, supra note 8.
471 Ibid at para 56.
472 Ibid at para 56; Directive (trademarks) 2008/95/EC, supra note 18, art 5(1): “entitled to prevent all third parties not having his consent from using in the course of trade”.
473 *Google France*, supra note 8 at paras 57, 59.
binding authority on the ECJ, was of the opinion that the third party advertiser purchases a keyword with the intention for economic benefit and the selection process is a use in the course of trade.\textsuperscript{474} The ECJ also found that selecting the identical trademark keyword to trigger the sponsored advertisement is a use in relation to goods or services under art 5(1)(a) of the Directive on trademarks.\textsuperscript{475}

The trademark owners in the US and EU must satisfy different types of trademark use compared to Canada to establish infringement. The US and EU trademark legislation focuses more on the commercial activity whereas s 4 of the Canadian Act requires specific types of uses in association with goods or services. Although the ECJ found that bidding on a trademark keyword was a use in relation to goods or services this requirement does not appear to have the same meaning as use in association with goods or services under s 4. For the purposes of assessing use under s 22 Canadian judges may find that the differences of the US and EU legislation is far too great to be of any assistance. However the above noted cases from the US and EU provide an interesting comparative for similar trademark issues in the context of keyword advertising.

\textbf{5.2.4.3 Goodwill in the Trademark}

In regards to establishing \textit{goodwill in the trademark}, it is unnecessary for Canadian registered trademark holders to have ownership over a famous mark before bringing an action under s 22 of the Act. Fame is merely one factor to consider alongside other factors such as volume of sales associated with the trademark, distinctiveness and duration of advertising with the mark.\textsuperscript{476}

\begin{flushleft}
\textsuperscript{474} Google France, supra note 8, Opinion of Advocate General Maduro at paras 60-61.
\textsuperscript{475} Ibid at para 73.
\textsuperscript{476} Veuve Clicquot, supra note 317 at para 54.
\end{flushleft}
The plaintiff in *Vancouver Community College* had evidence of their presence in the community, reputation of their services and various methods of advertising to establish goodwill in their name, which was a also one of their trademarks.\(^{477}\) The various types of evidence that can be used to establish goodwill in the trademark will allow a wider scope of registered mark owners, beyond famous marks, to argue their concerns of keyword advertising under the depreciation provision.

**5.2.4.4 The Link in The Mind of the Consumer**

To assist with illustrating the potential *link in the mind of the consumer*, AG Maduro’s Opinion in *Google France* addresses this issue in the context of keyword advertising. AG Maduro noted, when an Internet consumer inserts a trademark keyword to begin a Google search they are presented with a display of results, including sponsored links.\(^{478}\) At this time, an association is established between the third party use of the mark as a keyword and the goods and services of the mark owner.\(^{479}\) The ECJ also supported the finding of a *link* when the keyword, specifically inputted by the searcher, triggered the sponsored advertisement at the top of the search results.\(^{480}\) Considering the somewhat-hurried consumer required in *Veuve Clicquot* and support from the EU case *Google France*, a Canadian court may find that the activity of keyword advertising is sufficient to establish the likely connection in the mind of the consumer between the goodwill of the trademark and the unauthorized use.

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\(^{477}\) *Vancouver Community College*, supra note 5 at paras 45–52.
\(^{478}\) *Google France*, supra note 8, Opinion of Advocate General Maduro at para 79.
\(^{480}\) *Ibid* at para 85.
5.2.4.5 The Likelihood of Depreciation

Apart from use, the final element of establishing the likelihood of depreciation may be the most difficult to establish in the context of keyword advertising. The SCC in Veuve Clicquot noted that depreciation includes, but is not limited to, dilution by blurring and dilution by tarnishment. In this discussion the court made reference to US case law and the US Federal Trademark Dilution Act of 1995 contained in the Lanham (Trademark) Act, which provides further description of blurring and tarnishment. The US Supreme Court in Moseley v V Secret Catalogue, required evidence of actual dilution or the “lessening of the capacity of a famous mark to identify and distinguish goods or services.” Since this decision a likelihood of dilution standard is required under federal legislation. Furthermore, in Playboy Enterprises Inc v Welles the Court noted that dilution by blurring occurs when “use of a mark creates the possibility that the mark will lose its ability to serve as a unique identifier of the plaintiff’s product.” The Court continued, dilution by tarnishment “occurs when a famous trademark is improperly associated with an inferior or offensive product or service.”

Binnie J. in Veuve Clicquot appeared more willing to find depreciation of goodwill where there was more obvious tarnishment of the trademark such as from linking the mark to the pornographic film industry, resulting in a negative image or link in the minds of the consumer. This type of example would provide a more clear understanding of what trademark owners need

481 Veuve Clicquot, supra note 317.
482 Lanham Act, supra note 18, s 1125(c)(1).
486 Playboy Enterprises, Inc v Welles, Inc, supra note 261; Lanham Act, supra note 18, s 1125 (c)2(c).
487 Veuve Clicquot, supra note 317 at para 66.
to show when claiming the depreciation of the goodwill in their mark under s 22 of the Act and would also guide the courts in their interpretation of the provision. AdWords also promotes flexibility in keyword selection, not restricting bidders to keywords directly linked to the types of goods and services they offer.\(^{488}\) Therefore people across all industries can bid on trademark keywords and depending on the nature of goods or services offered in the sponsored advertisement it may result in tarnishment or depreciation of goodwill in a registered mark.

As depreciation of a trademark is not limited to dilution by blurring or tarnishment it may also extend to the taking of unfair advantage or free-riding on the reputation of a well-known mark.\(^{489}\) To provide an illustration, the EU Directive on trademarks prohibits taking unfair advantage of a well-known trademark.\(^{490}\) Article 5(2) of the Directive prohibits unauthorized use of a mark in the course of trade, where a mark has a reputation in the Member State and use takes unfair advantage of the distinctive character or repute of the mark.\(^{491}\) Free-riding on the reputation of the trademark by unauthorized parties is an attempt to attract attention from the existing customer base of the mark owner.\(^{492}\)

In relation to keyword advertising the ECJ, in *Interflora Inc v Marks & Spencer*, stated that the distinctiveness of a mark can be diluted if the use of a trademark as a keyword by the third party advertiser transforms the mark into a generic symbol.\(^{493}\) If the trademark becomes a

\(^{488}\) AdWords Help, “Basic Tips for Building a Keyword List”, online: <https://support.google.com/adwords/answer/2453981>.

\(^{489}\) Lord Neuberger, “Harold G Fox Memorial Lecture 2015 Trademark Dilution and Parody” (2015) 28 IPJ 1, (In discussion of trademark dilution, free-riding” is the third category can be added to blurring and tarnishing at 8).

\(^{490}\) *Directive (trademarks) 2008/95/EC*, supra note 18.

\(^{491}\) *Ibid*, art 5(2).

\(^{492}\) Bereskin, supra note 396.

generic symbol it is no longer able to distinguish goods and services of the mark owner.\textsuperscript{494} This situation appears to be more of an extreme example and unlikely of practical significance for general keyword advertising cases.

The depreciation of goodwill occurs with repeated unauthorized use over a period of time, eventually reducing the value of the trademark.\textsuperscript{495} \textit{Veuve Clicquot} was a case based on brick and mortar trading, the trademark was used in connection with a mid-priced clothing store. However, modern trading on the Internet through keyword advertising can reach a far greater number of people and in different regions in a shorter amount of time than brick and mortar trading. Registered mark owners may have greater opportunity to show evidence of a likelihood of depreciation from keyword advertising. There are approximately 3 billion Google searches per day.\textsuperscript{496} There is possibility that a wide range of producers and manufacturers will bid on the same trademark keyword to trigger a different sponsored advertisement. Adgooroo Advertising Insight is a company that can provide trademark owners a report on the ways their trademark is being used online, including keyword bidding.\textsuperscript{497} Trademark Insight provides a service to “easily identify competitors, affiliates and partners who are bidding on and using your trademarks brand terms in Paid Search ads.”\textsuperscript{498} Since the meaning of depreciation is currently uncertain and depreciation occurs with repeated unauthorized uses over time this evidence could demonstrate a depreciation of the goodwill in the mark.

\begin{itemize}
\item \textsuperscript{494} \textit{Ibid} at paras 79, 83.
\item \textsuperscript{495} Fox, vol 1. \textit{supra} note 408 at 508.
\item \textsuperscript{496} Danny Sullivan, “Search Engine Land, Google Still Doing at Least 1 Trillion Searches Per Year” (16 January 2015), Online: <http://searchengineland.com/google-1-trillion-searches-per-year-212940>.
\item \textsuperscript{497} Adgooroo Advertising Insight, “Trademark Insight”, online: <https://www.adgooroo.com/solutions/trademark-insight>.
\item \textsuperscript{498} \textit{Ibid}.
\end{itemize}
The purpose of Section 5.2.4 was to determine whether s 22 could provide the ideal scope of keyword advertising, prohibiting the unauthorized bidding on trademark keywords and non-comparative keyword phrases. There are various types of evidence that can show the goodwill of the trademark, this element does appear to be problematic in the context of keyword advertising. It is also likely that a trademark owner will be able to satisfy the link in the mind of the consumer, with assistance from the Opinion of AG Maduro in Google France. However due to the limitation of use in association with goods or services under s 4 of the Act, the uncertainty of the meaning of depreciation and the uncertainty of the evidence required to show there is a likelihood of depreciation it cannot be confirmed that s 22 provides the ideal scope of keyword advertising.

5.2.5 Criticisms of Trademark Depreciation

As the Canadian courts have yet to consider whether keyword advertising depreciates the value of the goodwill of a trademark, there are academic criticisms about this form of trademark protection that should be acknowledged. Section 22 of the Act is intended to protect the reputation, distinctiveness and goodwill of a mark.

Some academics have expressed concerns about the scope of this expansion of trademark protection and the impact on trademark law. This section will highlight a few of those criticisms including, trademark protection without a public interest, conceptual issues, impact on fair competition and freedom of expression.

Mohammad Naser interprets the protection of the selling power of the mark, or the prohibition of depreciation of goodwill, as one without a public interest and merely assesses the
quality of the trademark itself and alleged harm from continued unauthorized use. Protecting the selling power of a trademark is protecting an owner’s interest in preventing their mark from developing into a generic form, or loss of distinctiveness, from overuse by market competitors. Depreciation of goodwill or dilution by blurring considers the ease of recognition by consumers, rather than the quality or origin of the particular goods and services being offered to consumers. Depreciation transitions from the consumer-focused approach to trademark law to one that is more focused on the owner’s monetary interest in their trademark. Providing trademark protection beyond the traditional purpose of trademark law may be a reason why the courts have been hesitant to apply s 22 of the Act liberally.

Conceptual issues have also been exposed. Most centrally: what exactly is the meaning of ‘depreciation’? Depreciation includes dilution by blurring or tarnishment, but there is difficulty clearly describing the actual harm that is targeted by the law and how a party is to provide evidence of such harm. According to Lord Neuberger, the lack of certainty of the underlying meaning of depreciation is arguably from an incomplete understanding of the mental link associated with the claim. It is an important element of s 22 of the Act that the consumer mentally associates the goodwill of the trademark with the plaintiff’s unauthorized use of the mark, which may then lead to a depreciation of the goodwill. However, when compared to consumer confusion or market deception under traditional trademark law where a consumer receives a different good or service than expected, a ‘mental link’ appears to be a vexingly

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499 Naser, supra note 396.
500 Schechter, supra note 399.
501 Lord Neuberger, supra note 489.
502 Holloway, supra note 16.
503 Janis & Yu, supra note 484.
504 Lord Neuberger, supra note 489.
505 Bereskin, supra note 396.
abstract and elusive concept. According to Bereskin, the uncertainty underlying depreciation is reflected in the potentially broad scope of a claim and how it can differ depending on the judicial interpretation handed down at the time, impeding legal certainty and predictability.\textsuperscript{506}

Naser also describes the negative impact that depreciation claims can have on fair competition in the marketplace.\textsuperscript{507} There is a greater risk of establishing monopolies across types of goods and services when large companies are given more opportunities to restrict the use of their trademarks by others.\textsuperscript{508} To focus on maintaining the distinctiveness of a mark, or at least prevention of loss of distinctiveness, may restrict small businesses or start-up companies from entering the marketplace and building a customer base.\textsuperscript{509} Since a depreciation claim can be built without the presence of confusion there is less concern about the impact of the use of the mark on the public or competitor interest.\textsuperscript{510} The more types of goods and services being supplied by fewer sources, the less options there are for consumers, restricting the diversity of the market. In support, Naser calls for a return to traditional practices of a system ensuring the source and origin function of a trademark.\textsuperscript{511}

The potentially broad scope of the depreciation provision is also claimed to be at risk of impeding freedom of expression, including commercial expression.\textsuperscript{512} Mary LaFrance argues that certain unauthorized uses that can potentially cause the blurring of the distinctiveness of a

\textsuperscript{506} Clair rol, supra note 264 (Thurlow J giving an opinion on the intention of s 22 at para 36).
\textsuperscript{507} Naser, supra note 396.
\textsuperscript{508} Ibid.
\textsuperscript{509} Ibid.
\textsuperscript{510} Ibid.
\textsuperscript{511} Ibid.
mark could also benefit the public through critical expression or comparative advertising.\textsuperscript{513} LaFrance describes the concept of tarnishment as “trade libel without falsehood.”\textsuperscript{514} Furthermore, this should be protected expression, which voices critical opinion about a product or service to bring the public’s attention to alternative options without asserting a lie about the trademark.\textsuperscript{515} To reduce the impact of freedom of expression LaFrance recommends incorporating a requirement of proof of actual harm before a judge can grant extended protection to a trademark.\textsuperscript{516}

   The above noted academic concerns about extending trademark law to prohibit the depreciation of goodwill of a mark may be further reasons for the court to hesitate to allow keyword advertising to fall within the scope of s 22 of the Act. Notably, the consideration of the academic arguments would likely be restricted to a case where a registered trademark owner affected by keyword advertising has been successful to show evidence of all four elements of the depreciation provision set out in \textit{Veuve Clicquot}.

\subsection{5.3 Conclusion}

According to Taubner, with every bid or use from across a range of goods and services beyond that associated with the registered trademark there is a risk that consumers are less likely to believe the truth of the story conveyed by the mark, also known as the goodwill.\textsuperscript{517} Keyword advertising has the potential to distort the informational asset or goodwill of trademarks. However, without a sufficient amount of Canadian case law addressing keyword advertising or s 22 of the Act for an online context, it is uncertain how the courts would respond to this type of

\begin{footnotesize}
\textsuperscript{513} LaFrance, \textit{supra} 512.
\textsuperscript{514} \textit{Ibid} at 721.
\textsuperscript{515} LaFrance, \textit{supra} note 512.
\textsuperscript{516} \textit{Ibid}.
\textsuperscript{517} Taubner, "Google AdWords", \textit{supra} note 24.
\end{footnotesize}
trademark use. It would be presumptuous to claim that registered trademark owners can confidently rely on the scope of protection afforded by the provision if a third party advertiser has bid on their trademark without authorization to trigger a sponsored advertisement. Based on the current interpretation of depreciation, it is uncertain that registered Canadian trademark owners can produce sufficient evidence of a likelihood of depreciation of the value of goodwill in their mark in the context of keyword advertising.

There should be recognition of the value instilled in the mark by the digital world, which supports the need for a distinct understanding of trademarks apart from the source-identifying role and the prevention of consumer-confusion. However, due to the uncertainty of the strength of protection afforded by s 22 and the limitations noted in Chapter 4 of ss 19 and 20 of the Act, Chapter 6 will set out various amendments to the Trade-marks Act to respond to the ideal scope of keyword advertising. Moving forward it is important to consider the competing interests involved. Generally, online consumers have an interest in trustworthy comparisons and description of goods and services while mark owners’ interests include expanding business opportunities and securing investment in goodwill. Chapter 6 will work to balance those interests including the interests of search engines and the extent of the extent of responsibility they should have towards the unauthorized bidding on trademark keywords and non-competitive keyword phrases.

518 Long, supra note 426.
Chapter 6: Recommendations to Reform the Canadian Trade-marks Act

6.1 Introduction

In response to the limitations of the current reading of ss 19, 20 and 22 of the Act, this chapter recommends reforms to the trademark legislation. The reforms should provide the courts with the tools to appropriately restrict the unauthorized use of trademarks in keyword advertising. The reforms are intended to prohibit the unauthorized bidding on trademark keywords and phrases that include a trademark without a comparative element. Although there are a variety of possible recommendations to apply the appropriate restrain on trademark use in keyword advertising the first consideration should be legislative reforms to the Trade-marks Act. This chapter will only consider reforms to the trademark legislation; largely because it is important to first set out ways that trademark law can adapt to the Internet and modern uses of trademarks in a commercial setting. The focus of this research has been on the unauthorized use of trademarks and the extent of trademark rights in keyword advertising. Since trademarks are a large part of this project, possible reforms to the Trade-marks Act should be set out first as it is a primary source of regulation for trademark rights. If the government sets the restraint via legislative reforms it should bring more legal certainty and consistency to this area of law for trademark owners, advertisers and search engines.\(^\text{520}\)

As noted in Chapter 3 the ideal scope of keyword advertising is to impose a partial restraint on trademark use for the unauthorized use of registered trademarks. Third party advertisers without authorization should not be allowed to bid on trademarks as keywords nor bid on keyword phrases that include a trademark and do not have a comparative element. This

\(^{520}\) Jane Cornwell, “Keywords, case law and the Court of Justice: The Need for Legislative Intervention in Modernising European Trade Mark Law” (2013) 27:1 Int’l Rev L Comp & Tech 85.
recommendation will restrict Google’s open trademark keyword policy for the AdWords service. Consequently, the ideal scope of keyword advertising will also place a limitation on the service for advertisers in regards to the keywords and phrases permitted to be included in their keyword list. After setting out the scope in Chapter 3 the next step in Chapters 4 and 5 was to determine the extent to which the Canadian Trade-marks Act [the Act] could provide the appropriate restraint on keyword advertising.

Chapter 4 considered trademark infringement under ss 19 and 20 of the Act, assessing whether the trademarks were being used in the context of keyword advertising according the two-part test of use. Section 20 of the Act also requires a likelihood of confusion to be established. A similar type of online trademark use in meta tags was referenced to support the discussion however, the courts maintained a restricted interpretation of the provisions. Chapter 5 explored whether s 22 of the Act could be applied to the unauthorized trademark use in keyword advertising, prohibiting the depreciation of the value of the goodwill of the trademark. Based on the elements of s 22 as set out by the SCC it may be difficult for trademark owners to establish use under the Act and provide evidence of a likelihood of depreciation based on the current interpretation of the term. It was determined that ss 19, 20 and 22 would be unlikely to provide the necessary restraint on keyword advertising.

The first part of this chapter will set out reforms to the current provisions of the Act, ss 20 and 22 in Section 6.2. The recommendations pertain to the meaning of use, the list of circumstances to consider under s 6(5) confusion analysis and the meaning of depreciation. Possible reforms to s 19 will not be included in the discussion because in order to provide the necessary scope of keyword advertising there would need to be a complete transformation of the wording of the provision. As required under s 19, use of a trademark must be for identical goods
or services as noted on the registration. Scassa concludes that in the context of keyword advertising this would likely limit a claim for trademark infringement to the act of third party advertisers, leaving search engine liability beyond the scope of the provision. The services of the search engine would likely not be identical to the services registered to the trademark. For the purposes of Section 6.2, the goal is to broaden the net for possible trademark infringement to assist trademark owners to respond to unauthorized use of trademarks as keywords outside the boundaries of the ideal scope of the service. Depending on the circumstances, this may involve the actions of both third party advertisers and the search engine, which would be beyond the reach of s 19 of the Act. Due to the requirement of identical trademarks and goods or services, Scassa also notes that s 19 is more likely a remedy for unauthorized trademark use involving counterfeit goods.

After discussing the reforms to ss 20 and 22 of the Act and how they will apply the appropriate restraint on keyword advertising the benefits and drawbacks of the particular recommendations will be noted. The benefits and drawbacks will be discussed in Section 6.2.1 and Section 6.2.2 following the respective reforms. For instance, what role the judges will have to play to carry out the recommendations and whether the responsibility of implementing the restraint to this online service should be left to judges interpreting legislation.

The second part of the chapter will focus on reforms to the Act beyond ss 20 and 22. Section 6.3 sets out a recommendation to establish a greater sense of certainty pertaining to the legal responsibility and duty of search engines as a referencing service provider. Search engines will remain the focus of the discussion due to their involvement in keyword advertising and for

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521 Scassa, "Canadian Trademark Law", supra note 272.
522 Ibid.
523 Ibid.
the purposes of the research generally. However, the recommendation will refer to online intermediaries, encompassing search engines and leaving the provision broad enough so it is not restricted to the actions of search engines.

The recommendation pertains to a liability exemption provision for search engines. Further to setting out the details of this regime, Section 6.3 includes a discussion on the benefits and drawbacks of interfering with the functioning of search engines. The current Act does not account for the role of online intermediaries such as Internet Service Providers [ISPs] or search engines in regards to unauthorized trademark use. Therefore it is beneficial to have a single comprehensive act pertaining to trademark use in a brick and mortar setting and a modern online setting. Incorporating a legal framework for the responsibility and duty of search engines in regards to unauthorized trademark use will give more support and understanding to the extent of intellectual property rights online.

After analyzing possible reforms to the provisions discussed in Chapters 4 and 5 and proposing additional provisions for the Act future research could consider applying other sections of the Act to keyword advertising, methods of self-regulation, corporate social responsibility or a Notice and Notice regime. Future considerations will be discussed in Section 6.4.

Legislation and case law surrounding trademark use in keyword advertising in the EU will be referenced to provide support for the discussion in Sections 6.2 and 6.3. Concepts of trademark law in the US will also be referenced in Section 6.2. This chapter will not recommend reforms to the trademark legislation in the US and EU. These two jurisdictions have had more

\[524\] For example, Trade-marks Act, supra note 3.
experience analyzing the features of keyword advertising to determine the likelihood of trademark infringement. Those experiences will useful to help explain why the particular recommendations are being made for the Canadian Act. It should be noted that Jane Cornwell calls for comprehensive legislative reform in the EU in response to judicial creativity in keyword advertising cases due to the difficulty for current provisions to apply to trademark use on the Internet.\textsuperscript{525}

6.2 Recommendations for Sections 20 and 22 of the Trade-marks Act

If a few legislative changes are made to ss 20 and 22 of the Act they can provide the remedy for unauthorized uses of trademarks in keyword advertising that fall outside the ideal scope of the service. Trademark owners can apply both sections in a claim against a third party advertiser for bidding on a trademark keyword or non-comparative keyword phrase.

The sections are also only available to protect registered trademarks. Section 20(1)(a) targets unauthorized use of a trademark that is either identical or similar to the owner’s mark and the use is for advertising. However to target the bidding on trademark keywords a few changes are necessary to the required elements of the provision, use and confusion. For instance, a one-part test for use and adding initial interest confusion and intention of the consumer to the list of circumstances to consider under s 6(5) of the Act. Section 22 can fall within the boundaries of the ideal scope by prohibiting the depreciation of the value of goodwill of the trademark if the use element is reformed and further guidance is given to the meaning of depreciation.\textsuperscript{526}

\textsuperscript{525} Cornwell, supra note 520.

\textsuperscript{526} Note: Chapters 3 and 5, bidding on a trademark keyword without authorization can strain the goodwill of the trademark when the triggered sponsored advertisement is not associated with the goods or services of the trademark entered into the search.
Legislative reform inevitably impacts the rights and duties of various parties, which can have positive and negative consequences.\textsuperscript{527} One difficulty is determining the correct interpretation of statute to discover the intention of the legislators and the legal meaning of the statute.\textsuperscript{528} An incorrect interpretation would defeat the purpose of the legislative reform, risking interference in rights and duties beyond the intended scope of the law or failing to prohibit inappropriate acts. Despite the drawbacks of legislative reform there are positive contributions that support this type of legal remedy. The law struggles to maintain pace with technological advancement and the impact on intellectual property rights.\textsuperscript{529} Undesirable and unauthorized uses of trademarks remain within legal boundaries because there has not been an opportunity to reform legislation as is necessary to make the undesirable and unauthorized uses infringing uses of trademarks.\textsuperscript{530} The reforms to address the ideal scope of keyword advertising will help to modernize trademark law and appropriately respond to unauthorized trademark uses that take advantage of the freedoms available on search engine advertising platforms. Legislative reform avoids the uncertainty of judicial creativity in areas of law where the statute cannot provide an appropriate response to the facts at issue.\textsuperscript{531}

In order for the recommendations to appropriately restrain trademark use in keyword advertising judges have to be willing to accept the impact that technological innovation and new marketing strategies have on trademark rights.\textsuperscript{532} However, there is a risk that judges will be hesitant to respond to the ever-changing online marketplace for fear that it will distort the

\begin{footnotes}
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\item[528] Ibid.
\item[530] Ibid.
\item[531] Cornwell, supra note 520.
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traditional principles of trademark law.\textsuperscript{533} Therefore as new circumstances and trademark uses arise, judges may continue to provide a restrictive interpretation of the law in order to constrain trademark rights online as seen in cases relating to trademark use in meta tags.\textsuperscript{534} Graeme Dinwoodie notes that judges have a tendency to disapprove of legislative reforms that move away from traditional trademark protection.\textsuperscript{535} Therefore judges may reference back to traditional principles when interpreting the new provisions preventing the reforms from reaching their full potential. However this could be addressed by careful legislative drafting, limiting the amount of discretion the courts can apply. The more clarity in a given provision the more guidance judges have for interpretation. Legislators could include a \textit{Purpose} provision in the amended \textit{Trade-marks Act}. The Purpose provision should include:

\begin{quote}
"The purpose of this Act is to uphold the functions of trademarks as the designation of source and quality of goods and/or services associated with the trademark and the goodwill of the trademark."
\end{quote}

The statement informs judges, trademark owners and third party advertisers that the function of a trademark that is deserving of protection is not limited to the traditional indicator of source and quality of goods and services.

Section 6.2 will begin with a discussion of s 20 infringement followed by s 22 depreciation of the value of goodwill. For each section there will be summary of the particular elements of the current Act that are difficult to establish in a claim against bidding on trademark keywords. Then the recommended reforms will be set out including an explanation on how they will address the gaps of the current legislation in order to provide the necessary scope of

\textsuperscript{533} \textit{Ibid.}
\textsuperscript{534} \textit{Red Label Vacations Inc, supra} note 326.
keyword advertising. The benefits and drawbacks of the reforms to each provision will be noted in the respective sections.

6.2.1 Section 20 Infringement

6.2.1.1 Use and the Ideal Scope of Keyword Advertising

Currently s 20 infringement requires a two-part test of use, use in association with goods or services and use as a trademark or use to distinguish the source of goods or services. In a claim against trademark use in keyword advertising a mark owner will have difficulty establishing the second part of the two-part test, use as a trademark. As noted in Chapter 4 bidding on a trademark keyword is an invisible use. When the trademark is not included in the text of the sponsored advertisement it will be difficult to prove that the invisible use is actually distinguishing the goods and services in the advertisement as those associated with the trademark.

According to Scassa, in order for s 20 to adapt to uses of trademarks on the Internet the courts will need to adopt a flexible approach to the interpretation of use. Scassa recommends that the focus should be on the particular commercial activity in association with a confusing mark rather than meeting the narrow requirements of use under s 4 of the Act. For instance, bidding on a trademark keywords for the purposes of keyword advertising would be the commercial activity and then the question is whether this use is likely to cause confusion.

536 Trade-marks Act, supra note 3.
537 Scassa, "Canadian Trademark Law", supra note 272.
538 Ibid.
6.2.1.2 Reform: One-Part Test for Use Under Section 20

The proposed reform for the element of use under s 20 infringement is to add a one-part test for use to be applied to the context of the Internet. In order to state clearly that this reform is for uses of trademarks online a new sub-section should be added to the provision. The reformed sub-section should include wording similar to the following:

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\text{s 20(1) exclusive right to use is infringed by person who is not entitled to use under this Act and, (e) in the context of the Internet, who advertises any goods or services in association with a confusing trademark or trade name. For the purposes of this sub-section use for goods or services has the meaning of use in the normal course of trade [s 20(1)(e)].}
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6.2.1.2.1 The Benefits

The recommendation to incorporate a one-part test for the purposes of online advertising will make it easier for trademark owners to meet the required threshold in a claim against keyword advertising. The one-part test is more useful than the traditional two-part test for the purposes of keyword advertising because it eliminates the requirement of use of a trademark for distinguishing the source of the goods or services. As noted in the discussion of meta tags in Chapter 4, the courts do not interpret invisible uses as distinguishing uses.\(^{539}\) The difficulty establishing a distinguishing use will likely prevent trademark owners from claiming infringement under s 20 for the unauthorized bidding on a trademark. The one-part test will also account for the limitation of s 4(1) use in association of goods in the context of advertising. The Trade-marks Opposition Board has noted that advertising does not constitute use in association with goods under s 4(1).\(^{540}\) Therefore if the two-part test continues to apply to uses in online advertising it would restrict claims against keyword advertising to trademarks in association with

\(^{539}\) Red Label Vacations Inc, supra note 326.
\(^{540}\) Wishbuds Inc v Sandoz GmbH, supra note 267.
services. According to Scassa, s 20 can provide trademark owners a remedy in the context of the Internet and keyword advertising if the strict interpretation of use under the two-part test is removed from the equation.\footnote{Scassa, "Canadian Trademark Law", supra note 272, ch 9 at 532ff.} Taking into account the commercial activities of the allegedly infringing party at the time of use will allow for s 20 to reach its full potential online.\footnote{Scassa, "Canadian Trademark Law", supra note 272.} The recommended one-part test eliminates the narrow scope of the traditional two-part test, instructing judges to focus on the commercial component of the use of the trademark, such as bidding on a trademark keyword for keyword advertising.

Furthermore, reforming the meaning of use for the purposes of Internet advertising follows academic commentary on the need to redefine the function of trademarks. Mark Bartholomew agrees that the interpretation of trademark use should allow for uses beyond distinguishing the source or quality of goods or services.\footnote{Mark Bartholomew, “Making a Mark in the Internet Economy: A Trademark Analysis of Search Engine Advertising” (2005) 58 Okla L Rev 179.} Bartholomew suggests that uses may include unauthorized uses for the purpose of relying on the trademark’s goodwill and with the additional requirement of a likelihood of confusion the reform cannot be interpreted as granting exclusive property rights to trademark owners.\footnote{Ibid.} Nevins recognizes that the function of a trademark has extended beyond the traditional source identifier of goods or services to more of a symbolic role.\footnote{Nevins, supra note 19.} This reform also follows Dogan and Lemley’s note that Internet-based trademark claims have forced academics and hopefully legislators to re-consider the principle of trademark law.\footnote{Stacey L Dogan & Mark A Lemley, “Grounding Trademark Law Through Trademark Use” (2007) 92 Iowa L Rev 1669 [Dogan & Lemley, "Grounding Trademark Law"].} The recommended one-part test for use can protect the symbolic function of a

\footnote{Scassa, "Canadian Trademark Law", supra note 272, ch 9 at 532ff.}
trademark and it represents the need for the law to move beyond the narrow protection of trademarks that are used as a trademark or for distinguishing purposes.

6.2.1.3 Confusion and the Ideal Scope of Keyword Advertising

The second element required for s 20 infringement is use of a confusing trademark. The court will consider a non-exhaustive list of circumstances under s 6(5) of the Act to determine if there is a likelihood of confusion. Even though actual confusion is not necessary and the trademark owner only needs to show there is a likelihood of confusion the interpretation of trademark use in meta tags signals that confusion will not be found for keyword advertising. It is unlikely that the triggered sponsored advertisement will cause consumer confusion when the trademark is not used in the text of the sponsored advertisement nor on the landing page linked to the sponsored advertisement.\(^{547}\) In order for s 20 to fit in the ideal scope of keyword advertising and prohibit unauthorized bidding on trademark keywords a few additions need to be made to the meaning of confusion under the recommended s 20(1)(e) of the Act written for the context of the Internet.

6.2.1.4 Reform: Confusion Section 6(5) Surrounding Circumstances

The second recommended reform for the purposes of s 20(1)(e) is to add two factors to the list of circumstances to consider for the confusion analysis under s 6(5) of the Act. The first factor is the intention of the consumer. This follows Nevins’ argument that trademark law should respond to the interaction between trademarks and technological innovation.\(^{548}\) Advertisements are no longer constrained to newspapers, magazines or television. These methods seek consumer attention when the consumer may not be searching for that particular good or service.\(^{549}\) The Internet and keyword advertising has opened up the market to intent-based advertisements where

\(^{547}\) Red Label Vacations Inc, supra note 326.

\(^{548}\) Nevins, supra note 19.

\(^{549}\) Ibid.
the searcher’s intention is predicted from the keywords used in the search inquiry.\textsuperscript{550} Therefore when a searcher enters a trademark into Google Search they are communicating to Google the good or service they are seeking to buy and from which business.\textsuperscript{551} If the searcher were looking for a range of sources they would enter generic terms associated with a particular industry of interest and Google would work to produce the most relevant sponsored and organic results.\textsuperscript{552} Therefore, in the context of keyword advertising, the businesses that bid on trademark keywords without authorization are interfering with the intention of consumer, which can contribute to a likelihood of confusion.\textsuperscript{553}

6.2.1.4.1 The Drawbacks

One drawback of initial interest confusion is a risk that it could target non-commercial speech on the Internet as it takes place prior to the sale of goods or services. Rothman criticizes initial interest confusion for prohibiting speech that is critical but truthful of trademark owners and associated products or services.\textsuperscript{554} However there are safeguards built into the reform to account for these concerns. Use of the trademark must be established before infringement can be found in the context of the Internet. There must be use of the trademark in the normal course of trade, which indicates that reform will only target commercial uses or transactions. This safeguard prevents the prohibition of non-commercial uses or risking a wide net interfering with freedom of expression.

The second drawback is that incorporating initial interest confusion under s 6(5) confusion analysis is the type of reform that judges may disapprove. Certain academics disagree

\textsuperscript{550} Ibid.
\textsuperscript{551} Ibid.
\textsuperscript{552} Ibid.
\textsuperscript{553} Ibid.
\textsuperscript{554} Rothman, supra note 372.
that initial interest confusion should be incorporated into trademark legislation in order to respond to online unauthorized trademark uses such as keyword advertising. Arguably initial interest confusion expands the scope of trademark law too far. According to Rothman, it is not the intention of trademark law to protect marks in circumstances where there is no confusion at the time of purchase.\(^{555}\) Certain judges have also expressed negativity towards the role of initial interest confusion in Canadian trademark law, claiming that it should not be the basis of trademark infringement.\(^{556}\) However the recommendation is to include initial interest confusion as another factor to consider under s 6(5) when determining the likelihood of confusion for s 20 infringement. Initial interest confusion will help implement the necessary scope of keyword advertising and it is not intended to be the sole basis for trademark infringement.

### 6.2.1.4.2 The Benefits

The first benefit of this recommendation is that it responds to the modern method of intent-based advertising to attract particular consumers in search of particular products at a given time. Nevins supports the judicial consideration of intent-based advertising because otherwise Google is left unchecked for how commercial information is given to consumers.\(^{557}\) Google’s current response to bidding on trademark keywords without authorization is to have an open trademark policy and leave advertisers to address complaints amongst themselves.\(^{558}\) The ranking of the sponsored results is not automatic like the organic results therefore Google arguably has a bias towards those third party advertisers that invest the most in the search engine without

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555 Ibid.
556 Red Label Vacations Inc, supra note 326.
557 Nevins, supra note 19.
consideration of the loss to consumers and trademark owners.\textsuperscript{559} The recommendation will provide trademark owners a remedy for the keyword advertising complaints, or unauthorized bidding on trademark keywords, that Google has categorized as insignificant.

The second benefit is that it accounts for the risk that third party advertisers will circumvent the restraint on keyword phrases. The ideal scope of keyword advertising prohibits the unauthorized use of trademarks as keywords and in keyword phrases that do not contain a comparative element. However advertisers may decide to bid on phrases that contain a trademark and a comparative element but the sponsored advertisement will be unrelated to the type of goods or services associated with the trademark. As a result the third party advertiser is not providing consumers with a comparative advertisement relevant to their search objectives.

The courts will have to find a way to respond to these circumstances using the reformed provisions of the Act. The recommendation to add the intention of the consumer to the list of factors to consider under s 6(5) confusion analysis for the purposes of s 20 infringement would provide a response to this concern. If the sponsored advertisement is not relevant to the consumer’s search intention then the courts can take this into account to determine whether there is a likelihood of confusion based on the unauthorized use of a trademark in the context of online advertising under the proposed s 20(1)(e) of the Act.

The second factor that should be added to the list of surrounding circumstances under s 6(5) is \textit{initial interest confusion}. Initial interest confusion should be considered among all the other circumstances listed under s 6(5) to determine whether there is a likelihood of confusion. This is not a recommendation to have initial interest confusion as a self-contained argument for

\textsuperscript{559} Nevins, \textit{supra} note 19.
proving a likelihood of confusion. As noted by Gregory Macaw, initial interest confusion is a subset of a likelihood of confusion to be considered by the courts when establishing trademark infringement. Scassa agrees that initial interest confusion could be included in the multi-factor test for confusion but it should require a stronger argument than merely diverting the attention of the consumer from the trademark products to the advertiser’s goods or service. Scassa recommends that the trademark owner should be required to show a loss of business due to the initial interest confusion or consumer diversion. In agreement with Scassa, when a third party advertiser bids on a trademark keyword without authorization to trigger a sponsored advertisement the mark owner would have to show a loss of business for the court to consider initial interest confusion among the other circumstances under s 6(5) of the Act. A loss of business may include fewer visitors to the site or fewer consumer transactions since the unauthorized use of the trademark keyword.

6.2.1.5 Summary of Section 20 Reforms

To summarize, s 20 of the Act should be reformed to include a new provision, s 20(1)(e), tailored for the use of a confusing trademark for the purposes of online advertising. The meaning of use for goods or services should be based on a one-part test for use in the normal course of trade. In regards to the test of confusion, it is recommended that two more factors be included in the list of circumstances to consider under s 6(5) of the Act – intention of the consumer and initial interest confusion. The reforms to s 20 are intended to assist trademark owners to bring a claim of

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562 Ibid.
infringement against third party advertisers for the unauthorized use of the mark in the advertiser’s keyword list, excluding use for the purposes of honest comparative advertising.

6.2.2 Section 22: Depreciation of the Goodwill of A Trademark

This section of the chapter will outline the recommended reforms to s 22 of the Act to enable the provision to provide the appropriate restrain on keyword advertising. In support of the recommendations, reference will be made to the EU Directive on trademarks and case law from the ECJ.\(^{563}\)

The unauthorized trademark use in keyword advertising has drawn academic attention to the investment value of the trademark in the online context. The depreciation provision under the Canadian Act is designed to provide courts the flexibility to apply protection of goodwill of a trademark in various circumstances without the requirement of confusion or the two-part test for use. As described in Chapter 5, the SCC in Veuve Clicquot set out four elements to establish a likelihood of depreciation, however the following recommendations will focus only on the first and fourth element, use and deprecation. It is unnecessary for the ideal scope of keyword advertising to adjust the requirement of goodwill in the trademark and establishing a link in the mind of the consumer. As noted in Chapter 5, the link can be established when the consumer enters the trademark and other search terms in the search engine.\(^{564}\) Section 22 is underdeveloped in the online context and it is intended that the following reforms will allow the provision to respond to the claims against unauthorized trademark use in keyword advertising.

\(^{563}\) Directive (trademarks) 2008/95/EC, supra note 18; Google France, supra note 8; Intel Corporation Inc v CPM United Kingdom Ltd, C-252/07 [2008] I-08823.

\(^{564}\) Google France, supra note 8, Opinion of Advocate General Maduro at para 79.
6.2.2.1 Use and the Ideal Scope of Keyword Advertising

Currently a likelihood of depreciation under s 22 of the Act requires the first limb of the two-part test for use as applied under s 20 infringement. Therefore the trademark must be used in association with the goods or services as per s 4 of the Act. As discussed in the Section 4.3 regarding use under s 20, the application of the provision is limited to claims of infringing use of trademarks associated with services, as use in relation to services under s 4(2) includes advertising.\(^{565}\) In order to allow owners of registered trademarks, associated with goods or services, to rely on s 22 to prohibit the unauthorized bidding on trademark keywords the interpretation of use under the provision should be reformed.

6.2.2.2 Reform: One-Part Test for Use Under Section 22

It is recommended that the current one-part test for use under s 22 be replaced by *use in the normal course of trade* for goods or services. A subsection should be added to s 22 to give clear guidance to judges when assessing the use element. *Section 22(1)(a)* should be worded as:

“In the context of online advertising and for the purposes of this section, trademark use for goods or services has the meaning of *use in the normal course of trade*.”

This recommendation will make is easier for trademark owners to meet the threshold for use in the context of keyword advertising, as noted in the discussion on reforms for s 20 infringement. The one-part test focuses on the commercial component of the use in association with both goods and services. Therefore advertising can now qualify as use in association with goods, granting the possibility of claims of infringement to more trademark owners. Section 22 of the Act will be more likely to fit with the ideal scope of keyword advertising.

\(^{565}\) *Wishbuds Inc v Sandoz GmbH*, *supra* note 267.
6.2.2.2.1 The Benefits

The benefit of reforming use under s 22 is that it facilitates a broader interpretation of the provision. The depreciation provision falls outside the traditional scope of trademark protection, which is probably why the courts have historically given it a narrow interpretation. However, the narrow interpretation has restrained the usefulness of the provision.\(^{566}\) According to Holloway, legislatures should be addressing online activities that take advantage of the inherent value of trademarks, such as goodwill or the information-asset value.\(^{567}\) One way of achieving this remedy is to introduce a more flexible use requirement under the provision.\(^{568}\) The recommendation to introduce a new meaning of use for the purpose of online advertising will assist s 22 of the Act to fulfill its objective in trademark law. Requiring that a trademark be *used in the normal course of trade* for goods or services should create the flexibility necessary to respond to the ideal scope of keyword advertising. The new definition of use for the purposes of online advertising was also recommended for s 20 infringement creating another source of remedy for registered trademark owners against unauthorized keyword bidding. According to Neuberger, the law must adapt to changes and advancements in the commercial industry, keyword advertising is an example of that change.\(^{569}\) This is a reason why the US, EU and Canada have granted a form of protection to the inherent value or goodwill of trademarks.\(^{570}\) With the above recommendation to reform s 22 of the Act the method of protection in Canada for that inherent value will strengthen.

\(^{566}\) Holloway, *supra* note 16.  
\(^{567}\) *Ibid.*  
\(^{568}\) *Ibid.*  
\(^{569}\) Lord Neuberger, *supra* note 489.  
\(^{570}\) *Ibid.*
6.2.2.3 Depreciation and the Ideal Scope of Keyword Advertising

The SCC in *Veuve Clicquot* stated that depreciation includes, but is not limited to, dilution by blurring and dilution by tarnishment.\(^{571}\) There is a lack of certainty as to the proper scope of the meaning of depreciation, which creates difficulty for trademark owners trying to establish trademark protection under s 22 of the Act. If the Act provided a definition of depreciation it would add more clarity to the provision and give judges more guidance in their assessment of the facts. The definition is intended to be applicable to the circumstances of keyword advertising and the unauthorized bidding on trademark keywords.

6.2.2.4 Reform: Meaning of Depreciation

The second recommendation for s 22 of the Act is to provide a definition of depreciation under s 2 “interpretation”, encompassing terminology used in the US and the EU for similar trademark provisions. The definition of depreciation should include the following:

“*Depreciation*, means the weakening of the selling power of a trademark and includes, but is not limited to, the use of the trademark causes dilution by blurring, dilution by tarnishment or takes unfair advantage of the distinctiveness or reputation of the trademark.”

Incorporating “unfair advantage” to the meaning of depreciation comes from the language used in art 5(2) of the EU Directive on trademarks.\(^{572}\) The US concepts of dilution were already approved by the SCC in *Veuve Clicquot* to fall within the meaning of depreciation. However when the Court noted that depreciation is not limited to dilution this created an opportunity to widen the scope of term. The recommendation adds to the definition provided by the SCC while maintaining the flexibility of the term by including the phrase “includes, but is

\(^{571}\) *Veuve Clicquot*, supra note 317.

\(^{572}\) *Directive (trademarks) 2008/95/EC*, supra note 18.
not limited to”. Charles Gielen interprets unfair advantage in the EU Directive on trademark as recognition that there is a need to provide more protection to marks with a reputation or distinctive character and prevent third parties from unfairly benefiting from the goodwill of the trademark.\textsuperscript{573} The ECJ in \textit{L’Oreal SA v Bellure NV} \textit{[L’Oreal v Bellure]} states that taking unfair advantage also refers to ‘free-riding’. Furthermore, “the concept relates not to the detriment caused to the mark but to the advantage taken by the third party as a result of the use of the identical or similar sign…there is clear exploitation on the coat-tails of the mark with a reputation.”\textsuperscript{574} There must be consideration of all the relevant factors including strength of the reputation of the mark and the degree of similarity between the goods and services.\textsuperscript{575} The Canadian courts may interpret unfair advantage differently, however the meaning and context from the EU can serve as a reference point. For greater clarity, bidding on trademark keywords and non-comparative trademark phrases without authorization includes taking unfair advantage of the goodwill, distinctiveness or reputation of the trademark.

\textbf{6.2.2.4.1 The Drawbacks}

One drawback of including \textit{taking unfair advantage} within the meaning of depreciation is it may also cause concern for judges when assessing the likelihood of depreciation under s 22 of the Act. Bereskin notes that \textit{unfair advantage} under the EU Directive on trademarks goes a step further than US dilution and Canadian depreciation.\textsuperscript{576} Judges may agree with Bereskin that unfair advantage or free-riding expand trademark protection too widely and may interfere with

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\item [574] \textit{L’Oreal SA and Others v Bellure NV and Others}, C-487/07, [2009] I-05185 at para 41.
\item [575] \textit{Ibid} at para 44.
\item [576] Bereskin, \textit{supra} note 396.
\end{enumerate}
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free market principles. Arguably reforming s 22 to include unfair advantage is unnecessary as the current Act lacks a definition of depreciation leaving the judges the flexibility to respond to various circumstances. However there has also been a hesitancy to test the limits of s 22 of the Act. Setting out a definition will hopefully encourage judges to allow s 22 to protect trademarks from depreciation of goodwill recognizing the value of the selling power of a trademark particularly for the purposes of online advertising.

6.2.2.4.2 The Benefits

The way that the Internet has changed the marketplace and marketing strategies has called for a response from the legislators. In response to claims of unfair advantage, the ECJ in *L’Oreal v Bellure* noted that the harm that is being targeted is the action of the third party and the benefit received from the selling power, reputation and the investment of the trademark owner. As noted in Chapter 5 there are academics in support of extending the protection of trademarks through depreciation. Long argues that the information-asset value of a trademark is worthy of protection because there is value in the information given by a trademark on the lifestyle, emotion and identity associated with the brand or business. Trademark keywords are a representation of the information-asset value of a mark. Including the prohibition of the taking unfair advantage to the meaning of depreciation, as recommended, will protect this value of the trademark and fit with the ideal scope of keyword advertising.

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577 Ibid.
579 Janis & Yu, supra note 484.
580 *L’Oreal v Bellure*, supra note 574.
581 Long, supra note 426.
Another benefit of the recommended definition is that it notes that depreciation means the weakening of the selling power of a mark, which is linked to a loss of distinctiveness. As per the ECJ in *Intel Corporation Inc v CPM United Kingdom Ltd*, a loss of distinctiveness of the trademark occurs when consumers no longer have an immediate association with the goods or services registered to the mark.582 Trademark owners do not have exclusive use of their trademark as a keyword as they could be one of many advertisers using the trademark to trigger a sponsored advertisement. Therefore, there can be a lot competition for trademark owners to be placed at the top of the sponsored list in the plane view of consumers. Trademark keywords can become sources of sponsored advertisements unassociated with the goods or services linked to the trademark. Clearly stating that depreciation relates to the selling power of a mark directs judges to focus on a particular feature of trademarks for claims of infringing use under s 22 of the Act. The unauthorized bidding on a trademark keyword and the triggered sponsored advertisement can be linked to the interference with the selling power of the mark. The interference could be, but is not limited to, dilution of the trademark or taking unfair advantage of a mark with goodwill.

6.2.2.5 Summary of Section 22 Reforms

To summarize, s 22 of the Act should be reformed to include a new subsection, s 22(1)(a), pertaining to trademark uses online and a definition of depreciation should be added to s 2 of the Act. For the purposes of unauthorized uses on the Internet, the element of use should be satisfied with a one-part test for use in the normal course of trade. The definition of depreciation should include concepts of selling power, dilution and taking unfair advantage. The broader scope of use

582 *Intel Corp Inc*, supra note 563.
and depreciation under s 22 are intended to allow trademark owners to protect the goodwill they have built in the mark from being abused through unauthorized bidding in keyword advertising.

The drawbacks of the recommendations to reform s 20 and 22 of the Canadian Trade-marks include, restrictive judicial interpretation for initial interest confusion and unfair advantage, and third party advertisers circumventing the restricted boundaries of the preferred scope of keyword advertising falling beyond the reach of the legislative reforms. However, despite the drawbacks there are substantial merits of the recommendations that outweigh the criticisms and promote the revised scope of keyword advertising. The reforms to ss 20 and 22 give more rights to trademark owners particularly with the incorporation of initial interest confusion under the list of circumstances to consider for s 6(5) confusion. However, the reforms do not transform trademark rights into overbroad property rights to mark owners. Initial interest confusion alone is insufficient to prove confusion for the purposes of s 20 of the Act.

Incorporating a definition for depreciation is only intended to bring more clarity to a current provision of the Act that targets circumstances that abuse the goodwill of a trademark. The reforms also redefine current rights from a brick and mortar setting to the modern Internet platform. Adjusting the threshold for trademark use under ss 20 and 22 for the purposes of online advertising is recognition of the value of trademarks online particularly in the context of keyword advertising. Furthermore, modernizing the Act and targeting intent-based advertising reflects the change in relationship between the consumer, trademark owner and third party advertiser due to the prevalence of online advertising.
6.3 Reform Beyond Sections 20 and 22 of the *Trade-Marks Act*

Section 6.3 of the chapter will set out recommendations for reforms to the *Trade-marks Act* beyond ss 20 and 22. The recommendation is to add a provision to the *Trade-marks Act* in relation to the responsibility and duty of search engines for potential infringing trademark uses. The current Act remains silent on search engine responsibility for infringing uses of trademarks. Generally, there is a lengthy time period between legislative amendments to a single act. It is important to ensure that the next amendment to the *Trade-marks Act* provides a comprehensive response to concerns relating to unauthorized trademark use online particularly in the context of online advertising such as the ideal scope of keyword advertising. Incorporating a provision that addresses the legal responsibility of Internet intermediaries such as search engines will help bring greater certainty to this area of law, further defining the relationship between trademark owners, third party advertisers and search engines. The recommendation pertaining to search engine responsibility is a liability exemption. The experiences from the EU, the e-commerce Directive and decisions of the ECJ, will be referenced in support of the recommendations. The benefits and drawbacks of this reform will also be discussed.

### 6.3.1 Search Engine Responsibility and the Ideal Scope of Keyword Advertising

According to Uta Kohl Google AdWords acts as gatekeeper of trademarks, impacting the type, source and ranking of search results presented to consumers.\(^{583}\) Trademarks on the Internet play an important role of connecting with consumers to ensure they are confident in the product they purchase.\(^{584}\) Google’s interaction with trademarks through the AdWords program raises questions and concerns as to the level of responsibility that should be placed upon the search

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\(^{584}\) *Ibid.*
engine to respond to complaints about infringing uses. With the proposed reforms set out in Section 6.2 there should be a greater likelihood that trademark infringement is found based on the unauthorized bidding on trademark keywords or non-comparative phrases. Therefore to what extent is Google responsible for that trademark infringement? Currently the search engine accepts no responsibility for unauthorized bidding on trademarks. However as with other search engine disputes there are competing policy concerns to address, for instance the conflict between being found and remaining hidden as is the case with trademark use and keyword advertising.\(^{585}\)

The following reform is intended to balance the competing interests.

### 6.3.1.1 Reform: Liability Exemption

The recommendation pertaining to search engine responsibility is to implement a liability exemption provision. A liability exemption regime is designed to take into account intellectual property rights and the importance of the role of intermediaries in the free flow of information online. The e-commerce Directive for the EU includes a liability exemption for specific types of online intermediaries, which will shield them from liability under various circumstances.\(^{586}\)

Article 14 of the e-commerce Directive is for Hosting services, which store information at the request of Internet users and will not be liable for the information stored as long as: “(a) the provider does not have actual knowledge of illegal activity or information and…is not aware of facts or circumstances from the illegal activity or information is apparent.”\(^{587}\)

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\(^{585}\) Moffat, *supra* note 106.  
\(^{586}\) *e-commerce Directive 2000/31/EC, supra* note 65.  
The ECJ in *Google France* clarified that Google is considered a referencing service provider and is protected under the art 14 liability exemption.\(^{588}\) As long as Google does not play an active role in the infringing use of trademark keywords for the AdWords service they will not be held liable. The recommendation for the Canadian Act is to implement a similar liability exemption provision to art 14(a) of the e-commerce Directive.

Where an infringing use has occurred due to the unauthorized bidding on trademark keywords Google may be held responsible if there was evidence that the Keyword Planner from the AdWords service included an unauthorized trademark in the list of keywords recommended to the third party advertiser. As noted by the ECJ in *Google France*, the role of the search engine in the selection of the keyword is relevant when determining the neutrality of the intermediary.\(^{589}\) According to Dogan and Lemley, merely allowing the third party advertiser to bid on a trademark keyword without authorization is not sufficient to show Google actively played a role in infringing use.\(^{590}\) The ECJ in *Google France* also clearly stated that Google’s financial incentive to maintain AdWords is not a sufficient reason for Google to fall outside the liability exemption.\(^{591}\) According to Dogan and Lemley, to increase the scope of search engine liability beyond an active role or obtaining knowledge of infringing use would cause inefficiency for Google AdWords and Google Search.\(^{592}\) This may create a burden to closely monitor AdWords, increasing the price of the bids or cause Google to greatly reduce the features of the service and the overall public benefit.\(^{593}\) However, where the AdWords service suggests a trademark to a

\(^{588}\) *Google France*, *supra* note 8.

\(^{589}\) *Ibid* at para 118.

\(^{590}\) Dogan & Lemley, "Grounding Trademark Law", *supra* note 546.

\(^{591}\) *Google France*, *supra* note 8.

\(^{592}\) Dogan & Lemley, "Grounding Trademark Law", *supra* note 546.

\(^{593}\) *Ibid.*
third party advertiser seeking to improve the rank of their sponsored advertisement or their click-through-rate that act should fall outside the liability exemption under the Canadian Act.

6.3.1.1.1 The Drawbacks

One drawback of interfering with the function of search engine pertains to the impact on comparative advertising. As previously noted keyword advertising provides an opportunity for businesses to present their goods and services to consumers alongside competitor’s goods and services.

Comparative advertising not only benefits businesses but also consumers, providing information to make an informed decision about their purchase. Hannibal Travis argues that placing a form of liability on Google for potential trademark infringement could have negative consequences for comparative advertising.594 Google could respond to the threat of liability by greatly reducing the access to their service or start charging a fee for their other services in order to pay for the cost of monitoring the activity of keyword bidding in AdWords. Other Google services include Google Search, Google Maps and Google News. According to Travis, Google supports Internet neutrality for intermediaries rather than liability because of the benefit they provide to the public.595 The search engine works to find information available on the Internet and allows it to be easily accessible to Internet users, advancing the knowledge of the public.596 A balanced policy for online regulation can satisfy both the public interest and Google’s business model.597 The recommendation for a liability exemption provision is a balanced policy for search engine regulation in the context of keyword advertising. Google will only be liable for trademark

595 Ibid.
596 Ibid.
597 Ibid.
infringement if they play an active role or had actual knowledge of the infringing use such as suggesting that the third party advertiser add a competitor’s trademark to their keyword list.

Another drawback of interfering with the function of search engines is the impact on information flow online. There are currently no Canadian cases that address search engine involvement in keyword advertising. Based on the current provisions of the Act it is unlikely that the role played by search engines in unauthorized trademark use in keyword advertising will be found an infringement of trademark rights.\(^{598}\) Implementing the proposed search engine reforms to the Trade-marks Act will open up the possibility for search engine liability under ss 20 and 22. This is why there is a need for a provision similar to art 14 of the e-commerce Directive. The threat of liability could cause a chilling effect on information flow and innovation.

The chilling effect occurs when many people that are subject to an overbroad law decide not to engage in protected speech for the risk they will be found liable under that law.\(^{599}\) It is a voluntary decision to prohibit the expression even though it is valid, as the law would not apply to those particular circumstances.\(^{600}\) The uncertain legal standards and the threat of lengthy and expensive litigation is sufficient to cause reluctance in the unauthorized and lawful uses of trademarks.\(^{601}\) For instance, gatekeepers can take measures of caution on the information that passes through their system having a negative effective on the dissemination of speech.\(^{602}\) Emily Laidlaw notes that imposing a form of accountability on search engines could upset the market

\(^{598}\) Scassa, "Canadian Trademark Law", supra note 272.
\(^{600}\) Ibid.
\(^{602}\) Ibid.
balance between search engines, businesses and users. Although the liability exemption regime would provide immunity to search engines it is on condition they play a neutral role in the content stored in their system, such as sponsored advertisements and keyword lists. The potential liability for trademark infringement may affect the relationship between Google and advertisers and cause a chill on the flow of online trading. This may also impact the type of information consumers receive from their search request by interfering with the flow of relevant content.

Despite the drawbacks to interfering with the current function of search engines and the AdWords service, the benefits of the reform outweigh the negatives for the following reasons, limiting legal uncertainty, providing further guidance to the court and adding a defence to trademark infringement.

6.3.1.1.2 The Benefits

There is currently a lack of legal certainty regarding the duty and responsibilities of search engines in the context of keyword advertising. There has only been one keyword advertising case in Canada; and Google was not a party to the case. As a result, the extent of responsibility of the search engine was not fully analyzed by the court. Trademark owners continue to raise concerns regarding the unauthorized use of their marks as keywords and whether they can make a claim against Google for their involvement in the keyword selection process. Therefore if the reform is implemented it will bring more clarity to this area of law even if it will not provide the outcome that trademark owners may believe is fair, for instance direct liability for search

604 Ibid.
605 Goldman, "Deregulating Relevancy", supra note 177.
606 Vancouver Community College, supra note 5.
engines. A lack of legislative response to the responsibility of search engines leaves the parties to wonder whether they have a claim of infringement that is worth pursuing.

The liability exemption recommendation should help to clarify an appropriate approach to competing interests. First there are the traditional principles of trademark law secured in the Act. Second there are the interests of intermediaries, which are constantly changing due to technological advancement and shifting online business models. The current Trade-marks Act is silent on search engine responsibility for trademark infringement and the courts are left to determine the appropriate legal approach. Without legislative guidance the courts must determine the interests that are more important and for what reason. Implementing a liability exemption regime will provide courts with direction on how to approach and assess the circumstances before them knowing that the policies have been approved by legislatures.

The recommendations for search engines are not overly intrusive on the functioning on the services they provide. The liability exemption regime actually provides a defence for trademark infringement if they maintain a neutral role prior to the infringing use. Weckstrom notes that it is important to recognize the interests of those who own intellectual property rights in the context of the Internet. It is also important to allow for the development of online services to maximize the social benefit. Weckstrom agrees that trademark law needs to bring clarity to trademark infringement online. A part of that responsibility is to set boundaries for intermediary liability, recognizing that complete protection of intermediaries or complete

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608 Ibid.
609 Ibid.
610 Ibid.
The protection of trademark owners’ interests are not ideal outcomes. The intention of the recommendation is to achieve the middle ground between those extremes. The liability exemption provides search engines a defence to trademark infringement as long as they uphold the terms of the provision.

**6.3.1.2 Summary of Reform to Search Engine Responsibility**

To summarize, the Canadian *Trade-marks Act* should be amended to include a liability exemption regime for referencing service providers. The regime will limit the liability for trademark infringement where the information is stored at the request of the user and the provider does not have actual knowledge of the infringing use, is not aware of facts or circumstances of the infringing use or has not played an active role in the infringing use.

The drawbacks of the recommendation pertaining to search engines include an adverse effect on comparative advertising online and the potential chilling effect on innovation and information access. However, despite the drawbacks there are benefits of the recommendation that outweigh the criticisms and promote the revised scope of keyword advertising. The recommendation to add a liability exemption regime to the *Trade-marks Act* is another step towards modernizing the Act in response to trademark use online. The regime will give trademark owners more clarity on the extent of their rights when deciding to pursue a claim against the search engine for improper trademark use in keyword advertising. Search engines will be aware of the limits to their legal responsibility and the role they play in regards to the unauthorized use of trademarks in keyword advertising. This will likely force a change in Google’s open policy for trademark keywords. Finally, a liability exemption regime assists

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611 Ibid.
judges in balancing the interests of trademark owners, third party advertisers and search engines when faced with a claim of infringement for unauthorized bidding on trademark keywords in keyword advertising.

6.4 Future Considerations

This chapter set out various recommendations for reforms to the Canadian *Trade-marks Act* due to the limitations of ss 19, 20 and 22 to provide the ideal scope of keyword advertising. Section 6.2 focused on ss 20 and 22 of the Act, recommending a subsection under s 20 directed towards Internet advertising with a one-part test for use and adding two factors to the list of circumstances considered under s 6(5) confusion. The same one-part test for use was recommended to replace the interpretation of use under s 22 of the Act along with a statutory definition for depreciation. Section 6.3 focused on the responsibility and duty of search engines where trademark infringement is claimed due to the unauthorized bidding on trademark keywords and phrases that do not contain a comparative element. It was recommended that the Act be amended to include a liability exemption provision.

Compared to the US and EU experiences, Canadian trademark law is underdeveloped in response to third party advertisers that bid on trademark keywords without authorization for the purposes of keyword advertising. Keyword advertising is a dominant form of online advertising and the industry will continue to expand as a platform to gain market exposure. Therefore, in anticipation of future claims of improper uses of trademarks there should be a system in place to implement the appropriate scope of keyword advertising. As previously mentioned, reforming the *Trade-marks Act* is one of a variety of possible responses. Future considerations in this area of research should include a self-regulatory advertising regime, a corporate social responsibility model and Notice and Notice regime.
Under a self-regulatory regime the Canadian advertising industry would have a duty to regulate the behaviour of third party advertisers.\(^{612}\) This could include a complaints system directed towards unauthorized bidding on trademark keywords where owners make a complaint and follow the necessary procedures to reach a solution with the third party advertiser. A corporate social responsibility model is a voluntary scheme concerning the role and duty of the search engine.\(^{613}\) The model would be created by Google incorporating rules governing actions of the search engine in accordance with the public expectations of their business model.\(^{614}\) This may include rules pertaining to duties upon notification of unauthorized bidding on trademark keywords or disallowing the unauthorized bidding on trademark keywords.

A Notice and Notice regime sets out the duty of the search engine upon notice of the infringing act.\(^{615}\) Upon receiving notice of the infringing trademark use from the trademark owner Google would be required to forward the notice to the third party advertiser identified as the source of possible infringement.\(^{616}\) In the context of keyword advertising the infringing act would be the unauthorized bidding on a trademark keyword or non-comparative trademark phrase. The regime should discourage unauthorized trademark keyword bids and avoid an unfair burden on the search engine to monitor AdWords content.


\(^{614}\) Ibid.

\(^{615}\) The Author’s inspiration for the Notice and Notice regime comes from the recent Copyright Modernization Act, which responded to various concerns of copyright infringement on the Internet; Copyright Modernization Act, SC 2012 c 20 [Copyright Modernization Act].

Chapter 7: The Neutral Ground

Keywords are the guiding light through the immense amount of information on the Internet. Without keywords, all consumers would be in the dark about how, and where, to access any site on the Internet. Trademark keywords bring consumers to the steps of a company’s storefront. Trademark owners should be granted access to those consumers in search of the goods or services associated with their trademark. However, unauthorized third party interference in the form of keyword bidding darkens the importance of trademark keywords.

This thesis focused on the unauthorized use of trademarks in keyword advertising. After analyzing the benefits and drawbacks of keyword advertising it was argued that the ideal scope of the online service should prohibit the unauthorized bidding on registered trademarks as keywords and in non-comparative keyword phrases.

Based on this conclusion, the goal of the research was to determine the extent to which the Canadian Trade-marks Act could provide the ideal scope of keyword advertising. The Act was selected to provide a remedy because the unauthorized use of trademarks was a primary concern for the purposes of this research.

Canadian courts have not exhausted the remedies available for potential infringing trademark uses under the Canadian Act for the purposes of keyword advertising. There has been only one Canadian case addressing unauthorized trademark use in keyword advertising and it was premised on a claim of passing-off. The scope of ss 19, 20 and 22 of the Act in relation to keyword advertising is thoroughly elusive. All three of the provisions require a degree of trademark use and are only available to protect registered trademarks.

Due to the lack of Canadian judicial experience in assessing trademarks in keyword advertising generally, the United States and the European Union were selected for comparative
analysis. There are multiple cases in the US and the EU that address issues of unauthorized trademark use in keyword advertising and the judiciary have presented different opinions on the extent that this use is infringing use. The judicial interpretations and related legislative provisions were referenced only to the extent that they could provide assistance to determine the capability of the Canadian Act to respond to the ideal scope of keyword advertising. The differences in language and interpretation of the legislative provisions in the US, EU and Canada were highlighted when necessary to demonstrate the limitations for relying on the judicial decisions in future Canadian keyword advertising cases.

I have argued that the unauthorized bidding on registered trademarks as keywords and in non-comparative keyword phrases should be prohibited for the purposes of keyword advertising. Chapters 4 and 5 provided a comprehensive assessment of the current interpretation of ss 19, 20 and 22 of the Canadian Act to determine the extent to which the provisions could provide this ideal scope of keyword advertising.

Chapter 4 determined the capability of ss 19 and 20 of the Act to provide the ideal scope of keyword advertising. The provisions were discussed within the same chapter because they both require the two-part test of trademark use before a violation of the provision can be established. In regards to s 19, there is limited interpretation of trademark use and a requirement for use in association with identical goods or services. Therefore, the provision would be unable to prohibit the unauthorized bidding on trademark keywords. In regards to s 20, the provision explicitly applies to trademark use for the purposes of advertising and it was initially believed there was a greater chance of applicability compared to s 19 of the Act. The key component of s 20 is a likelihood of confusion, which is difficult establish in an online context. After considering the judicial interpretation of trademark use in meta tags and a likelihood of confusion it was
determined that the courts would likely view keyword advertising under the same lens. Therefore, it would be unlikely for a trademark owner to establish trademark use and a likelihood of confusion based on the unauthorized bidding on a trademark keyword. Due to the difficulty of establishing a likelihood of confusion online, the argument for initial interest confusion was set out. However, Canadian courts have been hesitant to accept this concept in Canadian trademark law providing little assistance to proving an infringing use under s 20 of the Act.

Chapter 5 determined the capability of s 22 of the Act to provide the ideal scope of keyword advertising. Section 22 prohibits unauthorized trademark use that is likely to depreciate the value of goodwill of the trademark. Section 22 also requires evidence of trademark use however, there only has to be use in association with goods or services. Based on the current interpretation from the SCC, the elements of s 22 of the Act were applied to the context of keyword advertising. There is no Canadian case law addressing the likelihood of depreciation of goodwill in the context of keyword advertising. Reference was made to US and EU case law to distinguish the meaning of trademark use, to support the interpretation of the link in the mind of the consumer and explain the concept of dilution under the meaning of depreciation. However, based on the Canadian interpretation of trademark use, the uncertain meaning of depreciation and the difficulty establishing evidence of depreciation it was concluded that the provision was unlikely to provide the ideal scope of keyword advertising.

Based on the analysis of the current interpretation of ss 19, 20 and 22 of the Act, it is unlikely that provisions are able to provide a useful scope for dealing with keyword advertising.

This conclusion applies to a claim against third party advertisers and the search engine. Therefore Chapter 6 set out various recommendations to reform the Trade-marks Act. The recommendations only focused on legislative reforms to exhaust the ability of the Act to provide
the extended protection to trademarks in this context. The recommendations also help to modernize the Act in response to trademark use online and benefit legal certainty and predictability. Importantly, the recommendations would set out the extent of legal responsibility of search engines for the unauthorized bidding on trademark keywords.

Chapter 6 began with recommendations to reform ss 20 and 22 of the Act to expand the scope of trademark protection for the purposes of keyword advertising. A reform of s 19 was not included in the recommendations because the extent of reforms that would be necessary to respond to keyword advertising would likely distort the provision from its current form. In regards to s 20, it was recommended that a subsection be added to the provision for the purposes of Internet advertising and a one-part test for use would be required. With support from the interpretation of trademark use in the EU, the required test for use should be *use in the normal course of trade*. Furthermore two more factors should be added to the list of circumstances to consider for a likelihood of confusion under the Canadian Act: *intention of the consumer* and *initial interest confusion*. Considering the intention of consumer will also respond to third party advertisers that attempt to circumvent the scope of keyword advertising by improperly using trademarks in comparative keyword phrases. In regards to s 22 of the Act, it was recommended that the one-part test for use set out under s 20 reforms should also apply under s 22 for the purposes of advertising on the Internet. Furthermore, the Act should include a definition of depreciation that includes, but is not limited to, the use of the trademark causes dilution by blurring, dilution by tarnishment or takes unfair advantage of the distinctiveness or reputation of the trademark. The recommendations to the Act are intended to broaden the scope of provisions to respond to unauthorized uses of registered trademarks for the purposes of keyword advertising.
The recommendations to ss 20 and 22 of the Act would broaden the potential liability for infringing trademark use in keyword advertising, for third party advertisers and search engines. Therefore the second part of Chapter 6 recommended that a new provision be added to the Act to clarify the extent of liability of search engines in this context. A liability exemption provision was proposed to protect search engines from trademark liability when they have not played an active role in the infringing use. This recommendation was supported by reference to the EU liability exemption provision for Internet referencing services and the judgment from the related keyword advertising case. The purpose of all the recommendations is to balance competing interests between trademark owners, third party advertisers and search engines in the context of keyword advertising.

In this thesis I argued for further protection of trademark rights in a limited context, an argument that can attract much criticism. However this thesis was intended to provide a neutral ground to the debate over trademark keywords and to bring clarity to an area of Canadian trademark law that has yet to be fully developed. The Canadian Trade-marks Act does not give trademark owners certainty and predictability for the purposes of unauthorized trademark use on the Internet, particularly keyword advertising. It is only recently that Canadian courts have considered the potential infringing use from the unauthorized bidding on trademark keywords. The decision facilitated questions on the ideal scope of keyword advertising and the ability of other provisions in the Trade-marks Act to respond to unauthorized uses of trademarks in this particular online context. This thesis will contribute to the discussion on the legitimate and illegitimate uses of trademarks in Canada for keyword advertising specifically and on the Internet generally.
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