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Court Condones Keyword Advertising Using Name of a Competitor

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The British Columbia Court of Appeal in *Private Career Training Institutions Agency v. Vancouver Career College* has affirmed a trial decision that a community college was free to engage in keyword advertising using the names of its competitors (see our July 2010 *Blakes Bulletin on Intellectual Property*). This case is the first appellate decision of its kind in Canada and suggests that, outside of the trade-mark context, keyword advertising in and of itself will seldom lead to liability.

BACKGROUND

Keyword advertising allows advertisers to target their messages to persons who search certain phrases or words using an Internet search engine such as Google, Yahoo! or Bing. A search of those terms will trigger the particular ad, which will normally be displayed with a hyperlink to the advertiser's website along with a short description of the advertiser's wares or services. Search engines allow advertisers to bid on specific terms. The advertiser with the highest bid will have its ad displayed in the most prominent location as a "sponsored link".

In *Vancouver Career College*, the plaintiff Private Career Training Institutions Agency (the Agency) was the regulatory body responsible for overseeing career training institutions in British Columbia. One of its member institutions was the defendant Vancouver Career College (VCC), which operated a number of local community colleges, including the Vancouver Career College, CDI College and the Vancouver College of Art and Design.

VCC made extensive use of keyword advertising. Among other words, VCC began using the business names of other educational institutions as triggers for its advertising. This led to VCC having its school names come up as the first or second sponsored link when the name of another school was searched. For example, when persons searched "Vancouver Community College", the sponsored links showed an ad for Vancouver Career College. When persons searched "Vancouver Film School", they were shown an advertisement for Vancouver College of Art and Design.

The Agency received complaints from its member institutions about VCC's keyword advertising. It also received complaints from two students who claimed to have been misled.

One student had searched for "Vancouver Community College". Vancouver Career College was the first name listed under her search. The student accessed the VCC website, arranged an interview, and enrolled in a course with Vancouver Career College before realizing that the school was not Vancouver *Community* College. VCC allowed the student to withdraw and provided a full refund of her registration fee.

The other student searched using the name "VanArts", the common name for the Vancouver Institute of Media Arts. The results of that search displayed ads from both the Vancouver College of Art and Design and the Vancouver Institute of Media Arts. She requested information from both schools, thinking that the websites were for the same institution. It was not until she received telephone calls from both institutions that she realized that they were different.

After VCC refused to discontinue its keyword advertising practices, the Agency commenced an action in the Supreme Court of British Columbia and sought a permanent injunction restraining VCC's advertising strategy on the grounds that VCC had breached a bylaw of the Agency that prohibited "false, deceptive or misleading" advertising.

TRIAL DECISION

Having no Canadian cases on keyword advertising to draw upon at the time, the trial judge referred to several American decisions. One of those held that keyword advertising does not constitute trade-mark infringement because the name is never placed on the defendant's wares or used in association with the defendant's services. In other words, the internal use of the plaintiff's mark as a keyword to trigger a sponsored

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link is not a "use" within the trade-mark sense. The judge referred to another case that held that a search engine was not liable for trade-mark infringement or unfair competition by allowing advertisers to bid on a plaintiff's name.

The trial judge considered whether VCC's keyword advertising was "misleading". The trial judge criticized the students who asserted that they had been misled by VCC's advertising and stated that those students had not been misled; they had been mistaken through their own carelessness. As such, the court was not persuaded that VCC's advertising strategy had actually led, or could in the future lead, a potential student astray because the information on the various websites was more than ample to clarify the identity of the colleges.

In dismissing the Agency's application for a permanent injunction, the trial judge commented that keyword advertising was no different from traditional media advertising, such as a YELLOW PAGES directory, where a business may try to place its advertisement close to that of a competitor.

APPELLATE DECISION

On appeal, the Agency argued that the trial judge erred in applying trade-mark law to a question that fundamentally related to consumer protection. The Agency argued that in this context, "misleading" should be equated with "confusing" advertising.

The British Columbia Court of Appeal dismissed the appeal. Although the court upheld the trial decision, it disagreed that keyword advertising was comparable to traditional advertising. The court commented that the YELLOW PAGES directory is organized by topic and the WHITE PAGES directory is organized by names, but that Internet searches simultaneously deliver information organized by choices, names and topics. In making this comment, the court was suggesting that in future Internet and technology cases, courts should be cautious to draw analogies to earlier decisions involving traditional media.

The British Columbia Court of Appeal upheld the trial decision because it would be expected that a consumer would take some care in assessing educational institutions, given that the programs of study would take several years and cost thousands of dollars. In doing so, the court distinguished "confusing" from "misleading" and stated that, although misleading advertising is likely confusing, it was not the case that confusing advertising was likely to be misleading.

DISCUSSION

It must be kept in mind that *Vancouver Career College* is not a trade-mark case. Rather, the case turned on the application of a bylaw that only affected the Agency and its member institutions. That notwithstanding, the case still provides insight as to how our courts may consider future keyword advertising cases.

First, the distinction between confusing and misleading is significant and will affect how non-trade-mark cases will be decided. For example, the federal *Competition Act* and several provincial consumer protection acts prohibit misleading advertising, but do not prohibit confusing advertising. In such cases, as long as the sponsored ad text and the advertiser's website make the identity of the supplier clear, keyword marketing may not be objectionable. On the other hand, where a keyword advertiser includes the name of a competitor or the competitor's product in the text of the sponsored ad so as to suggest that the ad or the hyperlinked website is that of the advertiser's competitor, a court may find the advertiser to have engaged in misleading advertising.

Second, whether a particular keyword advertisement will be "misleading" will be fact dependent. In *Vancouver Career College*, the services in question were multi-year educational programs that cost thousands of dollars. Much of the court's reasoning relied on the assumption that students would treat the decision of post-secondary education with some care, and that the students had several opportunities to determine that VCC was the advertiser. The situation might have been different if there was a much shorter deliberation period, the product was inexpensive, or if the keyword advertiser's website did not clearly identify the supplier and source of the product or services. For example, had the subject matter related to a $10 software program that could be immediately purchased and downloaded, the result reached might well have been different.

However, the same analysis would not likely apply to a trade-mark case. Earlier this year, the Supreme Court of Canada handed down reasons for judgment in *Masterpiece v. Alavida Lifestyles*, a trade-mark case

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that did not relate to online activity. The Supreme Court held that confusion is to be assessed as a matter of "first impression", even where consumers are in the market for expensive or important wares or services. The fact that individuals may be able to disabuse themselves of confusion later is irrelevant. Applying that to the circumstances in *Vancouver Career College*, even though the students had ample opportunity after encountering the keyword advertisement to research and confirm the various institutions and programs of study, that evidence may not have affected the question of "confusion".

Since the trial decision in *Vancouver Career College*, there has been one other Canadian decision about keyword advertising, *Chocolat Lamontagne v. Humeur Group Conseil,* a decision of the Quebec Superior Court. In that case, the defendant used the names of all of its competitors, including the plaintiff, for keyword advertising. When a person searched the term "Chocolat Lamontagne", the resulting sponsored ad referred to the defendant's products as an "alternative" to those of the plaintiff. The plaintiff's claim in unfair competition and passing off was dismissed. The court held that the defendant's advertising did not give rise to any confusion because the advertisement clearly indicated that the defendant's business was an alternative to the plaintiff's, and there was nothing to suggest any association between the parties.

Although there is authority to help assess trade-mark "confusion", the question of whether keyword advertising is a "use" of another party's trade-mark remains open in Canada. The cases cited by the trial judge in *Vancouver Career College* give the impression that all United States trade-mark infringement cases have found keyword advertising not to be a "use". However, that is not the case. The American jurisprudence is divided and support for either position can be found. Further, the European Court of Justice has held on several occasions that keyword advertising does constitute a trade-mark "use". The divergence in authorities makes it difficult to predict how Canadian courts will decide the issue in the future.

CONCLUSION

Vancouver Community College suggests that keyword advertising cases are likely to be context dependent based on the text of the keyword advertiser's sponsored ad and possibly, to a lesser extent, the differentiation between the websites of the keyword advertiser and its competitor.

The limited Canadian jurisprudence to date suggests that claims based on the various consumer protection acts or the common law of passing off will be less likely to succeed where the advertiser's use is only as a keyword and does not use the competitor's name or product name in a misleading or deceptive way. In other words, the act of purchasing a keyword ad from a search engine may not necessarily lead to liability, without some additional factors.

These cases will give comfort to companies and individuals who have engaged in keyword advertising using the name or mark of a competitor, and will no doubt encourage others to do the same. However, they should not be mistaken to mean that courts will categorically absolve keyword advertisers and search engine operators. That is all the more so because we do not yet know how keyword advertising will interact with Canadian trade-mark law.

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