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Keyword Advertising and Actionable Consumer Confusion

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1. INTRODUCTION

One of the core features of the online environment is that a website's position in search results is determinative of how many users are likely to access that site. Competition for placement is often fierce and can pitch operators of websites against one another even though their underlying businesses are not in competition. This is true, for example, when manufacturers of goods and authorised repairers of such goods are competing for the highest visibility in search results. In much the same manner, distributors, retailers and reviewers of products can all end up competing against the manufacturer.¹ This feature of the internet has encouraged website operators and search engine providers to employ creative tactics to increase the visibility of sites in search results. Conversely, it has led to brand owners trying to use trade mark law in an attempt to exercise as much control as possible over third parties using their marks for that purpose. The two behaviours that have caused brand owners most concern have been the use of trade marks in metatags and in keyword advertising.² Both behaviours have now generated a significant body of case law in a range of jurisdictions. However, over recent years, the keyword advertising cases have come to the fore.

The practice of keyword advertising has arisen as a result of some search engines, particularly Google, selling 'keywords' consisting of trade marked words to third parties, including competitors of the trade mark owner.³ The consequence of this practice is that searches using such keywords will bring up advertisements in the form of sponsored links to

¹ Eric Goldman, 'Online Word of Mouth and Its Implications for Trademark Law' in Graeme B Dinwoodie and Mark D Janis (eds), *Trademark Law and Theory: A Handbook of Contemporary Research* (Edward Elgar 2008).

² See D Llewelyn and Prashant Reddy T, 'Metatags "Using" Third Party Trade Marks on the Internet' in T Aplin (ed), *Research Handbook on Intellectual Property and Digital Technologies* (Edward Elgar 2020).

³ It should be noted, however, that empirical work has indicated that most keywords are purchased by the trade mark owner or by a party selling the trade marked goods: David A Hyman and David J Franklyn, 'Trademarks as Search-Engine Keywords: Who, What, When?' (2014) 92 Tex L Rev 2117.

websites operated by those third parties. Often these will consist of a hyperlinked title, a URL and a brief description of the advertiser's website, from which goods bearing the trade mark (which could be genuine or counterfeit), or competing goods bearing only the competitor's mark, might be sold.⁴

There can be no question that courts around the world have at times struggled with keyword advertising cases. It is, however, important to distinguish between two different types of problem that courts have encountered. One problem is determining whether any given third party use of a trade mark in the course of keyword advertising should be permissible or not. It is now almost universally accepted that there is a strong pro-competition case for allowing some unauthorised uses of trade marks in the online environment. If, for example, we allow the use of trade marks in comparative advertising in the analogue world, then it must be the case that closely related uses ought to be permitted online. On the other hand, there are some types of use of trade marks as keywords that would seem likely to create a significant risk of harm and therefore ought to be prohibited. Distinguishing between these two types of use can, however, be difficult. A court may experience real doubt as to how consumers will respond to any given advertisement generated by a search using a purchased keyword. Most obviously, the court might struggle to decide whether consumers would either (i) understand the advertisement as promoting the goods or services of a rival trader and thus not experience confusion, or (ii) treat the advertisement as suggesting that the defendant's business is operating with the licence or endorsement of the trade mark owner, such that they will be confused. Still further difficulty can arise in jurisdictions that give trade mark owners rights that go beyond the prohibition of uses that are likely to cause confusion. For example, even if a court in Europe determined that the defendant's use fell within category (i), it might nevertheless be called on to consider whether the defendant's use was actionable because it took 'unfair advantage' of the plaintiff's mark.

A second, rather different, problem lies in mapping uses of trade marks as keywords that we do or do not want to allow onto existing legal frameworks. For instance, a court may determine that a particular use ought to be allowed since it is of a pro-competitive type, closely analogous to comparative advertising. If, however, the legislation only permits comparative advertising, the court may struggle to find a way of permitting the use. Conversely, a court may be confronted with a type of use that it regards to be sharp practice, but where it may be difficult

⁴ For a detailed description, see Amanda Scardamaglia, 'Keywords, Trademarks, and Search Engine Liability' in René König and Miriam Rasch (eds), *Society of the Query Reader: Reflections on Web Search* (Institute of Network Cultures 2014) 165–68.

for the brand owner to establish infringement, for example because the defendant's use as a keyword remains invisible to the public. There can be no question that some difficult technical legal questions have been thrown up by keyword advertising cases, especially in the EU. But it is important not to overstate the problems that have arisen, and it should be borne in mind that most jurisdictions have found ways of accommodating keyword advertising within existing legal frameworks. This is largely because courts have been able to use flexible legal doctrines (standards), such as nominative fair use or 'use as a trade mark', to draw a line between uses they think should and should not be allowed.

In section 2 of this chapter, we explore how courts in four jurisdictions – the EU, the US, Australia and New Zealand – have applied existing doctrines to keyword advertising disputes. We demonstrate that the technical legal problems encountered by courts have, in fact, been less significant than sometimes imagined. Even in the EU, where the courts have faced the most serious problems of fit, the actual outcomes in the cases are broadly defensible. In section 3, we turn to consider a broader set of normative questions raised by the keyword advertising cases, which relate to the types of harm that ought to be recognised within the trade mark system. Most obviously, one question that would seem to arise squarely in this context is whether the law should recognise harms other than confusion, such as blurring, tarnishment and free riding. This is not, however, an issue we intend to explore in this chapter: we have argued at length elsewhere that antidilution protection is neither morally nor economically defensible,⁵ and that existing mechanisms for conferring antidilution protection sit very uncomfortably within registered trade mark systems.⁶ Instead, the focus of our analysis in section 3 is on when an actionable form of harm is likely to occur in cases involving advertising *generally*. It is usually taken for granted that a trade mark owner should be able to prevent at least some uses of its marks in advertising, but exactly why this is the case is not nearly as straightforward as is normally assumed. Using the keyword advertising cases as a springboard, we consider a number of complexities involved in determining when an unauthorised use of a trade mark in the course of advertising ought to be actionable.

⁵ Dev Gangjee and Robert Burrell, 'Because You're Worth It: L'Oréal and the Prohibition on Free Riding' (2010) 73 MLR 282; Robert Burrell and Dev Gangjee, 'Trade Marks and Freedom of Expression: A Call for Caution' (2010) 41 IIC 544; Michael Handler, 'What Can Harm the Reputation of a Trademark? A Critical Re-Evaluation of Dilution by Tarnishment' (2016) 106 Trademark Rep 639; Michael Handler, 'Recoding Famous Brands in Advertising and in Entertainment Products: Case Studies on the So-Called Harms of Trade Mark Dilution' in Megan Richardson and Sam Ricketson (eds), *Research Handbook on Intellectual Property in Media and Entertainment* (Edward Elgar 2017), ch 11.

⁶ Robert Burrell and Michael Handler, 'Dilution and Trademark Registration' (2008) 17 Transnat'l L & Contemp Probs 713.

2. KEYWORD ADVERTISING AND THE FLEXIBILITY OF EXISTING LEGAL DOCTRINES

2.1 United States Case Law

When analysing how courts around the world have addressed the legal issues posed by keyword advertising, the most useful starting point is the US. In 2004, Google, as part of its AdWords policy, permitted parties to purchase keywords consisting of others' trade marks so that those parties' advertisements would appear when searches were undertaken using such keywords.⁷ From this point on, US federal courts have been required to consider a substantial number of legal challenges brought by trade mark owners against both advertisers and search engine operators. More specifically, courts have had to confront two legal issues. The first is whether the sale and purchase of a keyword consisting of a trade mark involves a 'use in commerce' of the mark, this being a threshold requirement for infringement under sections 32 and 43(a) of the Lanham Act.⁸ If so, the second issue is whether the advertiser or search engine operator's conduct (both in relation to the sale and purchase of the keyword, and the display of the advertisement generated as a result of the user search) constitutes infringement, which turns on the existence of a likelihood of consumer confusion and the availability of any defences. Although the body of US case law that has developed since 2004 is complex, it is important to be clear about the reasons for this complexity. Building on a point we made in the Introduction, US courts have, for the most part, shown themselves to be adept at fitting keyword advertising within existing legal frameworks, and have not been persuaded to invent new principles, or even stretch existing doctrines, to deal with the novel fact patterns presented by keyword advertising. Instead, the complexity is more to do with the highly fact specific nature of the task the courts have been required to undertake, namely determining whether the specifics of a particular defendant's conduct will generate actionable confusion. This has required courts to make certain assumptions about consumer behaviour, creating problems that are by no means exclusive to cases in the online environment.

Turning to the US case law, the first issue that courts have been required to address is whether a search engine operator 'uses' a trade mark by selling a trade marked keyword to a

⁷ Greg Lastowka, 'Google's Law' (2008) 73 Brook L Rev 1327, 1359–60. Google changed the name of its keyword advertising business from 'AdWords' to 'Google Ads' on 24 July 2018.

⁸ For present purposes, the key difference is that s 43(a) applies to both registered and unregistered marks, while s 32 applies only to registered trade marks.

prospective advertiser. Search engine operators have argued that this sort of transaction involves only a technical, internal reference to the mark rather than a display or communication of the mark to the consuming public, and thus cannot amount to ‘use’ for the purposes of infringement. After a short period of uncertainty,⁹ caused in part by an ambiguous statutory definition of ‘use in commerce’,¹⁰ this argument was decisively rejected by the Court of Appeals for the Second Circuit in *Rescuecom Corp v Google, Inc* in 2009.¹¹ It is now clear that both the sale of trade marked keywords, as well as the purchase of them by prospective advertisers,¹² constitutes use in commerce. While this fact scenario prompted vigorous debates as to the merits of the US adopting a requirement that only use ‘as a trade mark’ constitutes infringing use,¹³ the reasoning of the Court of Appeals is consistent with the broad interpretation that has been given to the ‘use in commerce’ requirement in infringement cases more generally.¹⁴ Such an approach has also forced courts to deal squarely with the more challenging second issue, namely whether the search engine operator or advertiser’s use of the trade mark gives rise to an actionable likelihood of confusion.

In considering this second issue, courts have been confronted with a range of fact patterns, involving different types of advertisement. The earliest cases involved arguments that keyword advertising could amount to infringement in the absence of the plaintiff’s trade mark appearing anywhere in the defendant’s advertisement. That is, it was contended that when consumers undertake a search using the plaintiff’s trade mark, the mere presentation of the defendant’s advertisement on a search results page will result in ‘initial interest confusion’ and thus constitute infringement, even if the defendant’s brand name is dissimilar to the plaintiff’s mark. More specifically, it was claimed to be enough that searchers might experience some initial confusion as to the existence of a commercial connection between the defendant advertiser and the trade mark owner, even if such confusion were to be dispelled on the searcher visiting the defendant’s site and before any transaction with the defendant were concluded. Notwithstanding that cases in the late 1990s involving online trade mark use (namely, use by

⁹ This resulted from *1-800 Contacts, Inc v WhenU.com, Inc*, 414 F 3d 400 (2d Cir 2005), a case involving the defendant’s use of URLs containing trade marks in an internal directory to generate ‘pop-up’ advertising.

¹⁰ *Rescuecom Corp v Google, Inc*, 562 F 3d 123, 131–40 (2d Cir 2009).

¹¹ *ibid* 127–30.

¹² *Network Automation, Inc v Advanced Systems Concepts, Inc*, 638 F 3d 1137, 1144–45 (9th Cir 2011).

¹³ See, for example, Stacey L Dogan and Mark A Lemley, ‘Trademark and Consumer Search Costs on the Internet’ (2004) 41 *Hous L Rev* 777; Margreth Barrett, ‘Internet Trademark Suits and the Demise of “Trademark Use”’ (2006) 39 *UC Davis L Rev* 371; Graeme B Dinwoodie and Mark D Janis, ‘Confusion over Use: Contextualism in Trademark Law’ (2007) 92 *Iowa L Rev* 1597.

¹⁴ See generally J Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* (5th edn, Thomson Reuters 2018), vol 4, para 23.11.50.

defendants in metatags¹⁵) had helped crystallise the doctrine of initial interest confusion, courts in keyword advertising cases were reluctant to extend the doctrine. For example, in a 2007 district court decision, it was held that in the keyword advertising context, where the defendant's advertisements appear as distinct links on the results page, no possibility of confusing the plaintiff's and defendant's goods or services arises.¹⁶ A similar, but more circumspect, view was subsequently adopted by the Court of Appeals for the Ninth Circuit in *Network Automation, Inc v Advanced Systems Concepts, Inc* in 2011,¹⁷ and the Tenth Circuit in *1-800 Contacts, Inc v Lens.com, Inc* in 2013.¹⁸ While not rejecting the possibility of confusion, the latter court emphasised that, provided the defendant's advertisements are clearly differentiated from the search results, it would be an 'unnatural' response to assume the defendant was commercially linked with the plaintiff.¹⁹ Such an approach reveals a healthy scepticism towards an expansive notion of initial interest confusion, which has been criticised as potentially allowing liability to turn on whether searchers are merely distracted by defendants' advertisements, rather than genuinely confused as to a commercial connection between the parties.²⁰ It is also consistent with more recent empirical work that has recognised that consumers have heterogeneous expectations in undertaking searches using trade marks and are frequently not looking for specific information about the trade mark selected, which supports the courts' dismissive attitude towards arguments that 'diversion' can amount to actionable confusion.²¹

The more challenging fact patterns have involved advertisements that incorporate the plaintiff's trade marks. Early cases involving such uses are relatively rare, since Google's 2004 AdWords policy prevented advertisers from using purchased trade marks in their advertisements, and it is unsurprising that courts took a dim view of advertisers that violated this policy.²² Even so, courts in this period took care to ensure that the advertisements, as presented, did in fact misleadingly suggest that the defendant's goods and services were those

¹⁵ *Brookfield Communications, Inc v West Coast Entertainment Corp*, 174 F 3d 1036 (9th Cir 1999).

¹⁶ *JG Wentworth, SSC Ltd Partnership v Settlement Funding LLC*, 85 USPQ 2d 1780 (ED Pa 2007).

¹⁷ *Network Automation* (n 12), especially at 1147–48, approving the views of Berzon J in *Playboy Enterprises, Inc v Netscape Communications Corp*, 354 F 3d 1020, 1034–35 (9th Cir 2004).

¹⁸ 722 F 3d 1229 (10th Cir 2013).

¹⁹ *ibid* 1245.

²⁰ McCarthy (n 14) para 25A.8. For a recent illustration, see *Alzheimer's Disease & Related Disorders Association, Inc v Alzheimer's Foundation of America, Inc*, 307 F Supp 3d 260 (SDNY 2018).

²¹ David J Franklyn and David A Hyman, 'Trademarks as Search Engine Keywords: Much Ado about Something?' (2013) 26 Harv JL & Tech 481. See also Eric Goldman, 'Deregulating Relevancy in Internet Trademark Law' (2005) 54 Emory LJ 507.

²² Examples include *Government Employees Insurance Co v Google, Inc*, 77 USPQ 2d 1841 (ED Va 2005) and *Storus Corp v Aroa Marketing, Inc*, 87 USPQ 2d 1032, 1036 (ND Cal 2008).

of, or affiliated with, the plaintiff mark owner. In 2009, Google changed its AdWords policy to permit certain purchasers of trade marked keywords to use such marks in ‘sponsored link’ advertising text. These purchasers included resellers of the trade marked goods, makers of component or compatible parts and reviewers of the trade marked products²³ – the clear intention being that such parties would be making non-infringing use of the marks in their advertising. Since this time, courts have found overwhelmingly in favour of both defendant advertisers and Google.²⁴ Even where there has been some evidence of confusion, courts have found in favour of defendants where the plaintiff’s mark was being used in a descriptive manner,²⁵ or in a comparative advertisement.²⁶ In doing so, courts have been merely applying known trade mark doctrines – most notably ‘nominative fair use’, which is a defensive doctrine that permits a defendant to use the plaintiff’s mark to indicate that it is dealing with the plaintiff’s trade marked goods or services²⁷ – in a new, online environment.²⁸

In summary, although it took a number of years for the position to become clear, the legal techniques that US courts use in approaching keyword advertising cases are now well settled. Likelihood of confusion remains central to the analysis of infringement, with liability likely to turn on whether and how a trade mark is deployed in the defendant’s advertising.²⁹

2.2 Australian and New Zealand Case Law

Litigation concerning the use of registered trade marks in keyword advertising is more recent in Australia and New Zealand. In large part, this is because Google’s AdWords policy initially applied more restrictively in these countries than it did in the US. Until 23 April 2013, the owner of an Australian or New Zealand registered trade mark could object to a competitor bidding for or using the trade mark as a keyword under Google’s policy, meaning that disputes were managed privately. From that date, Google has no longer intervened to prevent a trader

²³ *Rosetta Stone Ltd v Google, Inc*, 676 F 3d 144, 151–52 (4th Cir 2012).

²⁴ There are, of course, exceptions, such as in situations where the alleged resellers were selling counterfeit goods: *ibid* 158.

²⁵ *Alzheimer’s Foundation of America, Inc v Alzheimer’s Disease & Related Disorders Association, Inc*, 2015 WL 4033019 (SDNY 2015).

²⁶ *General Steel Domestic Sales, LLC v Chumley*, 2013 WL 1900562 (D Colo 2013).

²⁷ Although well established in numerous Circuits, the precise contours of the doctrine remain unclear: see McCarthy (n 14) para 23.11 (noting the different approaches taken in *New Kids on the Block v News America Publications, Inc*, 971 F 2d 302 (9th Cir 1992); *Pebble Beach Co v Tour 18 I Ltd*, 155 F 3d 526 (5th Cir 1998); *Century 21 Real Estate Corp v Lendingtree, Inc*, 425 F 3d 211 (3d Cir 2005) and *International Information Systems Security Certification Consortium, Inc v Security University, LLC*, 823 F 3d 153 (2d Cir 2016)).

²⁸ See also *Tiffany (NJ) Inc v eBay Inc*, 600 F 3d 93 (2d Cir 2010) (on nominative use in eBay search results).

²⁹ Ronald C Goodstein and others, ‘Using Trademarks as Keywords: Empirical Evidence of Confusion’ (2015) 105 Trademark Rep 732, 747–57.

from purchasing or using another party's trade marked term as a keyword.³⁰ This has led to a burst of litigation in Australia and New Zealand, with the most notable feature of the decisions reached in both countries being that the courts have shown themselves to be comfortable applying the established doctrine of 'trade mark use' to deal with the novel challenges posed by keyword advertising.

The requirement that infringing use be use 'as a trade mark' forms a core part of the law of many British Commonwealth countries. The doctrine started to take form in the UK in the 1920s;³¹ it was firmly entrenched by the House of Lords in 1934 in *Irving's Yeast-Vite Ltd v Horsenail*, where the use of a registered mark in a comparative advertisement was held to be non-infringing because the use was not as a trade mark.³² The requirement was embraced by courts and subsequently became an explicit part of the statutory test for infringement in a number of Commonwealth countries, including Australia and New Zealand. The underlying principle of trade mark use as it has come to be reflected in the laws of these countries is simple enough to state. As the High Court of Australia confirmed in *Shell Co of Australia Ltd v Esso Standard Oil (Australia) Ltd*, it is only use of a sign by the defendant as a badge of origin that will infringe.³³ That is, the use must indicate 'a connection in the course of trade between goods and the person who applies the mark to the goods'.³⁴ This is to be judged objectively, by reference to likely consumer reaction, taking into account the particular manner and context of the defendant's use.³⁵ The converse of the trade mark use requirement is that other types of use, such as nominative or descriptive use, will not infringe.

³⁰ Elizabeth Godfrey, 'Significant Policy Change to Google's Trademark AdWords in Australia' (22 April 2013), <www.davies.com.au/ip-news/significant-policy-change-to-googles-trademark-adwords-in-australia> accessed 12 October 2019. The change occurred shortly after Google's success in litigation brought by the Australian statutory authority responsible for fair trading, in which it had been argued that Google's failure to differentiate sufficiently between organic results and sponsored links was misleading or deceptive: see *Google Inc v Australian Competition and Consumer Commission* [2013] HCA 1, (2013) 249 CLR 435 and, for critique, Amanda Scardamaglia and Angela Daly, 'Google, Online Search and Consumer Confusion in Australia' (2016) 24 IJLIT 203.

³¹ *Edward Young & Co Ltd v Grierson, Oldham & Co Ltd* (1924) 41 RPC 548, 577 (CA).

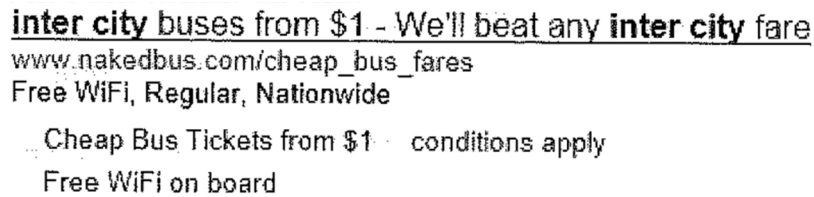
³² (1934) 51 RPC 110 (HL). We return to this decision in section 3.

³³ (1963) 109 CLR 407, 422.

³⁴ *Coca-Cola Co v All-Fect Distributors Ltd* [1999] FCA 1721, (1999) 96 FCR 107 [19]. This reasoning was approved by the High Court of Australia in *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* [2010] HCA 15, (2010) 241 CLR 144 [43].

³⁵ For a recent rearticulation of the principles, see *Nature's Blend Pty Ltd v Nestlé Australia Ltd* [2010] FCAFC 117, (2010) 87 IPR 464 [19]. On the relevance of Australian authorities in interpreting 'trade mark use' under New Zealand law, see *Tasman Insulation New Zealand Ltd v Knauf Insulation Ltd* [2015] NZCA 602, [2016] 3 NZLR 145 [162]–[163]; Paul Sumpter, 'Some Observations on Trans-Tasman Trade Mark Law' (2017) 27 AIPJ 88, 90–93.

The first Australasian case in which liability for keyword advertising was directly considered was *InterCity Group (NZ) Ltd v Nakedbus NZ Ltd*,³⁶ a decision of the New Zealand High Court involving competing long distance bus companies. Nakedbus had purchased a number of Google AdWords, including the term ‘inter city’, which were used to generate advertisements that appeared in Google search results for ‘intercity’ and ‘intercity bus’ as in Figure 21.1.



inter city buses from \$1 - We'll beat any inter city fare
www.nakedbus.com/cheap_bus_fares
Free WiFi, Regular, Nationwide
Cheap Bus Tickets from \$1 conditions apply
Free WiFi on board

Figure 21.1 Nakedbus Google advertisement

InterCity Group argued that Nakedbus’s purchase of the keywords and its advertisements infringed InterCity Group’s registered INTERCITY trade mark under section 89 of the Trade Marks Act 2002 (NZ). This provision requires both ‘use in the course of trade’ of a sufficiently similar sign to the registered mark,³⁷ and for that sign to have been used in such a manner that it is ‘likely to be taken as being use as a trade mark’.³⁸

On the issue of the defendant’s purchase of the keywords, Asher J had no difficulty finding that this involved use of the ‘inter city’ signs in the course of trade.³⁹ However, since the question of whether or not a use would be likely to be taken to be use ‘as a trade mark’ is to be determined from the perspective of potential consumers, the fact that the purchase involved a use that was not seen by consumers doomed the plaintiff’s argument to failure.⁴⁰ On the more contentious issue of Nakedbus’s advertisement, Asher J was convinced by the plaintiff’s evidence that the reputation of its INTERCITY mark was such that internet users searching for ‘intercity’ would be looking for the plaintiff’s business, rather than long distance

³⁶ [2014] NZHC 124, [2014] 3 NZLR 177. In *Mantra Group Pty Ltd v Tailly Pty Ltd (No 2)* [2010] FCA 291, (2010) 183 FCR 450, a case involving infringement by use in domain names, the court’s orders extended to preventing the defendant from using the plaintiff’s registered mark as part of a search engine keyword. It has been pointed out that this part of the orders does not appear to have been the subject of debate between the parties: Warwick Rothnie, ‘Of Keywords, Adwords and Trade Mark Infringement’ (2010) 83 IP Forum 32, 33–34.

³⁷ Trade Marks Act 2002 (NZ) s 89(1).

³⁸ *ibid* s 89(2).

³⁹ *InterCity Group* (n 36) [66].

⁴⁰ *ibid* [82], [85]. The High Court refused to re-open this issue in the later case of *NZ Fintech Ltd v Credit Corp Financial Solutions Pty Ltd* [2019] NZHC 1210, [14]–[19].

bus services generally.⁴¹ On this basis it was thought that consumers would be likely to see the defendant's advertisement, and in particular its prominent references to 'inter city', through a particular lens.⁴² Given that the advertisement would appear in the context of organic search results for the plaintiff's business, and was presented in a manner that did not make clear that the business operating at nakedbus.com was unrelated to InterCity Group, Asher J held that consumers would consider that 'inter city' was being used in the advertisement as a trade mark, rather than in a descriptive sense.⁴³

A similarly fact-specific approach to keyword advertising and trade mark use has been adopted in Australia. In *Veda Advantage Ltd v Malouf Group Enterprises Pty Ltd*,⁴⁴ a Federal Court decision from 2016, the plaintiff was a data analytics company that provided credit reports to lending institutions, and was the registered owner of VEDA for financial services. It brought infringement proceedings against a party that had purchased Google AdWords containing the term 'veda', which were used to generate advertisements for its credit repair services, some of which also used the term 'veda'. An example of the defendant's advertising is set out in Figure 21.2.



Figure 21.2 Veda Google advertisement

Katzmann J gave a number of reasons as to why the defendant's selection and nomination of the keywords did not constitute use of 'veda' 'as a trade mark' for the purposes of section 120 of the Trade Marks Act 1995 (Cth), but spent most time justifying her decision that trade mark use requires the use to be perceptible by consumers. Her Honour did so because there

⁴¹ *InterCity Group* (n 36) [108]–[130].

⁴² That the reputation of the plaintiff's mark is relevant in considering whether the defendant's use of its sign is use as a trade mark is well established: see Robert Burrell and Michael Handler, *Australian Trade Mark Law* (2nd edn, OUP 2016) 379.

⁴³ *InterCity Group* (n 36) [160]–[161]. It was also held that Nakedbus had engaged in passing off and was in breach of the Fair Trading Act 1986 (NZ).

⁴⁴ [2016] FCA 255, (2016) 241 FCR 161.

was conflicting Federal Court authority as to whether metatag use constitutes trade mark use (arising from the fact that the source data of websites in which metatags can be ‘hidden’ is potentially visible to those who know how to look for it).⁴⁵ Katzmann J ultimately considered that in the case of keyword advertising, the fact that the sign selected by the defendant would be ‘indiscernible’ to consumers meant that there was nothing being communicated to them that would denote a connection in the course of trade between the defendant and its services:⁴⁶ an approach entirely consistent with that taken in *InterCity Group*.⁴⁷ In contrast with *InterCity Group*, however, Katzmann J considered that the defendant’s use of ‘veda’ in its sponsored link advertising was not trade mark use, but rather a form of nominative use to indicate that the defendant’s business involved cleaning or repairing credit histories as contained in Veda’s files or reports.⁴⁸

Much like the US case law, what is striking about *InterCity Group* and *Veda Advantage* is that they involve relatively straightforward applications of the established doctrine of ‘trade mark use’, with the courts showing no interest in seeking to invent new principles (such as an idea of infringing ‘imperceptible’ use) to deal with the novel fact scenarios presented to them.⁴⁹ However, it is worth noting that courts in Australia and New Zealand have not yet had to confront more difficult fact scenarios involving the use of keywords to generate advertisements that contain the plaintiff’s marks, where there is more uncertainty over how consumers might respond.⁵⁰

2.3 European Union Case Law

⁴⁵ Compare *Complete Technology Integrations Pty Ltd v Green Energy Management Solutions Pty Ltd* [2011] FCA 1319 [62] (no trade mark use since the metatags were invisible to the ordinary internet user) with *Accor Australia & New Zealand Hospitality Pty Ltd v Liv Pty Ltd* [2015] FCA 554, (2015) 112 IPR 494 [432]–[435] (finding use in a metatag to be trade mark use, and thus infringing).

⁴⁶ *Veda Advantage* (n 44) [127]–[128]. More recently, in *Accor Australia & New Zealand Hospitality Pty Ltd v Liv Pty Ltd* [2017] FCAFC 56, (2017) 124 IPR 264 [323]–[325], [341] the Full Federal Court did not disturb the trial judge’s conclusion (n 45) that use in a metatag constituted trade mark use. This has caused some to query whether doubt has been cast on *Veda Advantage*: Tim Golder and Natasha Dixon, ‘Online Advertising and Trade Mark Use in Australia – Where Do We Stand?’ (2017) 12 JIPLP 986, 989. However, in *Accor* on appeal the defendants did not challenge the trial judge’s conclusion on metatag use, and the Full Court did not consider either *Complete Technology Integrations* (n 45) or *Veda Advantage*.

⁴⁷ For broadly similar reasons, we have argued elsewhere that a search engine operator would not be liable for infringement under Australian law for the mere sale of a trade marked keyword: Burrell and Handler, *Australian Trade Mark Law* (n 42) 390–91.

⁴⁸ *Veda Advantage* (n 44) [170]. The only exception related to a sponsored link with the heading ‘The Veda Report Centre’, which Katzmann J held involved the use of ‘Veda’ as a trade mark. Her Honour also held that, apart from this one exception, the defendant’s advertisements did not contravene the prohibition on engaging in misleading or deceptive conduct contained in the Australian Consumer Law (Competition and Consumer Act 2010 (Cth) sch 2).

⁴⁹ See generally Vicki Huang, ‘Liability for Invisible Use of Trade Marks on the Internet’ (2017) 28 AIPJ 51.

⁵⁰ Burrell and Handler, *Australian Trade Mark Law* (n 42) 391–92.

As indicated in the Introduction, the most complex technical legal questions have arisen in keyword advertising cases in the EU. Both the original Trade Marks Directive and the Community Trade Marks Regulation provided that a registered trade mark was infringed by the defendant ‘using in the course of trade’ an identical sign on goods or services identical to those covered by the registration,⁵¹ subject only to defences permitting certain descriptive or nominative uses in accordance with honest commercial practice.⁵² Before it came to decide the first keyword advertising cases in 2010, the Court of Justice had developed a complicated body of case law on what constitutes infringing use. In its earliest decisions, it held that use ‘in the course of trade’ need only be use ‘in the context of commercial activity with a view to economic advantage and not as a private matter’⁵³ and that in order to infringe, such use must ‘be liable to affect one of the functions of the mark’.⁵⁴ This was understood to mean that infringement could occur even if the defendant’s use was not ‘as a trade mark’,⁵⁵ but that use that did not impact on the essential, origin function of the mark, such as use for descriptive purposes, would be permissible.⁵⁶ In its 2009 decision in *L’Oréal SA v Bellure NV*, the Court clarified that a use that affected *any* function of a registered mark – including the quality guarantee, investment, communication or advertising function – would infringe.⁵⁷ This approach had been hinted at in an earlier decision finding that a use of a registered mark in comparative advertising would not infringe provided that the use complied with the requirements of the Comparative Advertising Directive, which included that the advertisement not discredit, denigrate or take unfair advantage of the reputation of the registered mark.⁵⁸

Given how the law had developed by 2010, there was genuine uncertainty at that time as to the legal position of both keyword advertisers and search engine operators. In a series of cases, the Court of Justice helped to clarify the position of these parties, although in ways that are not unproblematic.

⁵¹ Directive 2008/95/EC to approximate the laws of the Member States relating to trade marks [2008] OJ L299/25 (Trade Marks Directive) art 5(1)(a); Council Regulation (EC) 207/2009 on the Community trade mark (CTMR) art 9(1)(a).

⁵² Trade Marks Directive, art 6; CTMR, art 12.

⁵³ Case C-206/01 *Arsenal Football Club plc v Reed* [2002] ECR I-10273, para 40.

⁵⁴ *ibid* para 42.

⁵⁵ Helen Norman, ‘Time to Blow the Whistle on Trade Mark Use’ [2004] IPQ 1.

⁵⁶ Case C-2/00 *Hölterhoff v Freiesleben* [2002] ECR I-4187.

⁵⁷ Case C-487/07 *L’Oréal SA v Bellure NV* [2009] ECR I-5185, para 58.

⁵⁸ Case C-533/06 *O2 Holdings Ltd v Hutchison 3G UK Ltd* [2008] ECR I-4231, para 45. See Directive 2006/114/EC concerning misleading and comparative advertising [2006] OJ L376/21 (MCAD), art 4.

In its *Google France* decision, the Court held that Google, to the extent that it merely offered a paid service for the selection and storage of trade marked keywords, was not engaged in a use of those marks.⁵⁹ Notwithstanding that it was clearly undertaking a ‘commercial activity with a view to economic advantage’, the fact it was not proffering any such mark as ‘its own commercial communication’ was thought to be decisive.⁶⁰ This finding was perhaps surprising, given the Court’s expansive reading of ‘use’ up to that time.⁶¹ In contrast, however, it was held that an advertiser would be using such a mark in the course of trade, and in relation to its goods and services, even if its resulting advertisement did not cause the selected mark to be displayed.⁶² This, in turn, gave rise to the question of whether the advertiser was using the mark in a manner that impacted on one of the mark’s functions.

With the Court accepting that a defendant’s use can infringe if it harms the mark’s ‘advertising function’, in the sense of adversely affecting the owner’s ‘use of its mark as a factor in sales promotion or as an instrument of commercial strategy’,⁶³ it might have been thought that keyword advertisers would have been on very shaky ground. However, the Court was not prepared to find that an advertiser’s conduct, in paying to use another’s mark to ensure its own advertisements were prioritised on search result pages, would harm the mark’s advertising function, seemingly because the mark owner’s websites would still appear high up in the list of organic search results.⁶⁴ While this is a welcome outcome, given the more general problems with the Court’s attempts to assess infringement in double identity cases through a ‘functions’ analysis,⁶⁵ it cannot be pretended that the Court’s reasoning on the advertising function is at all comfortable.

The more challenging issue for the Court was to provide guidance as to when an advertiser’s conduct might harm the mark’s origin function. The Court concluded that this was

⁵⁹ Joined Cases C-236/08 to C-238/08 *Google France SARL v Louis Vuitton Malletier SA, Viaticum Lucetiel SA and Centre National de Recherche en Relations Humaines (CNRRH) SARL* [2010] ECR I-2417, para 58.

⁶⁰ *ibid* para 56. See also *Och-Ziff Management Europe Ltd v Och Capital LLP* [2010] EWHC 2599 (Ch), [2011] FSR 11 [55]–[66].

⁶¹ Martin Senftleben, ‘Keyword Advertising in Europe – How the Internet Challenges Recent Expansions of EU Trademark Protection’ (2011) 27 *Conn J Int’l L* 39, 61. For critique of the test set up by the CJEU, see Jane Cornwell, ‘Keywords, Case Law and the Court of Justice: The Need for Legislative Intervention in Modernising European Trade Mark Law’ (2013) 27 *Int’l Rev L Computers & Tech* 85, 88–91.

⁶² *Google France* (n 59) paras 51–52, 69, 71. See also Case C-558/08 *Portakabin Ltd v Primakabin BV* [2010] ECR I-6963, para 28.

⁶³ *Google France* (n 59) para 92.

⁶⁴ *ibid* para 94. See also Case C-278/08 *Die BergSpechte Outdoor Reisen und Alpenschule Edi Koblmüller GmbH v Guni* [2010] ECR I-2517, para 34; Case C-323/09 *Interflora Inc v Marks & Spencer plc* [2011] ECR I-8625, paras 54–57. For criticism, see Cornwell (n 61) 94.

⁶⁵ Audrey Horton, ‘The Implications of *L’Oréal v Bellure* – A Retrospective and Looking Forward’ [2011] *EIPR* 550; Martin Senftleben, ‘Function Theory and International Exhaustion – Why It Is Wise to Confine the Double Identity Rule to Cases Affecting the Origin Function’ [2014] *EIPR* 518.

a question of fact, turning on whether the defendant's advertisement enables 'normally informed and reasonably attentive internet users ... only with difficulty ... to ascertain whether the goods or services referred to' originate from a party other than the owner of the mark.⁶⁶ It considered that the mark's origin function would be adversely affected if the advertisement 'suggests that there is an economic link' between the plaintiff and defendant, or if it is sufficiently 'vague' that the normally informed and reasonably attentive internet user would be unable to determine the nature of the economic relationship between the parties.⁶⁷

From this guidance from the Court of Justice, and subsequent case law in which it has been applied, the most that can be said is that there is a 'consensus that keyword advertising using a competitor's trade mark is not inherently or inevitably objectionable from a trade mark perspective'.⁶⁸ While it is clear that defendants will infringe when they are using the plaintiff's mark in the course of advertising counterfeit versions of the plaintiff's goods,⁶⁹ and are unlikely to infringe when their advertisements make clear they are selling the plaintiff's actual goods or their own competing products, other cases are not so straightforward. This is particularly the case when the defendant's advertisements do not make reference to the plaintiff's mark, as exemplified by the English High Court's 2013 decision in *Interflora Inc v Marks and Spencer Plc*.⁷⁰ *Interflora*, a flower delivery network operating through florists and some retail premises, including supermarkets, brought infringement proceedings against retailer Marks & Spencer, which had purchased the 'interflora' keyword to generate advertisements that took the following form:⁷¹

M&S Flowers Online

Beautiful Fresh Flowers & Plants.

Order by 5pm for Next Day Delivery.

www.marksandspencer.com/flowers

⁶⁶ *Google France* (n 59) para 84. See also *Die BergSpechte* (n 64) para 35; *Portakabin* (n 62) para 34. A near identical version of this test also applies if the defendant has selected a keyword that is merely similar to the registered mark: *Die BergSpechte* (n 64) para 39.

⁶⁷ *Google France* (n 59) para 90. See also *Die BergSpechte* (n 64) para 36. Further, since it is possible for an advertiser to infringe in these circumstances, this raises the possibility of the search engine operator being liable as a secondary infringer: see generally Annette Kur, 'Secondary Liability for Trademark Infringement on the Internet: The Situation in Germany and throughout the EU' (2014) 37 *Colum JL & Arts* 525.

⁶⁸ *Interflora Inc v Marks and Spencer Plc* [2013] EWHC 1291 (Ch), [2013] ETMR 35 [283].

⁶⁹ It is also clear that a defendant whose trading name is confusingly similar to the mark owner's and who provides the same services as the mark owner will infringe by bidding on that mark as a keyword, causing an advertisement for the defendant's business to be displayed when consumers undertake a search using that mark: *Victoria Plum Ltd v Victorian Plumbing Ltd* [2016] EWHC 2911 (Ch), [2017] ETMR 8 (in which Carr J also held that a defence of honest concurrent use was unavailable).

⁷⁰ *Interflora* (n 68).

⁷¹ *ibid* [136].

Arnold J found in favour of Interflora, emphasising that the unusual nature of the plaintiff's business, and the absence of any disclaimers in the defendant's advertisement, meant that searchers might reasonably infer that Marks & Spencer had joined the Interflora network, rather than setting itself up as a competitor to Interflora.⁷² On appeal, Marks & Spencer was successful in arguing that the plaintiff and not the defendant bore the onus of proof in determining whether the normally informed and reasonably attentive internet user would be misled, leading to the case being remitted to the trial judge,⁷³ at which point the case appears to have settled. The case thus remains a useful illustration of the factual challenges involved in determining how consumers will respond to specific advertisements, given their knowledge of the relationship between such advertisements and organic search results, and between the particular parties to the dispute.

3. ACTIONABLE ADVERTISEMENTS

If there is a single message to be taken from section 2, it is that flexible standards have an important role to play in the trade mark field in enabling courts to craft appropriate outcomes when confronted with novel fact patterns. The use as a trade mark doctrine in Australia and New Zealand and the nominative fair use defence in the United States have allowed courts to focus relatively easily on what has rightly been identified as the core issue, namely, whether the trade mark owner is likely to suffer harm. If courts in the EU have found it more difficult to reach this point, this is because the extent to which functions analysis is capable of providing a policy driven safety valve has still not been established, in no small part because the protected functions of a mark remain poorly articulated and understood.

That trade mark law has proven to be sufficiently flexible to be adapted to the online environment ought not to come as a surprise. The spread of the telephone, the advent of radio and television broadcasting and the move to supermarkets and other stores where goods are selected by shoppers from a shelf or rack all required courts to think carefully about how to apply existing legal principles to a new business environment.⁷⁴ Indeed, given this history, a better question might be: why is there still so much interest in and controversy surrounding

⁷² *ibid* [295]–[297].

⁷³ *Interflora Inc v Marks and Spencer Plc* [2014] EWCA Civ 1403, [2015] ETMR 5.

⁷⁴ In Australia see, for example, *Shell* (n 33) (use on television); *Taiwan Yamani Inc v Giorgio Armani SpA* (1989) 17 IPR 92 (ATMO) (clothing now selected from racks rather than being purchased over the counter following an oral request).

keyword advertising? To our minds, the answer lies in the fact that giving the trade mark owner the exclusive right to control the use of its mark in advertising is neither as obvious nor as straightforward as is generally assumed. This may well appear to be a surprising assertion, since there are advertising-type uses that can unquestionably cause consumer confusion. Consider, for example, an advertisement placed outside a retail outlet that states ‘we only sell [brand] products’. Any consumer going into that retail outlet will naturally assume that all the products he or she sees in that outlet do indeed come from the trade source identified in the advertisement. Moreover, the consumer may have no reason whatsoever to question that assumption up to and beyond the point of sale,⁷⁵ particularly if the goods in question are otherwise unmarked or are marked in a way that the consumer takes to be an unfamiliar subbrand.⁷⁶ There can be no argument within our existing trade mark paradigm that this type of use in advertising ought not to be allowed. But even if trade mark protection were to be cut back drastically to a right to prevent counterfeiting, there would be a strong argument that this type of use ought still to be prohibited.

It is therefore unsurprising that courts were prepared to intervene from an early stage to issue injunctions against some types of misleading advertisement. In the 1888 case of *Jay v Ladler* an injunction was granted to prevent the defendant’s use of a device consisting of a ‘lady and a bear’ in circulars advertising its business as a furrier, this being similar to the device used by the plaintiff and registered in relation to a limited range of furrier’s goods.⁷⁷ The result in this case again seems uncontroversial. The problem, however, is that there are many other sorts of use in advertising where it is far less clear that the trade mark owner ought to have even a prima facie remedy. Consider, for example, the 1982 Irish case of *Gallaher (Dublin) Ltd v The Health Education Bureau*.⁷⁸ The background to that case was that the defendant, a public agency, distributed imitation packets of cigarettes containing rolled up pieces of paper that gave advice on how to quit smoking. The packets featured the mark CONQUEST in a prominent position. Unbeknownst to the defendant, the plaintiff had secured registration for this word as a trade mark and had produced and sold a small number of cigarettes under this brand. The court held that the mark had been used in relation to cigarettes (and not merely in

⁷⁵ That is, the problem is not necessarily confined to initial interest confusion.

⁷⁶ To illustrate further, imagine a beer tent set up at a street festival that has a sign outside saying ‘All of our beers come from the METROPOLIS microbrewery’. A consumer going into the tent will assume that all of the beers that he or she sees have indeed been brewed by Metropolis. Moreover, even if the consumer is familiar with some Metropolis products, he or she may well be unsurprised and untroubled to be confronted with a series of beers with unfamiliar names, since microbreweries tend to regularly innovate with their product lines.

⁷⁷ (1888) 40 Ch D 649 (Ch). See also *Bourne v Swan & Edgar Ltd* [1903] 1 Ch 211 (Ch).

⁷⁸ [1982] FSR 464 (HC of Ireland).

relation to a health campaign) and consequently found for the plaintiff. *Gallaher* has never been entirely free from controversy in Commonwealth trade mark circles,⁷⁹ and in an age where cigarette manufacturers are required to sell their products in packages that are designed to be as unattractive as possible it is tempting to dismiss this case as being a product of a different time. In fact, however, *Gallaher* represents the natural consequence of bringing rights over advertising within the trade mark owner's exclusive domain.

The most striking feature of *Gallaher* is that there was and could be no suggestion that anyone was in danger of being confused. The defendant's health promotion packet was not for sale and no rival product was being touted. The defendant in this case was not intending to refer to the plaintiff's goods and the plaintiff was not required to lead evidence to demonstrate that consumers who saw the defendant's packet had the plaintiff's product brought to mind. Nor was the plaintiff required to demonstrate harm to its reputation or the value of its brand. What we see in this case therefore is the trade mark owner being given control over its mark as a free-floating signifier. But this feature of the case is not anomalous. Rather, it is the product of the normal mechanics of registration. The process of registration produces a bureaucratised species of property right that sits some way removed from the signs that are used and encountered by consumers in the marketplace. This abstraction away from the marketplace means that registered trade mark infringement often extends well beyond anything that a mere right against confusion would warrant. This is most obvious in cases where a defendant is using the same mark in relation to the same goods and services for which the mark has been registered. As we saw in section 2, in some jurisdictions, including the EU and New Zealand, this is conceptualised as 'double identity' infringement and attracts a form of strict liability, subject to the defendant being able to rely on a defensive doctrine.⁸⁰ Moreover, even registration-based systems, such as the Australian system, that do not formally separate out double identity cases tend to end up in much the same place: if the defendant has used an identical mark for identical goods, the burden will fall on the defendant to bring itself within an exception.

Double identity type infringement appears largely unobjectionable when we are dealing with the branding of goods. The placement of an identical mark on identical products must give

⁷⁹ See DR Shanahan, *Australian Law of Trade Marks and Passing Off* (2nd edn, Law Book Co 1990) 337; Burrell and Handler, *Australian Trade Mark Law* (n 42) 375.

⁸⁰ On the notion of 'defensive doctrines' see Graeme B Dinwoodie, 'Developing Defenses in Trademark Law' (2009) 13 *Lewis & Clark L Rev* 99 (noting that some of the doctrines that allow defendants to escape liability in trade mark cases – such as use as a trade mark or use not affecting the functions of the mark – technically form part of what the trade mark owner has to establish, but in practice the burden falls on the defendant, such that these elements of trade mark law act much like defences).

rise to a presumption of confusion, such that it should fall to the defendant to displace this presumption.⁸¹ Once one turns to advertising, however, it is far less clear that the same presumption should hold. The difficulty, as the keyword advertising cases illustrate, is that advertisements can carry a whole host of non-confusing messages. As we noted in the Introduction, the advertiser might be indicating that it is selling the registered goods, can repair those goods, provides reviews of those goods or is selling a rival product. Moreover, these are merely illustrations: there are many other types of use in advertising that will not give rise to confusion, as a case like *Veda Advantage* (the ‘credit repair’ case) illustrates. Yet registration systems do invariably apply the same presumption to advertising as they do to the branding of goods. Advertising is included in legislative lists of uses of signs that require the trade mark owner’s consent – lists that also include not merely use on goods, but also use on business papers, in catalogues and as letterhead.⁸² It might well be possible to be critical about equating a number of these other uses with use on the goods themselves, but in practice it is really only use in advertising that has caused problems.

This is not to suggest that advertising ought to be taken outside of the exclusive rights of the trade mark owner. Not only would such a reform be politically difficult, but it might well prove undesirable. ‘Use in advertising’ is not a fixed or stable concept and for service marks in particular there would be real difficulties in seeking to draw a line between use in advertising and use in immediate relation to the services (as where the mark is used on a shop front, on sandwich boards placed in close proximity to the premises, and so forth). Moreover, the key message from the previous section was that it is possible to apply flexible defensive doctrines (such as nominative fair use and use as a trade mark) in order to produce a set of broadly defensible outcomes. There is, however, still reason for approaching the extension of trade mark rights to cover use in advertising with caution. To our minds, there are three further interrelated issues that warrant attention and further study.

First, there is perhaps some need for caution in taking ‘keyword advertising’ as if it were representative of how trade mark law responds to use in advertising more generally. Use of a trade mark as a keyword has, as we have noted, attracted an extraordinary degree of attention

⁸¹ As, for example, where a sign has acquired secondary meaning, but the defendant is seeking to demonstrate that it is using the sign in its original descriptive sense. For an illustration of this type of case, see *Pepsico Australia Pty Ltd v The Kettle Chip Co Pty Ltd* (1996) 33 IPR 161 (FCA, Full Court) (plaintiff had acquired secondary meaning for the mark KETTLE for potato chips, but the defendant was able to avoid liability by demonstrating that its use of the phrase ‘Kettle cooked potato chips’ was merely descriptive of the cooking process and hence was not use as a trade mark).

⁸² See, for example, CTMR, art 9(3); Trade Marks Act 1994 (UK), s 10(4); Trade Marks Act 1995 (Cth), s 9; Trade Marks Act 2002 (NZ), s 121.

over many years. There is widespread understanding of the potential problem within the trade mark community and it is not surprising that judges, aided by practitioners working for well-resourced parties and with a wealth of academic material to draw upon, have managed to craft a set of sensible principles. There is, however, a danger that particular uses become fetishised. There is a danger that we privilege uses such as keyword advertising (or uses such as parody) and fail to acknowledge that these are mere illustrations of types of use that are in general unlikely to cause the trade mark owner harm.⁸³ To illustrate, consider the position in the EU where, following *Google France*, it is clear that many uses by a trader of a competitor's trade mark in a keyword advertisement are unobjectionable. Simultaneously, however, the Court of Justice has told us that use of trade marks in product comparison lists may well be infringing.⁸⁴ The highly publicised keyword advertising problem gets addressed, but much of the rest of the system remains unsatisfactory.

Second, it should be noted that one of the things that is encouraging about the keyword advertising cases is that courts have generally been slow to accept that any and all instances of consumer confusion must be equated with trade mark infringement. There seems to be general agreement that if consumers have to spend an extra second or two reading the text underneath a link, that does not necessarily constitute actionable confusion. Similarly, there seems to be an acceptance that the mere fact that some consumers may erroneously click on a link is not necessarily determinative: having to click the back button on your browser is not, in fact, so onerous an imposition that the law needs to do everything within its power to prevent it. This is all very welcome, but rather than heaving a sigh of relief that courts have in the online context proven unusually willing to countenance the idea that legitimate traders may induce a degree of consumer confusion, we ought to be looking for more clarity generally about when we should tolerate some degree of confusion in order to maintain healthy levels of competition, to preserve freedom of expression or to further some other goal of public policy.⁸⁵

Third, account must be had of a slippage in reasoning that can occur within the current paradigm. If one starts from the position that trade mark owners have a right to prevent use in advertising and defendants must bring themselves within an exception, then it is all too easy to accept as a follow-on proposition that any such exception should be subject to 'reasonable'

⁸³ This argument has been developed at length elsewhere. See Burrell and Gangjee (n 5).

⁸⁴ *L'Oréal* (n 57) para 58.

⁸⁵ See further Graeme B Dinwoodie, 'Trademarks and Territory: Detaching Trademark Law from the Nation-State' (2004) 41 *Hous L Rev* 885; Graeme B Dinwoodie and Dev S Gangjee, 'The Image of the Consumer in European Trade Mark Law' in Dorota Leczykiewicz and Stephen Weatherill (eds), *The Images of the Consumer in EU Law* (Hart Publishing 2015); Robert Burrell and Kimberlee Weatherall, 'Towards a New Relationship between Trade Mark Law and Psychology' (2018) 71 *CLP* 87.

limits. We are therefore told that use for the purposes of comparative advertising ‘must not present goods or services as imitations or replicas’⁸⁶ and must be in accordance with ‘honest practices in industrial or commercial matters’.⁸⁷ Such legislative qualifications on the right of defendants to use a trade mark often pass without notice. After all, few of us would want to be seen to be supporting *dishonest* practices in industrial or commercial matters. But these qualifications can blind us to the fact that if the trade mark owner is not in danger of suffering a type of legally cognisable harm then the owner has only been given a right in the first place for expediency of regulatory design. Legislative restrictions on the scope of exceptions that allow defendants to use a mark in advertising that are unconnected to the likelihood of consumer confusion are thus by no means obviously desirable. In a similar vein, courts need to be cautious when giving the plaintiffs the ‘benefit of the doubt’ when dealing with cases where there is uncertainty as to how consumers would respond to the advertisement in question.⁸⁸ Such a pro-plaintiff starting point would of course make sense in the type of case that justifies giving trade mark owners some degree of control over use of their marks in advertisements. In a case such as *Jay v Ladler* it seems entirely unproblematic to conclude that any uncertainty should be resolved in favour of the plaintiff. However, providing plaintiffs with the benefit of the doubt makes much less sense if the defendant has put out an advertisement in which it appears to have honestly tried to communicate that its business involved renting earth moving equipment manufactured and sold by the plaintiff.⁸⁹ Surely in such a case the burden should fall on the trade mark owner to establish to the court’s satisfaction that consumers would have mistaken the advertisement to be suggesting that there was a sponsorship or licensing arrangement between the plaintiff and the defendant.

To further develop the points made in the above paragraph, it may be worth drawing attention to the now largely forgotten history of how the UK came to take a restrictive approach to comparative advertising. By the time the UK came to implement the harmonised European trade mark regime it was generally understood that under the Trade Marks Act 1938 ‘comparative advertising was trade mark infringement’,⁹⁰ with that Act specifically overturning the House of Lords’ decision in *Yeast-Vite*. However, the path to this outcome was

⁸⁶ MCAD (n 58) and see *L’Oréal* (n 57) for how this applies in the trade mark context.

⁸⁷ Trade Marks Act 2002 (NZ), s 94.

⁸⁸ See Burrell and Handler, *Australian Trade Mark Law* (n 42) 378, 383 where we discuss cases that have turned on the trade mark use enquiry in which it has been held that where the nature of the use is uncertain courts should err on the side of the plaintiff.

⁸⁹ cf *Caterpillar Loader Hire (Holdings) Pty Ltd v Caterpillar Tractor Co* (1983) 1 IPR 265 (FCA, Full Court).

⁹⁰ Helen Norman, *Intellectual Property Law Directions* (OUP 2014) 423, and see Ruth Annand and Helen Norman, *Blackstone’s Guide to the Trade Marks Act 1994* (Blackstone Press 1994) 159.

not straightforward. What now tends to be forgotten is that following *Yeast-Vite* there was a period of uncertainty as to whether any form of use in advertising could amount to a trade mark infringement. This was a product of the way the cases on use in advertising had developed to that point in time. As was noted above, following the decision in *Jay v Ladler* there was a consensus that use in advertising could constitute an infringement. This was confirmed by the decision of Farwell J in *Bourne v Swan & Edgar Ltd* in 1903.⁹¹ Strictly speaking, the relevant part of Farwell J's decision was purely obiter (since the marks in question were held not to be deceptively similar), but this decision nevertheless appears to have attracted considerable attention as a use in advertising case. Importantly, however, Farwell J justified this outcome by saying that 'I do not think that it can be really necessary that the mark should be used by the defendants as a trade-mark'.⁹² But when the House of Lords subsequently decided in *Yeast-Vite* that use as a trade mark was a precondition for a finding of infringement this cast doubt on whether use in advertising could ever be actionable. The decision of the Court of Appeal in *Nicholson v Bass*, although dealing with an unusual fact pattern concerning a mark alleged to have been used continuously since before 1875, could be read as supporting the view that use in advertising could never infringe.⁹³ Consequently, when the Goschen Committee came to take evidence on this point, the question of whether comparative advertising should be permitted had become bound up with whether trade mark owners should have any degree of control over advertisements.⁹⁴

Parliament intervened to address use of a trade mark in advertising with the passage of the Trade Marks (Amendment) Act 1937. This was unquestionably designed to allow trade mark owners to bring infringement proceedings in relation to some types of advertisement. Equally, however, Parliament was keen to ensure that at least one form of comparison remained permissible: there could be no question of 'a salesman, by saying that X goods are better than Y goods, bringing himself within the ambit of the Bill'.⁹⁵ The latter was achieved by taking oral use outside the ambit of the amending legislation.⁹⁶ What is less certain is whether

⁹¹ *Bourne* (n 77).

⁹² *ibid* 229.

⁹³ [1931] 2 Ch 1. See, in particular, at 39: 'Advertisement of a trade mark in the press or on billheads, invoices and price lists is not a user of that mark. The only way in which a trade mark can be used is upon or in connection with goods' (Lawrence LJ). The subsequent decision of the House of Lords (*Bass, Ratcliff and Gretton Ltd v Nicholson and Sons Ltd* [1932] AC 130) left this point unresolved.

⁹⁴ Minutes of Evidence taken before the Departmental Committee on the Law and Practice relating to Trade Marks (HMSO 1934) 65–66.

⁹⁵ Debates on Trade Marks (Amendment) Bill [Lords], Standing Committee D, 15 June 1937, col 1204.

⁹⁶ This limitation was enacted in s 15(1)(b) of the Trade Marks (Amendment) Act 1937, which required 'use upon the goods or in physical relation thereto or in an advertising circular, or other advertisement, issued to the public'.

Parliament intended to place all other (non-oral) use in advertising under the exclusive control of the trade mark owner. The parliamentary debate focused on questions of ‘fraud’ and ‘abuse’ in advertising and it is unclear whether Parliament imagined that courts would apply a blanket prohibition on use in advertising or a fact-specific analysis of the likelihood of consumer confusion.⁹⁷ When the 1937 amendments came to be subsumed into the comprehensive overhaul of trade mark law that took place the following year with the passage of the Trade Marks Act 1938, there was still some Parliamentary support for permitting comparative advertising. By this point, however, the principle that trade mark owners did have a right to control use in advertising had been established by the 1937 Act and the government was now prepared to state expressly that its intention was to overturn *Yeast-Vite*.⁹⁸ Even so, the 1938 Act persisted in employing vague language, such that there was still scope for considerable judicial disagreement as to whether the parliamentary intention really had been to prohibit all forms of comparative advertising.⁹⁹ Ultimately, though, the courts came down in favour of the view that comparative advertising constituted trade mark infringement: in the face of a right to control use in advertising and in the absence of an express comparative advertising exception, trade mark owners were entitled to the benefit of any uncertainty.

4. CONCLUSION

In this chapter we have tried to suggest that the law relating to keyword advertising can be regarded as settled in the jurisdictions we have examined. To be clear, this is not to say that difficult or borderline cases will not continue to arise or that the law will not continue to evolve; rather, it is to suggest that the overall direction and shape of the law’s response to the use of trade marks in keyword advertising is now almost certainly fixed. Indeed, what is most interesting for us, now that the dust has settled, is how comfortable courts have been in applying and tweaking existing doctrines and how little difficulty they have encountered in reaching

⁹⁷ In this respect, it is worth emphasising that Parliament was not intending directly to implement the 1934 Goschen Committee’s recommendations. The Committee had recommended overturning *Yeast-Vite*, but also that an expanded infringement provision ‘should be made to allow the *bona fide* use of a mark by third parties for the purpose of describing such things as refills, accessories or spare parts specially adapted for use in or with goods of the registered proprietor’: *Report of the Departmental Committee on the Law and Practice relating to Trade Marks*, Cmd 4568 (HMSO 1934) 49–50. In other words, the Committee had recommended the introduction of a strong right (that would have included oral use) that was subject to an express defence. From the sources available, it is impossible to discern a clear parliamentary intent, from the introduction of a weaker right subject to no express defence, to implement the Committee’s recommendation.

⁹⁸ HC Debates (vol 324), 27 May 1937, col 515 (Dr Burgin, Parliamentary Secretary to the Board of Trade).

⁹⁹ See *Bismag Ltd v Amblins (Chemists) Ltd* [1940] Ch 667 (CA), in particular the dissenting judgment of MacKinnon LJ.

(broadly) sensible and defensible positions. But keyword advertising remains conceptually interesting. This is not because it provides a case study of whether trade mark law can cope with the challenges of new technologies and new business practices (it can and it has), but more because it provides a springboard for a reconsideration of what sort of advertising involving trade marks should ever be actionable. We argue that we should reorient ourselves to remember that there are many types of use in advertising that should never in principle be actionable. We may, nevertheless, choose to give trade mark owners broad control over use in advertising for reasons of regulatory convenience. However, this in turn means that seemingly benign ideas, like ensuring that there are 'reasonable' limits to the 'exceptions' that make some use in advertising permissible, must in fact be treated with great care. If there are generalisable lessons to be learned from the keyword advertising cases they are, first, that we need to remain firmly focused on the question of whether any particular use really is likely to cause the trade mark owner harm, and, second, of the importance of being circumspect when deciding whether causing consumers a few moments of uncertainty or some degree of puzzlement is to be equated with a likelihood of confusion.