

# Internet Keyword Advertising and Trade Mark Infringement – Searching For Trouble

*Nicholas Tyacke & Rohan Higgins, Clayton Utz*

---

Rohan Higgins is a solicitor in the Intellectual Property and Information Technology Litigation group at Clayton Utz, Sydney. Nick Tyacke is a Senior Associate in the same group. Nick specialises in domestic and international intellectual property dispute resolution. Prior to joining Clayton Utz, Nick worked in New York for a number of years with one of the United States' top intellectual property litigation firms.

---

Internet search companies have long relied on the sale of advertising to provide a revenue stream. Over time, efforts have been made to tailor such advertising to the individual user and, more recently, to the "keyword" searched by the user.<sup>1</sup> This latter form of advertising, referred to as "keyword advertising", is now one of the primary revenue streams for many search engine companies.<sup>2</sup> The significant revenue streams produced by this advertising model, combined with the relatively unobtrusive (and thus unobjectionable to internet users) nature of such ads has seen, and is likely to continue to see, increased efforts to use, or expand the use of, keyword advertising by search engine companies as they try to maximise this revenue stream.<sup>3</sup>

However, keyword advertising raises issues of possible trade mark infringement, as the term triggering the targeted ad or sponsored search result may be the trade mark of a company other than that featured in the triggered ad. This newly emerging form of potential trade mark infringement has been met with a series of trade mark infringement actions in the United States and Europe. This article will look at the current state of the law with respect to this issue in those jurisdictions and assess how Australian courts would be likely to treat this issue.

## **How keyword advertising works**

Keyword advertising works through the sale or auctioning of search terms by a search engine company or its advertising subsidiary.<sup>4</sup> The advertiser selects (with or without the assistance of the search engine company or its advertising subsidiary) keywords that

it wishes its advertising linked to when a search is conducted using that search engine and nominates the maximum amount it is willing to pay when a user clicks on the triggered ad. Whenever that search engine is used to conduct a search using any of those keywords, the advertiser's advertisement will appear either as a banner or text ad on the search results page or among the search results.

## **The legal issue**

Traditionally, trade mark infringement disputes have concerned allegations of use of a mark that is substantially similar to the mark of another in connection with competitive goods or services. Generally, the closer the proximity of the goods or services and the greater the similarity of the marks, the greater the likelihood that trade mark infringement will be found.

Disputes over the use of trade marked terms as keywords used to trigger on-line banner or text advertising, or to influence the ranking of search results, present additional issues: such use is not necessarily in connection with the goods and services being sold or advertised, but is instead often a degree or two more remote.

Moreover, although the person entering the keyword will be aware of the term he or she searched, they will not necessarily associate the triggered advertising with that keyword. For example, internet users are accustomed to banner advertising on web pages. The advertising triggered by keywords on search results pages does not appear with any indication that it was triggered by the keyword searched. Thus, internet users will not necessarily associate a banner ad triggered by a keyword search with that search.

At the other extreme are sponsored keyword triggered search results, such as those generated by searches conducted on Kanoodle, which are not separated from non-sponsored results and are ranked above the non-sponsored results on the search results page.

With respect to text based advertising, consideration must be given to the impact of the location where the advertising is placed, ie, how clearly separate from the search results is it? Consideration must also be given to any language used to describe the advertising. For example, Google places such advertising under the heading "Sponsored Links", while Yahoo! designates them as "Sponsor Results."

Text-based keyword advertising and sponsored keyword triggered search results add an additional consideration: each triggered advertisement and search result appears under a short descriptive title that constitutes the link to the linked webpage, followed by one or two lines of information further briefly describing the contents of the linked page, followed by the URL or web address of the linked webpage.

Other factors also serve to distinguish keyword advertising from the traditional trade mark infringement situation. For example, although the advertising may be triggered by a trade marked keyword, that trade marked term will not necessarily be displayed by the advertisement. Instead, the advertisement may display the trade mark of the advertiser, or it may contain language that does not associate the trade mark with any specific company.

Finally, although the ad or search result triggered by the keyword contains only a limited amount of

information, the web pages to which it links often offer considerably more, making it entirely clear whose web page it is.

Thus, an assessment of trade mark infringement in the context of keyword advertising requires a decision as to the point at which the infringement determination should be made. Should it be assessed at the time the search results page is displayed, so that the mere fact that the ad or search result is triggered by a third party's trade marked term is the basis for the infringement determination? Or should it be assessed once the triggered results have been considered, so that the web page address, web page description, and/or content and location of the ad should also be taken into account? Or should it be after the triggered ad or search result has been clicked on and the linked web page viewed?

A further question in relation to this type of trademark infringement is who should be liable for any infringement that has occurred. Should it be the internet search company that sells the infringing keyword, the party that buys the infringing keyword or both? If the content of the triggered ad or search result are to be considered in assessing trade mark infringement, then should the degree of each party's control over that content be taken into account in attributing liability?<sup>5</sup> Should the party that controls the content of the triggered result be responsible for conducting a trade mark search prior to use, so that the other party is absolved of liability if infringement occurs?<sup>6</sup>

### Litigating keyword disputes

#### The United States experience

In the United States, the ire of trade mark owners who contend their trade marks are being infringed by keyword advertising has been directed primarily at the internet search companies that have sold such keywords, rather than the advertisers who have bought them.

#### The *Playboy* case

The leading United States case on this issue is the consolidated case *Playboy Enterprises, Inc v Netscape Communications Corp and Playboy Enterprises International, Inc v Excite*,

*Inc*.<sup>7</sup> That case concerned the specific issue of whether search companies can be found liable for trade mark infringement for the sale to a third party of another party's trade marks for use as search keywords to which that third party's banner ads, that do not contain the trade marked terms, are linked.

Playboy commenced proceedings in 1999 against Netscape and Excite for trade mark infringement based on their inclusion of Playboy's trade marks "playboy" and "playmate" within the list of over 400 terms related to sex and adult entertainment that Netscape and Excite required adult-oriented companies purchasing keyword banner advertising to link to.

The United States District Court for the Central District of California denied a motion for preliminary injunction and then threw out the case, awarding summary judgment to Netscape and Excite.<sup>8</sup> On 14 January 2004, the United States Court of Appeals for the Ninth Circuit reversed the decision to award summary judgment, holding that the claim should be allowed to proceed and be tried on its merits.<sup>9</sup>

While the Court of Appeals was not called upon to make a final adjudication of whether there had been trade mark infringement, it did find that genuine issues existed as to whether Netscape and Excite's sale of "playboy" and "playmate" as keywords to which banner ads were linked could constitute trade mark infringement, and sent the case back to the district court to be reconsidered.<sup>10</sup> The Ninth Circuit held that Playboy had presented sufficient evidence to go to trial on the theory that the keyword advertising was likely to create "initial interest" confusion, a recognised basis for trademark infringement under US law.<sup>11</sup>

Playboy argued that Netscape and Excite, in conjunction with advertisers, misappropriated the goodwill of Playboy's marks by leading internet users to competitors' websites, and that they did so by linking adult-oriented advertisements to Playboy's trade marks, actively creating initial interest confusion. More specifically, Playboy argued that because banner advertisements, which did not identify the source of the advertisement as

Playboy or otherwise, appeared immediately after users typed Playboy's marks into the search field of the defendants' search engines and hit search, some users may initially believe that the unlabeled banner advertisements triggered were links to Playboy's sites or to sites affiliated with Playboy.<sup>12</sup> In addition, many of the advertisements instructed users to "click here". Because of their confusion, users may follow the instruction, believing they would be connected to a Playboy site. Once they followed the instructions to "click here," and accessed the site, the damage would have been done, even if the users realised "immediately upon accessing" the competitor's site that they had reached a site "wholly unrelated to" Playboy's, as some users may be perfectly happy to remain on the competitor's site. Such users reached the site because of the defendants' use of Playboy's mark. Through initial consumer confusion, the competitor "will ... have gained a customer by appropriating the goodwill that [Playboy] ha[d] developed in its [ ] mark."<sup>13</sup> The court held that precedent suggested that evidence of such activities would be sufficient to create a genuine issue as to whether Netscape and Excite's actions constituted trade mark infringement, precluding summary judgment.

The court confirmed its conclusion as to the existence of a genuine issue as to whether Netscape and Excite's conduct amounted to trade mark infringement by applying the factors used in a traditional trade mark infringement analysis in that circuit, modified as necessary to address the on-line, rather than "bricks and mortar", scenario of the case. The court focused initially on an expert study submitted by Playboy establishing a strong likelihood of initial interest confusion. The court also took into account the strength of Playboy's trade marks, the close proximity of the goods, the strong similarity of the marks, and its conclusion that consumer care in searching was likely to be quite low.<sup>14</sup>

The court also considered evidence as to Netscape and Excite's intent. Although it did not find that the evidence established that Netscape and Excite intended to confuse internet users, it held that such intent could be

inferred from the facts, as the evidence suggested that Netscape and Excite did nothing to prevent click-throughs that resulted from confusion, and profited from such click-throughs.<sup>15</sup> Playboy introduced evidence that Netscape and Excite actively controlled the content of advertisements on their pages in other contexts, and could have reduced confusion in this context by requiring advertisers to identify themselves on the triggered banner ads, but did not do so as that would have reduced click-through rates. The court found that the most telling fact was that Netscape and Excite refused to remove “playboy” and “playmate” from their lists of keywords even when advertisers requested that they do so. The court held that this suggested that the search engine operators used the terms to trade on Playboy’s good will.

The *Playboy* court was only required to determine the narrow issue of whether a genuine issue existed as to whether the sale of a third party’s trade marks for use as keywords that triggered advertising that did not identify its source could constitute trade mark infringement by the search engine company selling the keywords. It was not required to consider whether trade mark infringement may be found if the triggered ad contained information that made it clear that it was not sponsored or associated with the party holding the trade mark rights in the term searched. However, a separate concurrence was written specifically to reject *dicta* in the leading Ninth Circuit decision on initial interest confusion, *Brookfield Communications Inc v West Coast Entertainment Corp*,<sup>16</sup> which suggested that trade mark infringement may occur even where banner advertisements are clearly labelled.<sup>17</sup> The concurring opinion held that there is a big difference between misleading a web user into visiting another website based on an unlabelled ad and providing a clearly labelled choice. It considered that only the former should constitute trade mark infringement.

Soon after this decision by the appeals court, and before a final resolution of the infringement issues could be reached by the district court, the case was settled on undisclosed terms.

Thus, although the *Playboy* case gives considerable guidance as to how US

courts (or at least those in the Ninth Circuit) will treat the narrow issue of the sale of a third party’s trade marks for use as keywords that trigger advertising that does not identify its source, there remains considerable uncertainty with respect to all other aspects of the relationship between keyword advertising and trade mark law.

### Other United States cases

Although the *Playboy* case is the only United States case to have proceeded to judgment, whether first instance or on appeal, the issue of keyword advertising based trade mark infringement is still pending in numerous other cases. Threats of trade mark infringement litigation have also been used to modify search engine advertising practices in specific instances. These actions and threats reveal the uncertainty as to what does and does not constitute trade mark infringement in the context of keyword advertising.

Google has been the subject of the most challenges with respect to its keyword advertising practice. In July 2002, American Blind and Wallpaper Factory Inc (“ABW”) accused Google of trade mark infringement for selling keywords that infringed its trade marks. ABW demanded that Google stop selling 35 different keywords similar to its trade marks to competitors.<sup>18</sup> In September 2002, Google agreed to remove keyword ads linked to American Blind’s trade marks “American Blind & Wallpaper Factory”, “American Blind Factory” and “DecorateToday”, but stated that it could not block variants of those terms, such as “American blind” or “American wallpaper” because they were descriptive terms that others had a right to use. Google also stated that its matching algorithms would return an ad for “American blinds” if a user searched for a generic term such as “wallpaper.”

In November 2003, ABW again wrote to Google, this time threatening legal action. Google responded by filing its own case with the United States District Court for the Northern District of California.<sup>19</sup> It sought a court ruling that its actions did not constitute infringement of ABW’s trade marks.

ABW then filed its own suit in the United States District Court for the Southern District of New York against Google and its partners AOL and Netscape.<sup>20</sup> ABW asked the court to consider its claims and dismiss Google’s suit. Among the relief requested by ABW is an injunction prohibiting the search engines from posting “listings for ABW’s competitors when Internet users run a search on Defendants’ search engines using keywords that are identical or substantially similar to the [ABW] Marks.”<sup>21</sup> In other words, ABW seeks a prohibition of any listings, whether paid or unpaid, of its competitors when the search query contains the allegedly confusing phrases.

Google has also faced requests from numerous other companies in the United States to stop selling advertising linked to the requester’s trade marks. Dell and Hewlett-Packard were successful in this endeavour.<sup>22</sup> In 2003, eBay asked Google not to sell advertising based on a 13 page list of keywords. Google agreed not to sell advertising based on eBay’s trade marks, but not the other listed terms.

### Problems for other search engines in the United States

Google is not the only search engine company to have experienced legal troubles in the United States over the sale of keyword-based advertising.

Mark Nutritionals, which produces and markets the Body Solutions weight-loss program, filed separate suits against search engine companies AltaVista, FindWhat, Kanoodle and Overture for selling keyword advertising linked to the Mark Nutritionals trade mark “body solutions”.<sup>23</sup> Mark Nutritionals claimed that a search conducted on AltaVista for “body solutions” placed Mark Nutritionals 36th in the search results. The same search using Kanoodle did not produce a link to Mark Nutritionals at all. Mark Nutritionals did not sue Google because a search for “body solutions” using that search engine yielded Mark Nutritionals as first in the list of results. Both Google and AltaVista searches for that term yielded competitors’ ads adjacent to the search results.

Estée Lauder brought a similar suit against online perfume seller Fragrance Counter and search engine Excite in 1999 over Fragrance Counter banner ads being triggered by searches for Estée Lauder's trade marks "Estée Lauder", "Clinique" and "Origins".<sup>24</sup> The suit was settled in August 2000, with Fragrance Counter agreeing, *inter alia*, not to use Estée Lauder's trade marks in this manner. Estée Lauder later settled with Excite in the United States, and won an injunction in a similar suit filed in Germany (discussed below).

### **The United Kingdom goes in a different direction**

In March 2004, the United Kingdom Court of Appeals issued its judgment in *Reed Executive v Reed Business Information*,<sup>25</sup> indicating that United Kingdom courts view this issue very differently and are considerably less likely than United States courts to find that keyword advertising constitutes trade mark infringement.

Reed Executive owned a nationwide employment agency in the United Kingdom and registered "Reed" as a trade mark for employment agency services. The Reed Elsevier group published a number of magazines and eventually developed a website at [www.totaljobs.com](http://www.totaljobs.com) advertising jobs. Reed Elsevier paid Yahoo! for a "totaljobs" banner ad linked to the search terms "recruitment" and "job" and was given a free link for searches of its own name. Reed Elsevier chose "Reed" rather than "Reed Elsevier" as this additional search term. As a result, if someone searched on Yahoo! using the terms "recruitment", "job" or "Reed", the "totaljobs" banner ad would be caused to appear along with the search results.

The Court of Appeals held that it could not see how causing the "totaljobs" banner ad, which did not include any use of the term "Reed", when a search was conducted using that term, could amount to trade mark infringement under the likelihood of confusion standard.<sup>26</sup> In reaching its decision, the court significantly stated:

*"The web-using member of the public knows that all sorts of banners appear when he or she does a search and they are or*

*may be triggered by something in the search. He or she also knows that searches produce fuzzy results – results with much rubbish thrown in. The idea that a search under the name Reed would make anyone think there was a trade connection between a totaljobs banner making no reference to the word "Reed" and Reed Employment is fanciful."*<sup>27</sup>

The court stated that infringement may still be found based on the likelihood of confusion of someone who clicked on the banner, but that such infringement would be based on the content of the underlying website, not the banner.<sup>28</sup>

The court also held that the use of the term "Reed" to trigger a banner ad also did not amount to passing off. The court cited the classic example of passing off -- where a trader having accepted an order for brand X supplies brand Y in such circumstances that the customer is unlikely to notice the substitution and is thus misled, and stated:

*"That is a hundred miles from a consumer conducting a search under the name Reed and finding a banner which on its face has no connection with his search term. Again, if he clicks through and finds misleading material on the site, there could be passing off – but that would be as result of what is on the site, not the Yahoo use."*<sup>29</sup>

The *Reed* case demonstrates a fundamentally different approach to the issue of keyword advertising based trade mark infringement than that adopted in the United States cases discussed above. In those cases, the ire of the trade mark holder was largely directed against the search engine company selling its trade marks as keywords. The buyer of such keywords received little attention. In the *Reed* case, the action was brought solely against the keyword buyer. The search engine company that sold the trade marked term as a keyword was not even named as a party. Additionally, the *Reed* case indicates that United Kingdom courts, unlike their United States counterparts, are not prepared to find trade mark infringement on the basis of initial interest confusion, and thus, are far less likely to find trade

mark infringement where the trade marked keyword triggers an ad that does not include the trade marked term in any way.

### **The continental European view**

Actions for trade mark infringement based on the sale of keyword advertising have also been brought in France and Germany.

#### **France**

Four infringement actions have been commenced in France to date, all against Google. Google's sale of French travel companies Viaticum and Lutecel's trade marks "bourse des vols" (market for flights) and "bourse des voyages" (market for travel) as keywords was held to constitute trade mark infringement under French law. Google was ordered to pay 75,000 Euros as damages.<sup>30</sup> In reaching its decision, the *Viaticum/Lutecel* court went considerably further than the United States *Playboy* decision, holding that when searches are done on registered trademarks, Google should "find the means to block advertisements by third parties who have no right to these trademarks."

Infringement actions commenced by Louis Vuitton SA,<sup>31</sup> Rentabiliweb,<sup>32</sup> and AXA,<sup>33</sup> against Google remain pending.

#### **Germany**

Three trade mark infringement actions based on the sale of a third party's trade mark as a keyword search term have been commenced in Germany: two against the search engine company only (Google in both instances) and one against the search engine company (Excite) and the advertiser (Fragrance Counter).

In *Metaspinner GmbH v Google Deutschland*, an interim injunction was granted prohibiting Google from displaying a sponsored link for the domain name "preisserver.de" in the result page for a search with the keyword "Preispiraten" (price pirates).<sup>34</sup> Metaspinner has subsequently accused Google of breaching the injunction by continuing to allow advertisers to use the term.<sup>35</sup>

In *Nemetschek AG v. Google*, the court held that Google was not liable for use of a trade marked keyword by an advertiser.<sup>36</sup> The *Nemetschek* court held that Google could not be held liable for trade mark infringement as Google does not itself use such terms for advertising and is not responsible for the keywords its advertisers choose.

The court further held that Google did not have a duty to constantly check the keywords it sold to assess whether they were trade marked by a third party because it was not feasible for it to do so due to the high number of keywords, the numerous variations of those keywords and the lack of awareness of possible licence agreements.

As indicated above, Estée Lauder brought an action against Fragrance Counter and Excite over Fragrance Counter banner ads being triggered by searches for Estée Lauder's trade marks.<sup>37</sup> The Hamburg District Court held that use of the trade marked terms in the triggered banner ads did not amount to trade mark use, and thus was not infringement of the Estée Lauder trade marks. The court however entered an injunction against Fragrance Counter and Excite, and ordered each to pay damages to Estée Lauder for breach of the German Law on Unfair Competition.

### **What does this mean for Australia?**

The issue of the use of trade marked terms as keywords used to trigger on-line banner or text advertising, or to influence the ranking of search results, has yet to be addressed by an Australian court. However, some guidance can be drawn from the cases discussed above.

Under Australian law, a trade mark owner whose trade mark is used to trigger on-line banner or text advertising, or to influence the ranking of search results, has potentially three causes of action:<sup>38</sup>

1. if the trade mark is registered, the trade mark owner may bring an action for trade mark infringement if the triggered result contains the registered trade mark (or a mark which is

substantially identical with, or deceptively similar to, the registered trade mark) and the triggered result relates to goods or services for which the mark is registered in Australia – or if it is a very famous brand, even in respect of different goods or services – if such use is harmful to the trade mark owner (section 120 of the *Trade Marks Act 1995* (Cth));

2. irrespective of whether the trade mark is registered or not,
  - (a) the use could amount to “passing off”, such as “switch-and-sell” marketing (a famous example is the offering of another white rum when someone asks for Bacardi); and/or
  - (b) the use could breach section 52 of the *Trade Practices Act 1974* (Cth) if it is held to be misleading, deceptive or false.

### **Trade mark infringement**

Australian courts have yet to consider the issue of initial interest confusion. Although it is unknown whether such an argument was raised in the *Reed* case, the language quoted above from that case suggests that United Kingdom courts would be unlikely to recognise such a basis for finding trade mark infringement. In light of the strong similarity in language between section 120 of the *Trade Marks Act 1995* (Cth) and section 10(2) of the *Trade Marks Act 1994* (UK) addressed in *Reed*, it is likely that an Australian court would be reluctant to adopt the doctrine of initial interest confusion into Australian trade mark law.

Confronted with the issue addressed by the *Reed* and *Playboy* courts of a trade marked term being used as a keyword to trigger a banner advertisement that did not contain that term, it is likely that an Australian court would apply a trade mark infringement analysis as close as possible to that which it applies in the “bricks and mortar” world, as those courts did. Using such an analysis, an Australian court would be likely to reach a result similar to that of the *Reed* court, ie, the greater

the ‘deceptive similarity’ of a mark used in the triggered banner ad to the trade mark, the greater the likelihood that the banner ad will be held to infringe that mark.

The *Reed* and *Playboy* cases only addressed the specific issue of banner advertising triggered by a keyword search. However, as discussed above, such searches may also trigger text ads or influence the ranking of search results. With respect to such triggered results, the *Reed* court's stated justification for finding no infringement becomes questionable. As quoted above, the *Reed* court based its holding of non-infringement on its conclusions about web users' understanding of the results generated or triggered by a keyword search. The court made a specific statement about web users' understanding of the relationship of banner ads to the keyword searched, but also generalized beyond banner ads and, in dicta, stated that “[t]he web-using member of the public ... also knows that searches produce fuzzy results – results with much rubbish thrown in.” If this dicta is followed, then courts will treat all forms of triggered result equally, irrespective of whether, for example, they are displayed with or separate from the actual search results.

It is submitted that this dicta should not be followed, as it is likely to go well beyond the evidence before the *Reed* court. How internet users view banner ads, which are entirely separate from the search results and which likely employ different typeface, colour scheme, etc to the search results, is likely to be very different from how they view text ads that are placed above, below or alongside the search result, often in identical typeface and colour scheme to the results themselves, or sponsored search results that are ranked above, but not separated or distinguished in any way from, non-sponsored results. It could be expected that the more indistinguishable the triggered result or ad is from the other search results, the more likely an internet user would be confused as to the source of the triggered result, or as to the relationship between the triggered result and the trade mark owner.

Thus, in assessing whether a triggered search result infringes a trade mark, an

Australian court should consider the content, appearance and location of that search result in its entirety. A likelihood of confusion, and thus trade mark infringement, should be more likely to be found the less distinguishable the triggered result is from the other results.

### Passing off

If the owner of a trade mark (whether registered or not) that is used as a keyword trigger brought an action for passing off, it would need to demonstrate that it had an established reputation in its trade mark, that the use of that trade mark as a keyword trigger misrepresented an association between the seller/buyer of that keyword and the trade mark owner, and that the trade mark owner had suffered damage as a result.

As indicated above, the *Reed* court also addressed this cause of action. The court held that the use of a trade marked keyword to trigger a banner ad that “on its face has no connection with” the trade mark is “a hundred miles from” passing off. Due to the close similarity between the UK and Australian law of passing off, it is likely that an Australian court would reach a similar decision to the *Reed* court if presented with the same facts. The closer the apparent connection between the triggered result, based on a combination of its content, appearance, and location, and the trade marked search term, the more likely an Australian court would be to consider the triggered result to amount to passing off.

### The Trade Practices Act

The third ground for a trade mark owner to assert its rights with respect to the use of its trade mark as a keyword search term is under section 52 of the *Trade Practices Act*. Section 52 prohibits misleading or deceptive conduct in trade or commerce in Australia, or in trade or commerce between Australia and a place outside Australia. “Misleading and deceptive conduct” has been construed to mean conduct that does, or is likely to, lead persons into error.<sup>39</sup> It would thus be necessary for a person complaining of the use of the trade mark to establish

that relevant consumers were led into error in fact or likely to be so.

It is likely that similar considerations to those discussed above with respect to trade mark infringement and passing off will also influence an Australian court’s decision with respect to this cause of action, so that the closer the apparent connection between the triggered result, based on a combination of its content, appearance, and location, and the trade marked search term, the more likely an Australian court would be to consider the triggered result as leading persons into error and amounting to a breach of the *Trade Practices Act*.

### Conclusion

Keyword advertising is becoming an increasingly important source of advertising revenue for internet search companies and an increasingly important form of advertising for companies wishing to advertise on the internet. This trend appears destined to continue, with the use of keyword advertising continuing to increase. However, some of the keywords being sold and bought by these entities are the trade marks of third parties. This is also likely to continue to increase.

As a result of this practice, trade mark owners have begun to mobilise to protect their intellectual property, with a number of internet search companies as well as advertisers already involved in trade mark infringement cases in the United States and Europe.

Although decisions on this issue are still relatively few, United States and United Kingdom courts have already indicated that they are likely to treat this issue very differently, the United States being relatively more likely to find trade mark infringement (on the basis of the United States doctrine of initial interest confusion), with the United Kingdom being less likely to find trade mark infringement (or passing off).

Although Australian courts are yet to address the issue, it is likely that they will follow United Kingdom precedent due to the strong similarity between United Kingdom and Australian trade mark and passing off law. However, Australian trade mark owners also have another potential string to their

bow in the form of the *Trade Practices Act*.

- 1 See, e.g., <http://www.clickz.com/news/article.php/1730811>, <https://www.google.com/adsense/>
- 2 Google’s keyword advertising program, known as “Adwords”, is estimated to account for 50-75% of Google’s estimated \$US 1 billion 2003 revenues. <http://www.ksat.com/money/2785019/detail.html>. Yahoo! recently announced a highly successful 2004 first quarter, posting a \$US 101 million profit, due in part to surging ad revenues. <http://news.com.com/2100-1038-5186908.html?tag=nl>
- 3 <http://www.ksat.com/money/2785019/detail.html>
- 4 See <https://adwords.google.com/select/>, <http://www.content.overture.com/d/USm/avs/index.html>, [https://safe.kanoodle.com/client\\_services/listings/index.cool](https://safe.kanoodle.com/client_services/listings/index.cool)
- 5 Google’s “Terms of Service”, for example, state that advertisers are responsible for the keywords and ad text that they choose to use on Google’s services. [http://www.google.com/terms\\_of\\_service.html](http://www.google.com/terms_of_service.html)
- 6 Google’s “Trademark Complaint Procedure” states that Google “is not in a position to arbitrate trademark disputes between the advertisers and trademark owners.” [http://www.google.com/tm\\_complaint.html](http://www.google.com/tm_complaint.html). Instead, Google will perform a limited investigation only if it receives a complaint. If the complaint concerns a United States or Canadian trade mark, it will only investigate whether the exact trade marked term is being used in ad text. If the complaint is with respect to a trade mark from another jurisdiction, Google’s review is limited to ensuring that the advertisements at issue are not using the exact trade marked term in the ad text or as a keyword trigger.
- 7 354 F.3d 1020 (9th Cir. 2004)
- 8 55 F.Supp.2d 1070 (C.D. Cal. 1999)
- 9 354 F.3d 1020 (9th Cir. 2004)
- 10 The Court of Appeals indicated that it considered the issue of whether Netscape and Excite were directly or merely contributorily liable to be a tricky question that it did not need to decide.
- 11 “Initial interest confusion is customer confusion that creates initial interest in a competitor’s product. Although dispelled before an actual sale occurs, initial interest confusion impermissibly capitalizes on the goodwill associated with a mark and is therefore actionable trademark infringement.” 354 F.3d 1020 (9th Cir. 2004) at [2]
- 12 *Id.* at [3]. The court noted that if the banner ad clearly identified its source or overtly compared Playboy’s products to those of the advertiser, no initial interest confusion would occur. *Id.* at note 16
- 13 *Id.*
- 14 The court based this latter assessment on the fact that the products involved were inexpensive and on its presumption that the average searcher seeking adult-oriented

- materials on the internet is easily diverted from a specific product he or she is seeking if other options, particularly graphic ones, appear more quickly. Id. at [6]
- 15 Id
- 16 174 F.3d 1036 (9th Cir. 1999)
- 17 354 F.3d 1020 (9th Cir. 2004)
- 18 <http://www.clickz.com/news/article.php/3285971>
- 19 *Google Inc. v. American Blind & Wallpaper Factory, Inc.*, Civil Case No. 5:03- 05340 (N.D. Cal. 2003)
- 20 *American Blind & Wallpaper Factory, Inc. v Google Inc. et al* (S.D.N.Y., Jan. 27, 2004)
- 21 <http://www.hklaw.com/Publications/Newsletters.asp?ID=450&Article=2491>
- 22 <http://www.ksat.com/money/2785019/detail.html>, <http://news.com.com/2100-1024-5061888.html>
- 23 <http://searchenginewatch.com/sereport/02/02-altavista.doc>, <http://searchenginewatch.com/sereport/02/02-findwhat.doc>, <http://searchenginewatch.com/sereport/02/02-kanoodle.doc>, <http://searchenginewatch.com/sereport/02/02-overture.doc>
- 24 [http://news.com.com/2100-1017\\_3-244217.html](http://news.com.com/2100-1017_3-244217.html)
- 25 [2004] EWCA (Civ) 159
- 26 UK law does not consider likelihood of confusion where the marks and services of the trade mark owner and alleged infringer are identical – the “identity test” – but does require its consideration where there is not identity.
- 27 [2004] EWCA (Civ) 159 at [140]
- 28 Id. at [141]
- 29 Id. at [143]
- 30 *Société Viaticum et Société Luteciel contre Société Google France*, Tribunal de Grande Instance de Nanterre, 21 me chambre, 13 octobre 2003 available at <http://www.juriscom.net/jpt/visu.php?ID=367>
- 31 <http://www.cnn.com/2003/TECH/biztech/10/24/france.google.ap/>
- 32 Id
- 33 [http://news.com.com/2110-1038\\_3-5200193.html?part=rss&tag=feed&subj=news](http://news.com.com/2110-1038_3-5200193.html?part=rss&tag=feed&subj=news).
- 34 <http://gnso.icann.org/mailing-lists/archives/registrars/msg01190.html>.
- 35 <http://www.clickz.com/news/article.php/3350371>.
- 36 <http://www.intern.de/news/5147.html>.
- 37 *In re Estée Lauder Cosmetics Ltd.* (Dist. Ct. Hamburg, February 16, 2000).
- 38 It is to be noted that each of these causes of action is directed to commercial conduct. Section 17 of the *Trade Marks Act* specifies that ‘use as a trade mark’ must be ‘in the course of trade.’ Section 52 of the *Trade Practices Act* is directed to misleading or deceptive conduct by a corporation in trade or commerce. The ‘classic trinity’ test for passing off espoused in *Reckitt & Colman Products Ltd v Bordenb Inc.* (1990) 17 IPR 1 at 7 (Ld Oliver), affirmed in *Cat Media Pty Ltd v Opti-Healthcare Pty Ltd* [2003] FCA 133 at [42] (Branson J) is directed to the get-up of a trader’s goods.
- 39 *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 42 ALR 1 at 6 (Gibbs CJ).
- 

## Victory for P2P users and ISPs in Canada

*Melissa Lessi and Sydney Birchall, Freehills*

Melissa Lessi is a solicitor in the Technology, Media and Telecommunications section of Freehills’ Corporate group. Sydney Birchall is a solicitor in Freehills’ Intellectual Property group.

---

### 1 Background

There have been many high-profile instances of record companies ‘getting tough’ on music file swapping over the internet in recent times.<sup>1</sup> In one such case,<sup>2</sup> *BMG Canada Inc v John Doe* [2004] FC 488, the Federal Court of Canada held that uploading music files into shared folders on peer-to-peer (P2P) networks does not constitute copyright infringement.

The plaintiffs, collectively referred to as the Canadian Recording Industry Association (CRIA), brought a motion seeking pre-action discovery from five internet service providers (ISPs) of the identity of customers (Network Users) alleged to have illegally traded in music downloaded from the internet. The Network Users were the defendants to the action.

To succeed, the plaintiffs needed to satisfy a range of criteria. These

criteria included establishing a prima facie case of infringement of copyright by the defendants,<sup>3</sup> and proving that the public interest in disclosure outweighed privacy concerns. Justice von Finckenstein held that the plaintiffs failed to satisfy these criteria, among others.<sup>4</sup>

### 2 Copyright infringement

#### 2.1 The plaintiffs’ submissions

The plaintiffs submitted that the Network Users were infringing copyright by:

- installing a P2P application (program) on their computers;
- copying files to shared directories on their computers;
- connecting their computers to the internet;

- running the P2P application while on the internet; and
- making the files in the shared directories available for copying, transmission and distribution to any one of millions of users of the P2P service.

It was submitted that these activities infringed the exclusive rights of copyright holders under the Canadian *Copyright Act*, RS 1985, c C-42 (Canadian Act) because the Network Users were:

- reproducing sound recordings;
- authorising the reproduction of sound recordings;
- distributing unauthorised copies of the sound recordings; and