

Could you be liable for passing off by buying your competitor's trademark as an AdWord on Google?

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On January 26, 2017, the Court of Appeal for British Columbia (BCCA) overturned a lower court decision relating to passing off and official marks in the context of search engine keyword advertisements. The BCCA clarified that the moment for assessing confusion in a passing off action is upon a searcher's first encounter with Internet search results, and reasserted that purchasing a competitor's trademark as a keyword for search engine advertisements is not itself sufficient to establish passing off.

Background

The plaintiff, Vancouver Community College, is a public post-secondary education institution that alleged passing off by the defendant, Vancouver Career College, a private post-secondary education institute, through use of the plaintiff's official mark "VCC" in the defendant's advertising and domain name. The defendant had published its website under the domain name "VCCollege.ca" and purchased "VCC" as a keyword for search engine advertisements. As such, users searching the Internet using the keyword VCC would receive a sponsored link to the defendant's website, displaying the

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¹ From ROBIC, LLP, a multidisciplinary firm of Lawyers, and Patent and Trade-mark Agents. Published in the Winter 2016 (Vol. 20, no. 1) Newsletter of the firm. Publication 068.202F.

domain name VCCollege.ca. Once on the defendant's website, however, it was clear that the website belonged to the defendant and not the plaintiff.

In the lower court decision, the trial judge had concluded that none of the three elements of passing off (goodwill, public confusion and damage) were established. First, he found that the plaintiff did not have goodwill in the acronym "VCC" and that proof of goodwill required proof that the product had acquired a secondary meaning or distinctiveness. Second, he observed that confusion had to be assessed when the first impression was formed, namely after a searcher clicks on a search result to arrive at a landing page. Since it was clear once on the defendant's website, that it was not the plaintiff's website, the trial judge held that no misrepresentation had taken place. Third, the trial judge held that it was unlikely that the plaintiff had suffered damage from the conduct of the defendant. Finally, he dismissed the plaintiff's claim for breach of its two official marks, VCC and Vancouver Community College, on the basis that the defendant had used VCC before the publication of the official marks.

The BCCA's decision

With respect to the goodwill criteria, the BCCA stated that it was not a condition to the success of the action that the acronym "VCC" acquired a secondary meaning, since the primary meaning of this acronym could point to Vancouver Community College. In other words, the plaintiff was simply required to establish that a sufficient portion of the relevant market knew that "VCC" refers to Vancouver Community College. The BCCA also found that the trial judge erred in fact on the issue of goodwill in ways that were obvious and material to the outcome of the action.

As to the confusion criteria, the BCCA held that the moment when a searcher arrives at a landing page is one well past the moment of first impression. Instead, the moment for assessing confusion should be upon the searcher's first encounter with the Internet search results. In this case, the defendant's sponsored link on the search results page displayed solely the domain name "VCCollege.ca", which, according to the BCCA, could not distinguish the owner of that domain name, namely Vancouver Career College, from Vancouver Community College. Therefore, the BCCA concluded that confusion was fully established by proof that the defendant's domain name is equally descriptive of the plaintiff and contains the acronym long associated with it. It did not, however, find that purchasing a competitor's trademark as a keyword will in itself be sufficient to establish passing off; what matters is how the defendant presents itself in the sponsored link appearing in the search results page, as a result of the use of the keyword. Ultimately, the BCCA held that the interference with the plaintiff's goodwill was sufficient to establish damage.

The BCCA concluded that the plaintiff was entitled to an injunction, with the issue of damages to be remitted to the trial court for assessment. As to the plaintiff's claim of breach of its official marks under the Trade-marks Act, the BCCA also remitted this issue to the trial court for determination.

Conclusion

It is interesting to note that in 2010, the Superior Court of Quebec also ruled that the purchase of a competitor's trademark as a keyword is not itself sufficient to establish passing off and unfair competition. In this Quebec case, it was clearly indicated, next to the sponsored link in the search results page, that the defendant's business was an alternative

to the plaintiff's business. According to the Court, the Web user is always free to decide whether or not to use the information contained in the search results, and an advertiser cannot be held liable for having created an opportunity to find information about a competitor. Also, in this case, no evidence of confusion was established.

One thing that these rulings teach us about passing off in the context of keyword advertising is that advertisers are free to purchase keywords consisting of their competitors' trademarks for advertising purposes, without being liable de facto for passing off. However, in doing so, one must make sure that the manner in which the sponsored links are displayed on the search results pages do not cause confusion with the competitors' trademarks.

