

KEYWORD ADVERTISING, AND OTHER INVISIBLE USES OF THIRD-PARTY TRADE MARKS IN ONLINE ADVERTISING – A NEW ZEALAND/AUSTRALASIAN PERSPECTIVE

*Philip J Greene**

From the early days of the Internet, the use of trade marks have been the subject of intense debate and often litigation. Indeed, much of what constituted "Internet Law" in the late 1990s was driven by controversies over the use of trademarks, in domain names, on Web sites (both visibly and invisibly), and other forms. As we entered the 21st century, the discussion shifted to the advertising arena, as search engine companies saw ways to profit by selling advertising, using methods tied to the trade marks of third-parties. For example, search engines such as Google, Yahoo, Microsoft, Ask.com, and others, have sold Internet "key words," words that when searched for using their search engine, might produce a desired search result, or "hit." When such key word search terms happen to be trade marks, the owners of such marks have reacted by filing litigation, in some jurisdictions, or government action has been brought, in others. This paper discusses those practices, and how third-party use of trade marks in Internet advertising is conducted in New Zealand and Australia, and how courts and government agencies in Australasia and elsewhere have dealt with such practices, or how existing jurisprudence might be applied. The papers begins with an examination of the trade mark, its origins in English common law and how it has evolved, and how owners can prevent third-party unauthorised use. The paper discusses what constitutes "trade mark use," in various jurisdictions (including the US, the UK, Australia and New Zealand). Included is discussion of New Zealand and Australia's trade mark law, the law of passing off, and

* InternetNZ Senior Research Fellow in Cyberlaw, Victoria University School of Law, Wellington, New Zealand, November, 2007.

other consumer protection laws. The paper reviews relevant jurisprudence from the US and UK and discusses how such disputes might be resolved in New Zealand.

I INTRODUCTION

It is a general problem of the Internet that it works on words and not words in relation to goods or services. So, whenever anyone searches for that word, even if the searcher is looking for the word in one context, he will, or may find Web pages or data in a wholly different context. That is the reason why the plaintiffs bring these proceedings. Of course, users of the Internet also know that that is a feature of the Internet and their search may produce an altogether wrong Web page or the like. This may be an important matter for the courts to take into account in considering trademark and like problems.¹

It is not yet settled whether a trade-mark is to be primarily regarded as protecting the trade-mark owner's business from a species of unfair competition or protecting the public from imitations.²

A trade mark is generally defined as "a mark, sign or symbol",³ the primary and proper function of which is, as the Courts say, "to identify origin or ownership of the goods to which it is affixed".⁴ This paper will focus on the visible and invisible use of trade marks in the online advertising context, both from a global perspective and, more specifically, in New Zealand. In particular, it will focus on keyword advertising, ie, the use of another party's trade mark to "trigger" either a pop-up advertisement or a link to another party's web page. These uses of third-party trade marks have resulted in much litigation around the world, however no case has yet been brought in New Zealand.

Since many of the cases in this area have questioned whether such triggering use constitutes trade mark use, a portion of this paper will focus on the concept of what "trade mark use" is. Beneath that is yet another question: is "trade mark use" the litmus test? Is use in fact the lens through which to assess whether such use of another party's trade mark is infringing? One school of thought maintains that the issue should be decided as follows: if it is indeed a trade mark use, then

1 *Avnet Incorporated v Isoact Ltd* [1998] FSR 16, 17.

2 Frank I Schechter *The Historical Foundations of the Law Relating to Trade-Marks* (Columbia University Press, New York, 1925) citing *A Bourjois & Co Inc v Katzel* (1923) 275 Fed 539, 543 ("Schechter").

3 New Zealand Trade Marks Act 2002, s 5; Trade Marks Act 1995 (Cth), s 17 and 6; Trade Marks Act 1994 (UK), s 1; First Directive 89/104/EEC of the Council, of 21 December 1988, to Approximate the Laws of the Member States Relating to Trade Marks (OJ EC No L 40 of 11.2.1989, 1) Article 2; Lanham Act 15 USC § 1127, s 1127.

4 Schechter *The Historical Foundations of the Law Relating to Trade-Marks*, above n 2, citing *Hanover Milling Co v Metcalf* (1916) 240 US 403, 412.

you look to see if it causes confusion.⁵ Others would disagree, and would "reject trademark use as the 'wonder theory' of trademark law";⁶ in other words, it doesn't matter if it is "trade mark use" or not, if it is likely to (or actually does) confuse the consumer, it is infringing.

Further, is the use of trade mark keywords offensive to just the trade mark owner, or is it also harmful to the consumer? In other words, if an Internet search for a third-party's trade mark triggers the appearance of a competitor's website, is the consumer harmed in any way? Is it likely to confuse or deceive the consumer? This theory is currently being tested in Australia.⁷ Alternatively, if keyword advertising is prohibited, could *that* not be harmful to the consumer? If I type in the trade mark "Apple" simply to see what types of computers or digital music devices are out there, but if I am not wedded to purchasing an Apple product, or even *viewing* Apple's web pages, are not my search results diminished or my search strategy compromised, if *only* bona fide Apple websites are among the results? Is society then, including the would-be user of the keyword Apple (for example, Dell, or an information site, or a repair/technical support service), deprived of the use of a term, simply because it happens to be a trade mark? And what if I am searching for ... apples? Should words be removed from the lexicon of the Internet search engine, simply because they are trade marks?

So, what is the underlying function of trade marks, in terms of whom they are intended to protect, ie, the trade mark owner, the consumer, or both? Indeed "[i]t is not yet settled whether a trade-mark is to be primarily regarded as protecting the trade-mark owner's business from a species of unfair competition or protecting the public from imitations."⁸ While those words were uttered in 1922, and internet advertising is a new phenomenon, some underlying questions are ageless.

With New Zealand as the focus, this paper will also look at the use of third-party trade marks in keyword advertising through different lenses, such as whether it constitutes trade mark infringement, or passing off, or if it violates the Fair Trading Act 1986. It will also examine jurisprudence from the Anglo-American legal tradition. Within this analysis, I will discuss the potential for liability of both the search engine and the party purchasing the keyword which triggers the resulting ad or link. This paper will also discuss major search engines' current keyword trade

-
- 5 Stacey L Dogan and Mark A Lemley "Trademark and Consumer Search Costs on the Internet" (2004) 41 *Hous L Rev* 777; Uli Widmaier "Use, Liability and the Structure of Trademark Law" (2004) 33 *Hofstra L Rev* 603; Margreth Barret "Internet Trademark Suits and the Demise of 'Trademark Use'" (2005) 39 *Davis L Rev* 371; Eric Goldman "Deregulating Relevancy in Internet Trademark Law" (2005) 54 *Emory LJ* 507.
- 6 Graham B Dinwoodie and Mark D Janis "Confusion Over Use: Contextualism in Trademark Law" (2006) No 06-06 *Univ Iowa ColL of Law*, 13; <http://ssrn.com/abstract=927996> (accessed 1 October 2007).
- 7 *Australian Competition and Consumer Commission (ACCC) v Trading Post Australia Pty Ltd, Google Inc, Google Ireland Limited, and Google Australia Pty Limited* (11 July 2007) No NSD 1323/2007.
- 8 Schechter, above n 2, citing *A Bourjois & Co Inc v Katze* (1923) 275 Fed 539, 543 (2d Cir) Hough J.

mark policies, and will propose a New Zealand Keyword Advertising Best Practices, or some form of Safe Harbour in which trade marks may safely be used as keywords.

II HISTORICAL ORIGINS OF THE TRADE MARK

Legal scholars have traced the origins of trade marks, in the Anglo-American context, to Medieval England, arising out of these guild systems.⁹ Early product markings of this era served several purposes and had varying connotations, which evolved over the centuries. In my view, these purposes and connotations, are relevant to many of the controversies today in trade mark law and policy, including with respect of the specific area of keyword (and other forms of online) advertising.

Many medieval connotations have survived to this day; for example, the word "brand" has its origins in the concept of a "brand" affixed to goods or other property, particularly cattle or livestock, to signify ownership.¹⁰ However, this concept of a cattle brand indicating that "this cow belongs to the Triple R Bar Ranch", is different from the concept of Nike® or Billabong® as *brands* today. In other words, when you see the distinctive Mercedes Benz® logo on an automobile, you do not think: "oh, that car belongs to Mercedes Benz." No, you understand that the car was *made by* Mercedes Benz. In other words, the brand, or trade mark, is an indicator of source or origin of the goods.

Further, the underlying concept of "intellectual property" echoes many of these same themes. Just as in real property, intellectual property rights are not absolute. In real property, while water and air rights are to some degree enforceable, there are limits; for example, an airplane flying high overhead is not trespassing, nor can a landowner take all the water from a river passing through his land. Similarly, the concept of a "trademark common" exists,¹¹ wherein fair, descriptive, or other forms of non-infringing use may be made, including comparative advertising.

A The Medieval Guild System

As noted above, historians have regarded England's guild system in the Middle Ages as the cradle of Anglo-American trade mark law. "Medieval trade was largely conducted through guilds or 'misteries ...'"¹² Guilds were "organizations of merchants and craftsmen",¹³ such as coopers, cutlers,

9 Schechter, above n 2, 19; Mark P McKenna "The Normative Foundations of Trademark Law" (2007) 82 Notre Dame L Rev 1839, 1850; Keith M Stolte "How Early Did Anglo-American Trademark Law Begin? An Answer to Schechter's Conundrum" (1998) 8 Fordham Intel Prop Media & Ent LJ 505, 543.

10 Schechter, *ibid*, 20; McKenna, *ibid*, 1849.

11 Jennifer Davis "The Need to Leave Free for Others to Use and the Trade Mark Common" in Jeremy Phillips and Ilanah Simon (eds) *Trade Mark Use* (Oxford University Press, Oxford, 2005) ch 5.

12 Schechter, above n 2, 16.

13 *Ibid*.

weavers, bakers, smiths, clothiers, printers, wax-workers, arrow-head makers, pewterers,¹⁴ and the like, as will be discussed below. These guilds came to place so-called "merchant's marks" on their goods.¹⁵

But what did the marks signify? In his seminal 1925 book, which focuses on the Anglo-American tradition, Frank Schechter noted the distinctions between a mark signifying "ownership" versus an indication of source or origin.¹⁶ He stated that "marks designating ownership are not trade-marks at all but merely proprietary marks, which may or may not incidentally serve to designate the source or origin of the goods to which they are affixed."¹⁷ Schechter's work is, *inter alia*, a "study of the metamorphosis of the modern trade-mark and of the development of trade-mark law." Schechter concluded his discussion of merchants' marks as "indicative of property",¹⁸ and noted that "medieval proprietary marks, while not, strictly speaking, trade-marks in the modern sense of the word, were an important factor in the development of modern trade-mark law."¹⁹

B The Guilds' Use of Marks and the Metamorphosis of Trade Marks

Citing the exceptions of the clothier and cutler, Schechter and other scholars have traced the evolution of trade marks from the guilds of medieval England to their role in modern times.²⁰ "In these trades is clearly noticeable the evolution of the trade-mark from a mark of origin to a mark of quality and hence from a liability to an asset, of distinct value to the owner of the mark."²¹ "Local guilds developed reputations for the quality of their products. When they did, the names of the towns or regions in which those guilds operated became repositories of goodwill. To maintain that goodwill, guilds needed to be able to restrict membership and identify and punish members who produced defective products. Guilds therefore required their members to affix distinguishing marks to their products so they could police their ranks effectively."²² However, in these early times, such marks were more akin to the collective or membership marks of today. In other words, the mark did not represent the individual craftsman, but rather the guild to which he belonged.²³

14 Ibid.

15 Ibid, 22.

16 Ibid, 20.

17 Ibid, 20.

18 Ibid, 34.

19 Ibid.

20 McKenna "The Normative Foundations of Trademark Law", above n 9, 1850.

21 Schechter, above n 2, 78.

22 McKenna "The Normative Foundations of Trademark Law", above n 9, 1850.

23 Schechter, above n 2, 62-63.

As the guild system began to decay, and with the "rapid growth of the cloth trade", bringing about its products flowing "from the towns into the suburbs and country districts, where it ran its course free from any impediment or restraint",²⁴ the very localised nature of commerce in England began to more closely resemble the broader trade found in more recent times. With it, the marks used on cloth and clothing begin to take on more of the properties of the trade mark today.

C The Cloth Trade

With respect of the continuing evolution of trade marks in England, Schechter discussed a key "proclamation of Charles I 'against frauds and deceits used in Draperie'". It was designed to clarify much preceding legislation, reciting that the "frauds and deceits used in Drapery ... in time, if prevention be not made, may bring dis-esteem upon the Clothes of this Realm."²⁵ In discussing *Godsall's Case*, another cloth trade infringement action, Schechter observed:²⁶

[A]n arrival of the notion among lawyers – though not yet among judges, of a trade-mark as a symbol of good-will, as an asset of value, instead of merely a regulatory mark of origin, and consequently a liability. ... the proclamation makes a clear distinction between these marks, which the modern manufacturer would call factory marks, and the marks of the clothier, which the same modern manufacturer would call trade-marks. In other words, the proclamation not merely conceives of a trade-mark as an asset, but also regards it as symbolizing the good-will, not of the actual maker or craftsman of the goods, but of the capitalist who furnishes the material or tools for the production of the article.

Schechter noted that although there had been discernible evolution in trade marks in that industry, it was not yet complete as of the 17th century. Although progress had been made "to the point where trade-marks are regarding not only the defects but also the good qualities of the source of production from which they emanate", and the recognition of trade marks "by administrative courts ... as assets of value that are worthy of protection",²⁷ he concluded that "we have so far seen no evidence of 'property in trade-marks ... as a legal possession, which may be bought and sold and transmitted.' For the link between the typical regulatory and liability mark of the Middle Ages and the modern asset mark, and for the immediate foundations of the systematic legal protection of trade-marks as property, we look to the cutlery trades."²⁸

24 Schechter, above n 2, 81, citing E Lipson *An Introduction to The Economic History of England* (A And C Block Limited, India, 1915) 415-416.

25 Ibid, 94.

26 Ibid, 94-95, citing the Proclamation of Charles I, 13 April 1633 (Brit Mus 506, h 12 [19]) 2.

27 Ibid, 95-96.

28 Ibid, 101, citing the Proclamation of Charles I, April 13, 1633, 3.

D The Cutlery Trades, the Evolution Continues

As Schechter observed, it was within the realm of the cutlers' marks where we see the greatest degree of evolution toward what we now know today as a trade mark, including the genesis of the concept of individuality, ie, the right of individuals, not just guilds or collectives, to own marks. Such individual mark owners could protect their marks, seek damages for infringement, sell or lease their marks, or bequeath them to their wife or son.²⁹ Schechter stated:³⁰

The records of the cutlers show as early as the fifteenth century a sense of property in and the value of a mark, and by the seventeenth century we see the actual working of at least a qualified system of ownership in trade-marks, which may, to at any rate a limited extent – be 'bought and sold and transmitted,' and which are the subject of rigorous protection.

E Overview of Evolution

Schechter's extensive treatment of the guild system seems, from a modern-day perspective, to contain many of the seeds of what constitutes trade mark law today, ie, the "property" or "asset" aspect (including the granting of rights or even "monopoly" by the government),³¹ the "indication of source or origin" aspect,³² the notion of a trade mark being a vessel of "good will"³³ and "a mark of quality",³⁴ and the first gleanings of the concept of "unfair competition",³⁵ the use of trade marks to deter "frauds and deceits" on consumers,³⁶ the punishment of infringement,³⁷ and the status of a trade mark as a "legal possession, which may be bought and sold and transmitted." But what is the role of a trade mark in contemporary society? How do today's legal scholars view the role of the trade mark?

III ROLE OF TRADE MARKS TODAY – THEIR FUNCTION AND PURPOSE

There are different schools of thought as to what trade marks are designed to do, what benefit they primarily serve and who benefits. Further, differing views as to how much strength to accord a trade mark are very relevant to the discussion. These backdrops raise a number of questions:

29 Ibid, 101.

30 Ibid, 121.

31 Ibid, 40, 94, 95.

32 Ibid, 64.

33 Ibid, 44, 46, 79, 94, 95.

34 Ibid, 78.

35 Ibid, 41.

36 Ibid, 47, 94.

37 Ibid, 55, 91.

Is the role of a trade mark to protect the owner/producer of the goods or to protect consumer/society against deceit and fraud?

Is the trade mark "property", with broad protections against unauthorised use?

What of the "trade mark common", which would allow unauthorised use of trade marks in descriptive fair use, nominative fair use, comparative advertising, etc?

Further, is the function of a trade mark to assist consumers in selecting products, a means of minimising search costs?

A *The "Trademark Use Theory", and the Role of Trade Marks in Minimising Consumer Search Costs*

In a paper generally supportive of trade marks as keywords, and more broadly supportive of the "trademark use theory", Stacey Dogan and Mark Lemley touch upon a number of these themes. Dogan and Lemley question the *Brookfield* and *Playboy v Netscape* cases,³⁸ and further question the US judgments that have held that the use of trade marks as keywords is "trade mark use".³⁹ Additionally, they view with great concern the rise in prominence of the "initial interest confusion" doctrine, and see it as having a "chilling effect" on commerce and trade.⁴⁰ Their paper expresses the fear that:⁴¹

these two axes of trademark expansion pose a grave danger to the law's information-facilitating goals.

The extension of trademark law to search engines, directories and other parties that use marks as classification tools poses a great threat to speech and to the dissemination of truthful information.

They begin their article with the premise that, "[i]n economic terms, trademarks contribute to economic efficiency by reducing consumer search costs."⁴² If properly used, trademarks are "shorthand indicators" and serve as "a reliable vocabulary for communications between producers and consumers."⁴³ From this perspective, they argue that the use of trade marks by third parties as keywords, even by competitors, is more likely to benefit consumers rather than cause confusion, since it will enhance the amount of information made available to a consumer, and will allow trade marks to be used "to promote rigorous, truthful competition in the marketplace by preserving the

38 Dogan and Lemley "Trademarks and Consumer Search Costs on the Internet", above n 5.

39 Ibid, 779.

40 Ibid, 785.

41 Ibid, 782.

42 Ibid, 786.

43 Ibid, 787-788.

language of the trade."⁴⁴ Further, they caution that "overly restrictive trademark law has the potential to stifle competition rather than to facilitate it."⁴⁵

Inherent in this approach is the view that trade marks are not "rights in gross, but limited entitlements to protect against uses that diminish the informative value of marks."⁴⁶ In other words, the owner of a trade mark does not thereby own the exclusive right to use said mark. Trade mark law has carved out exceptions to the limited monopoly that is a trade mark, to allow others, including competitors, to engage in fair use, descriptive use, comparative advertising, and other varieties of unauthorised use.⁴⁷ As Dogan and Lemley note:⁴⁸

[t]rademark law thus historically limited itself to preventing uses of marks that 'defrauded the public' by confusing people into believing that an infringer's goods were produced or sponsored by the trademark holder. Likelihood of confusion does not necessarily follow every time a party adopts another's trademark ...

Dogan and Lemley note that to allow a trade mark to "minimize search costs" may "require limiting the scope of trademark rights", if "the interests of robust competition and reducing search costs outweigh the interest of the trademark claimant in appropriating the full value of its goodwill."⁴⁹ They argue that such unauthorised use is consistent with other fair and/or descriptive uses, such as by "resellers of new, used and refurbished products",⁵⁰ or "competitors" making use of "descriptive marks in their nontrademark sense to describe the features or qualities of their own products."⁵¹

More importantly, Dogan and Lemley decry the decisions that have penalised use of trade marks as keywords since, to use a trade mark in this manner, as merely "an information facilitator",⁵² is simply not a "trademark use". Further:⁵³

44 Ibid, 787.

45 Ibid, 788.

46 Ibid, 788.

47 For example, in US, see the "fair use" exception of the Lanham Act 15 USC §§ 1115(b)(4) and 1125(c)(4). In New Zealand, see Trade Marks Act 2002, ss 92-95.

48 Dogan and Lemley "Trademarks and Consumer Search Costs", above n 5, 788-789, citing *Taylor v Carpenter* (1844) 23 F Cas 742, 744 (CCD Mass), and *Boston Athletic Ass'n v Sullivan* (1989) 867 F 2d 22, 35 (1st Cir).

49 Ibid, 795.

50 Ibid, 795.

51 Ibid, 796.

52 Ibid, 785.

[i]f the courts create norms that prohibit search engines from 'using' trademarks in any way that might bring financial benefit to the trademark holder's competitor, to a noncompeting business, or to themselves, they will have disserved the informational objectives of the Lanham Act by turning trademarks into vehicles for suppressing information.

The "trade mark use" theory is further clarified:⁵⁴

The trademark use requirement serves a gatekeeper function, limiting the reach of trademark law without regard to a factual inquiry into consumer confusion. The rationale for the doctrine stems from the practical reality that it would be both unwise and impossible to permit trademark owners to control every use of their marks. ... Rather, the law is designed to prevent consumer confusion by those who brand their own goods or services with a mark sufficiently similar to the plaintiff's mark such that consumers may be deceived into believing there is some connection between the two. Individuals and companies may make reference to, or use of, a trademark without fear of liability unless they are making a trademark use.

Dogan and Lemley's paper, advocating a consumer- and economics-oriented approach to trade marks, essentially takes the themes espoused in Landes and Posner's 1987 paper⁵⁵ and applies them to the Internet advertising context. Landes and Posner established the valuable role trade marks play in commerce. They allow for ease of remembrance, (Dogan and Lemley's "shorthand indicators").⁵⁶ They also serve to assure quality in goods.⁵⁷ Landes and Posner, however, make it clear that trade marks must be protected in order for their beneficial role to be fulfilled. Free from legal regulation, the cost of duplicating another's trade mark is low and free-riders would proliferate, destroying the "information capital in embodied in a trade mark: and eliminating the incentive to develop a trade mark in the first place."⁵⁸

It is against the backdrop of trade marks serving to reduce consumer search costs, but acknowledging that trade marks must be protected in order to fulfill that role, that Dogan and Lemley seek to attain a balance in the online medium.⁵⁹ With respect of the concept of "trade mark

53 Ibid, 784.

54 Ibid, 805-806.

55 William M Landes and Richard A Posner "Trademark Law: An Economic Perspective" (1987) 30 J Law Econ 265.

56 Ibid, 268-269.

57 Ibid, 269.

58 Ibid, 270.

59 Dogan and Lemley "Trademarks and Consumer Search Costs", above n 5, 785.

use", their paper, and others similar to it,⁶⁰ advocate consistency in judicial treatment of what is, and what is not, "use of a trade mark", and seeks a return to what the authors view as the original interpretation and implementation of the doctrine of "initial interest confusion", as both concepts have been the source of inconsistency in US courts.⁶¹

B *Opposing Views*

Running counter to the views espoused by Landes and Posner, and Dogan and Lemley,⁶² which center on the reduction-of-search-cost and "economic theory" approaches to trade mark law, is the position advanced by scholars such as Mark McKenna, Graeme Dinwoodie and Mark Janis.⁶³ While it is safe to say that the Chicago School is more consumer-oriented, the McKenna/Dinwoodie/Janis camp, referred to as the "normative school", takes a decidedly pro-owner perspective toward trade marks.

Indeed, McKenna stated that from the Middle Ages forward, trade marks were never about the consumer, but protection of the producer "from illegitimate diversions of their trade by competitors".⁶⁴ When courts focused on consumer deception, this was to distinguish actionable unfair competition from mere competition, which was encouraged. This is supported by the fact trade marks are a property-based system, largely derived from the natural rights theory. In other words, the Chicago School is engaging in revisionist history, which he describes as a "falsely imagined past".⁶⁵ From their origins in the guilds, marks were not used for the purpose of establishing individual producer goodwill. Intraguild competition was strictly forbidden. Moreover, guild regulations were not motivated primarily by a concern for consumers. Even in the cutlers' trade, where marks seem to have been viewed most analogously to modern trade marks, regulation was intended not for the protection of purchasers, but for "guidance of those exercising control or working in rivalry." McKenna observed that if consumers were being protected in the early days, it was incidental to the primary goal of protecting the producer and the prevention of "fraud upon the goodwill".⁶⁶

60 See also, Stacy L Dogan and Mark A Lemley "Grounding Trademark Law Through Trademark Use" (2007) 92 Iowa L Review 1669.

61 Dogan and Lemley "Trademarks and Consumer Search Costs", above n 5, 781-782.

62 Collectively referred to as "the Chicago School". See McKenna "The Normative Foundations of Trademark Law", above n 9, 1845.

63 McKenna "The Normative Foundations of Trademark Law", above n 9; and Dinwoodie and Janis "Confusion Over Use: Contextualism in Trademark Law", above n 6.

64 McKenna "The Normative Foundations of Trademark Law", above n 9, 1840-1841.

65 Ibid, 1848, and paraphrasing Robert H Bork *The Antitrust Paradox* (2 ed, Free Press, New York, 1993) 15.

66 McKenna "The Normative Foundations of Trademark Law", above n 9, 1856-1858.

Dinwoodie and Janis have also taken aim at the consumer-oriented "trademark use theory",⁶⁷ and view the theory as being a dangerous proposition for trade mark law:⁶⁸

trademark use theorists are pursuing a false and illusory determinacy [which] will merely prevent trademark law from policing new information markets. Limiting liability to trademark use, as that term is understood by its proponents, will thus result in insufficient marketplace regulation.

Further, they caution that:⁶⁹

while trademark law cannot, and should not, dispel all possible confusion among consumers, the adoption of the trademark use requirement would wholly prevent trademark law from regulating important new areas of commercial activity, such as keyword advertising. We have little faith that unregulated competition will optimally structure those new markets. And we question the implicit claim that more information is always better for consumers. Sometimes more information is just more ...

Dinwoodie and Janis stress the presence or absence of confusion as being the key issue in examining a claim of trade mark infringement.⁷⁰

This approach ... encourages private ordering to avoid confusion and facilitates the development of targeted statutory solutions to particular problems where appropriate. For example, one such solution might involve immunizing search engines from trademark liability for their marketing of advertising linked to the marks of rival producers under certain conditions, thereby creating a safe harbor comparable to that offered to internet service providers under copyright law.

It would therefore seem that Dinwoodie and Janis are willing to entertain the existence of keyword advertising, they are simply reluctant to promote the "trademark use theory". Further, they safeguard the notion that words, including those in the trade mark common, are still available for public use in online advertising and other commercial settings, provided no confusion results.

IV WHAT IS KEYWORD ADVERTISING/TRADE MARK KEYING?

Keyword advertising is any online advertising that is prompted by use of specific words or phrases when entered into the search bar of a search engine. As of 2007, there are generally two categories of search results. One category, appearing in the centre of the user's screen, would be the "organic results", based on the search engine's search algorithms, which are said to be neutral. The other category, appearing in a column on the right side of the screen, and often across the top, are

67 Graeme B Dinwoodie and Mark D Janis "Confusion Over Use: Contextualism in Trademark Law" (2007) 92 Iowa L Rev 1597, 1602; and Graeme B Dinwoodie and Mark D Janis "Lessons From the Trademark Use Debate" (2007) 92 Iowa L Rev 1703.

68 Dinwoodie and Janis "Confusion Over Use", above n 67, 1602-1603.

69 Ibid, 1606-1607.

70 Ibid, 1608.

links that are placed there as advertisements. These links go by a variety of names, ie, sponsor results (Yahoo!), sponsored links (Google), or sponsored sites (Microsoft). For the purposes of this paper, such results will be referred to as "sponsor links". Their appearance results from an agreement between the owners of those links and the search engine advertising firm. This is keyword advertising in its neutral or generic sense.

Trade mark keying is a subset of keyword advertising, wherein trade marks are sold to those parties wanting their links to appear among those sponsor links. These are vendors hoping to offer "peripheral" goods/services. On the other hand, the sponsor links might offer "competing" goods/services.

Many trademark owners have objected to this practice, and much litigation has resulted. Not all forms of trade mark keying are "competitive". What follows is a brief, non-exhaustive list of the types of entities that might purchase a trade marked keyword, competitive or otherwise:

- (a) The trade mark owner itself. Why? To make navigation easier, to help customers find the their website, and to prevent competitors from distracting or diverting customers;
- (b) A direct competitor;
- (c) A third-party vendor or retailer, the seller of peripheral goods, or the reseller of used computer equipment;
- (d) An informational site, offering product reviews;
- (e) A purely coincidental purchaser; and
- (f) Bad actors, including purveyors of counterfeit goods, sites that engage in adware, spyware, malware, phishing, etc. Such a site might purchase *any* popular trade mark as a keyword, simply in hopes of attracting *any* user to its site.

There are differing motivations for the use of keywords and trade marked keywords, and different motivations of trade mark owners in addressing such use.

A *What is Trade Mark Use?*

The tricky little three-letter word "*use*" has many personalities and definitions, even within the relatively narrow context of trade mark law. Indeed, in the ownership, registration and maintenance/renewal context, its commencement marks the beginning of its true life, and its cessation marks (or should mark) its death.⁷¹ There are other distinctions of what "*use*" is. For example, in the context of a certification mark, the word *use* can have two different meanings.⁷²

71 Trade Marks Act 1994 (UK), s 6A(3)(a); Lanham Act 15 USC § 1127; Lanham Act 15 USC § 1052.

72 In New Zealand, see Trade Marks Act 2002, s 5; in US, see Lanham Act 15 USC § 1127.

Further, there are other categories of *use*, such as "fair use", or "descriptive use", which are not considered trade mark use, since they do not serve as an indication of the source or origin of a good or service.⁷³

While dining at a fast-food restaurant, your dinner companion might observe your unfinished food, and might inquire, "You using those fries?" You might reply, "Oh, you mean am I going to eat them? No, feel free, I'm full." This sort of use is somewhat exclusive. "Can I use your car this weekend?" This implies a use that is a licence, an authorised use. "I'm applying for a job. Can I use your name as a reference?" Now we're getting closer. What does this form of use mean?

As will be discussed below, New Zealand's Trade Marks Act specifically requires that the plaintiff prove that the complained use by the defendant was "use as a trade mark".⁷⁴ So, at least we know that use is a "gatekeeper issue" in New Zealand. But, as we will see from the US cases, below, that's only half the battle. Indeed, is an "invisible use" of a trade mark, such as in a metatag or as a keyword, a "use as a trademark"?

B Invisible Uses of Trade Marks

This paper will discuss various types of so-called invisible uses of trade marks on the Internet. These invisible uses usually occur in the context of metatags, keywords, pop-up and banner ads. In short, when a computer user types in a trade mark, either in the browser box or the search box, one of a number of things can happen, including:

- (1) User types in `www.nike.com` or simple "nike", intending to actually visit the Nike website. A pop-up, pop-under, or banner ad appears. It might be from a competitor, a sporting/athletic event, or it could be from an authorised, licensed retailer of Nike, etc. The inclusion of the trade mark in the URL triggered it; someone wanted and paid for the ad to appear.
- (2) User conducts a search, using a search engine, and enters the term "Nike". As with No. 1, a pop-up, pop-under, or banner ad could result, as a result of the inclusion of the trade mark "Nike".
- (3) User conducts a search, using a search engine, for the term "Nike." The search engine searches for websites containing that term, perhaps as a result of the invisible use of that

73 See, Lanham Act 15 USC § 1115(b)(4) and § 1125(c)(4). Pursuant to § 1115(b)(4), fair use may be raised as a defence to infringement when it is "descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin." Pursuant to § 1125(c)(4), "[t]he following shall not be actionable under this section: (A) Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark; (B) Noncommercial use of a mark; (C) All forms of reporting and news commentary."

74 Trade Marks Act 2002, s 89(2).

trade mark within the metatags embedded in the HTML code. However, this is a phenomenon largely relegated to history; most search engines no longer recognise metatags since 1997.

- (4) User conducts a search, using a search engine, for the term "Nike", and the search engine lists, as among the Sponsored Links, the website of an entity other than Nike. The owner of the site found has purchased the keyword "Nike" from the search engine company.

C Keyword Advertising, Continued

Typically, when sponsor links appear across the top or middle of the results page, they are within a box or field that is shaded a different colour, as to set them apart from the organic results. But, this has not always been the case, as shown in *800-JR Cigar v GoTo.com*.⁷⁵ GoTo.com used another business model, and was known as a "pay-for-priority Internet search engine".⁷⁶ The decision of the US District Court for the District of New Jersey explains it as follows:⁷⁷

Pay-for-priority search engines solicit bids from advertisers for key words or phrases to be used as search terms, giving priority results on searches for those terms to the highest-paying advertiser. Thus, each advertiser's rank in the search results is determined by the amount of its bid on the search term entered by the user. The list of paid results on GoTo's web site discloses the amount of each advertiser's bid. Advertisers pay GoTo only when a user clicks on their listings in the search results. After all paying advertisers' sites are listed as search results, GoTo lists unpaid or "natural" search listings, ie, those whose sites are most logically relevant to the search criteria. GoTo receives no revenue when a user clicks on unpaid listings.

As noted above, there are various rationales for the purchase of a trade mark keyword and many of these rationales are acceptable to trade mark owners. Some, however, are not. For example, if the name Cypress was a trade mark used on personal computers, Cypress Computers Ltd might object to a competitor, namely Beech Computers Inc, purchasing the trade mark keyword "Cypress" in order to trigger a sponsor link to the Beech Computers web site, in hopes that the search engine user might instead purchase a Beech computer. However, the owner of the Cypress trade mark might not object if, say, the purchaser were an authorised vendor or retailer of new or used Cypress computers, or a company offering repair or technical support for Cypress computers, or offering software and accessories for Cypress computers, or product reviews about Cypress computers. Additionally, if the purchaser of the term "Cypress" was not even purchasing it as a trade mark keyword, for example, if the purchaser was a lumber yard or a nursery, offering cypress panelling or cypress trees, the owner of the trade mark Cypress should not object.

⁷⁵ *800-JR Cigar v GoTo.com* (2006) 437 F Supp 2d 273, 277 (DC NJ).

⁷⁶ *Ibid*, 277.

⁷⁷ *Ibid*, 277-278.

As a result of the concerns of trade mark owners, search engine advertisement firms such as Google, Yahoo! and Microsoft have established trade mark use policies, to be used by purchasers of keywords, particularly trade marked keywords.

V SEARCH ENGINE TRADE MARK POLICIES, GENERALLY

Search engine advertising companies such as Google, Yahoo! and Microsoft are cognisant of the concerns of trade mark owners and have established policies to attempt to address these.

A Yahoo! And Microsoft Policies

Yahoo!⁷⁸ and Microsoft⁷⁹ both acknowledge that advertisers sometimes bid on search terms that are the trade marks of others and require that advertisers agree that their search terms do not violate the trade mark rights of others. Both allow for use by those related to the trade mark, its owner or related products, resellers and those who use it descriptively, such as information sites, which are not competitive.

B Google Policy

Google's policy⁸⁰ begins with the statement that it "is not in a position to arbitrate trademark disputes between the advertisers and trademark owners"; noting that "the advertisers themselves are responsible for the keywords and ad content that they choose to use. Accordingly, we encourage trademark owners to resolve their disputes directly with the advertisers". Google's policy further offers, "[a]s a courtesy to trademark owners", that it will "perform a limited investigation of reasonable complaints", and also that its "procedure differs depending on the country in which trademark rights exist."

Indeed, Google actually has two policies, one for use in the US and Canada, and one for the rest of the world. Unlike the policies of Microsoft and Yahoo!, Google's policy actually does allow the sale and use of a trade mark keyword by a competitor, provided certain guidelines are followed.

In the US and Canada, focus is placed on "the use of the trademark *in ad text*. If the advertiser is using the trademark in ad text, (Google) will require the advertiser to remove the trademark and prevent them from using it in ad text in the future."⁸¹ What this means is that Google will allow a

78 See, Yahoo! Trademarks <http://searchmarketing.yahoo.com/legal/trademarks.php> (accessed 6 October 2007).

79 See, Microsoft Advertising http://advertising.microsoft.com/Home/Article.aspx?pageid=708&Adv_Articleid=3216 (accessed 6 October 2007).

80 See, Google Trademark Complaint Procedure www.google.com/tm_complaint_adwords.html (accessed 6 October 2007).

81 Ibid.

trade mark owner to object to a sponsored link containing the trade mark within the text of the ad displayed as the sponsored link.

Google's policy *outside* of the US and Canada is a bit different, seemingly more pro-trade mark owner. In pertinent part, it reads as follows:⁸²

When we receive a complaint from a trademark owner, our review is limited to ensuring that the advertisements at issue are not using a term corresponding to the trademarked term *in the ad text or as a keyword trigger*. If they are, we will require the advertiser to remove the trademarked term from the ad text or keyword list and will prevent the advertiser from using the trademarked term in the future.

In other words, in addition to (seemingly) universally frowning upon use of the trade mark "in ad text", it will also, upon receipt of a "complaint from a trade mark owner", ensure that the trade mark is not used "as a keyword trigger". But, this does not preclude Google's sale of AdWords outside of the US and Canada, it only gives trade mark owners the ability to challenge such use in ad text or as a trigger.

By Comparison Microsoft and Yahoo! attempt to discourage use by competitors, Google's policy outside of US/Canada focuses on *where* the trade mark is used (ie, in the ad text) and if it is used as a "trigger". Google's US/Canada policy is somewhat simpler. In some ways, this is more permissive (and less protective of trade marks) than Microsoft and Yahoo!'s policy, yet in other ways it is more conservative. While Google's US/Canada policy *would* allow a competitor's triggering use, it would *not* allow the purchase and use by a reseller/authorised retailer, or by an "informational site", assuming such a site used the trade mark in the ad text. In the example above, Google's US/Canada policy *would* allow Beech Computers to purchase the trade mark keyword "Cypress" and use it to trigger an ad for Cypress Computers, so long as the trade marked keyword "Cypress" did not appear in the ad text.

C Ask.com Policy

Similar to the other policies we have looked at, Ask.com's policy⁸³ seeks to remove itself from any controversy, preferring to characterise it as a dispute between the advertiser and the trade mark owner. Ask.com's policy, however, does show a willingness to take action to investigate a claim by trademarks owner and request that the advertiser remove the allegedly infringing content, or remove it themselves. Ask.com's policy would appear to *not* allow a descriptive use, a fair use, or otherwise a use of a trade mark that might be lawful in a comparative advertising sense.

82 Ibid (emphasis added).

83 See, Ask Sponsored Links <http://sponsoredlistings.ask.com/> (accessed 7 October 2007).

VI KEYWORD USE IN NEW ZEALAND TODAY – TRADE MARK INFRINGEMENT

Despite the apparent discouragement from the major search engines' policies, companies in New Zealand do in fact purchase trade marks as keywords and use them as triggers, presumably until such time as the trade mark owner files a complaint. In this section of the paper, I will focus on New Zealand, its trade mark and related jurisprudence, and the jurisprudence of other nations from which New Zealand may derive guidance, such as Australia and the United Kingdom (UK).

A Trade Mark Infringement – New Zealand's Trade Marks Act 2002

Fortunately, it is well settled in New Zealand that in an infringement matter, trade mark use is in fact the "gatekeeper issue". In other words, for a plaintiff to successfully bring a trade mark infringement claim, it would have to prove that the defendant, by making use of a sign, used that sign "in such a manner as to render the use of the sign as likely to be taken as being use as a trade mark."⁸⁴ As such, if the court determined that the "use of the sign" was not a trade mark use, it could not find trade mark infringement.

The relevant section can be paraphrased as follows:⁸⁵

<i>Section 89</i>	<i>Sign - Good</i>	<i>Sign - Services</i>	<i>Confusion or Deception</i>
1(a)	Identical	Identical	No need to prove, it is deemed
1(b)	Identical	Similar	Plaintiff must prove
1(c)	Similar	Identical or Similar	Plaintiff must prove
1(d)	Identical or Similar	Not Similar	Not relevant. However, plaintiff must prove defendant's use "takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the mark"

In considering whether or not the use of a trade mark as a keyword could be infringement, it makes sense to look at section 89 on a subsection-by-subsection basis, with a discussion of the types of scenarios that might be governed by the respective parts thereof, with an eye to the interpretory guidance offered by section 5. The following analysis includes the imaginary companies Beech and Cypress Computers, an analysis of the various ways in which Beech, and other entities, might use "Cypress" as a keyword, and how section 89 might apply.

84 Trade Mark Act 2002, s 89(2).

85 This is "borrowed" from Susy Frankel and Geoff McLay *Intellectual Property in New Zealand* (Lexis Nexis Butterworths, Wellington, 2002) 467.

1 Section 89(1)(a)

(a) Competitor scenarios

Beech purchases the keyword "Cypress" from Search Engine:

Scenario One: When user searches the term "Cypress" or "Cypress Computers", sponsor links include a link to Beech website. The Sponsor Link has as its heading the phrase "Cypress Computers", and the body reads "Huge Range of Cypress PCs and Laptops, Free Delivery".

Scenario Two: When user searches the term "Cypress" or "Cypress Computers", sponsor links include a link to Beech Computers' website. The heading reads "Personal Computers and Laptops", and the body reads "Huge Range of PCs and Laptops, Free Delivery". No mention of either the Beech or Cypress trade mark is made.

Scenario Three: When user searches the term "Cypress" or "Cypress Computers", sponsor links include a link to Beech website. The heading reads "Beech Computers", and the body of the Sponsor Link says "Huge Range of PCs and Laptops, Free Delivery", yet makes no mention of term "Cypress".

Scenario Four: When user searches the term "Cypress" or "Cypress Computers", sponsor links include a link to Beech website. The heading reads "Beech Computers", but the body of the Sponsor Link says "Huge Range of PCs and Laptops, Free Delivery, our computers compare in quality to Cypress".

If we assume that the mere sale (by Search Engine) and use (by Beech/competitor) of a trade mark as a keyword to trigger an ad would be considered "likely to be taken as being use as a trade mark", it is my view that the first three of these scenarios could find Beech and Search Engine liable for infringing Cypress' trade mark. In each case, Beech and Search Engine a prima facie case is made because of the use of the identical sign on identical goods. But remember, this presumes that the mere use as a trigger, with no *visible* use otherwise, constitutes a "use as a trade mark". Additionally, in Scenario One, Cypress' case would be strengthened because that the header and body of the Sponsor Link also have a visible use of the Cypress trade mark.

If we assume for the sake of comparison, that the sale and invisible use of a trademark as a keyword to trigger an ad would *not* be considered "likely to be taken as being use as a trade mark", it is my view that only in Scenario One would Beech and Search Engine be found liable for infringing Cypress' trade mark. This is a consequence of the *visible* use of the Cypress trade mark within the header and body of the Sponsor Link.

What about Scenario Four? In my view, Beech would be able to defend its use of the trade mark as a keyword under section 94, which is one of the exceptions to section 89.⁸⁶ This states that a

86 New Zealand Trade Marks Act 2002, s 94.

registered trade mark is not infringed by its use for comparative advertising, "in accordance with honest practices in industrial or commercial matters"; that is the use does not "without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark". Search Engine should also be able to avoid liability, since the underlying action of Beech would not be actionable. Generally, Search Engine might rely on the High Court decision in *Leafscreen NZ Ltd v Leafbusters Group Ltd*,⁸⁷ which concerned two entities using similar names for products and services designed to keep leaves out of rain gutters. In *Leafscreen*, the plaintiff not only brought action against the defendant, but also Telecom, since Telecom Directories Ltd had agreed "to place advertisements in its publications on behalf of LGL, (which plaintiff alleged) amounted to conduct likely to mislead or deceive, carried on in trade for the purposes of section 9 Fair Trading Act 1986."⁸⁸ Heath J held that the plaintiff "failed to establish that it had a reputation in the marketplace for the terms LEAFSCREEN and LEAFSCREENER that was such as to render LGL's use of the signs misleading or deceptive conduct in trade, or conduct in trade likely to mislead or deceive members of the public."⁸⁹ As for the potential liability of Telecom, the printer of phone directories, the court offered the following:⁹⁰

Obiter, it is arguable that a publisher is an innocent agent acting merely as a conduit passing on instructions from a principal, and cannot become responsible for anything misleading in the information he, she, or it conveys.

I would submit that this bit of dicta might be relevant, and a search engine would be likely to rely on it, characterising the sale of keywords and the placement of advertising as being similar to the "publisher" and "conduit" role discussed by the High Court. In the US, although the case law is mixed both as to what "trade mark use" is and as to the liability of search engines in keyword advertising, legislation offers protection to an "innocent infringer" and/or "innocent violator", ie, a party who is only engaged in printing, advertising, or other communications-related activities.⁹¹

Such an approach would also be consistent with the state of play in the defamation and censorship realms. Internet Service Provider (ISP) liability, in cases of defamation, often initially focus on so-called "innocent dissemination", ie, where the ISP does not initially know about the defamatory or infringing content on its servers, which it is merely hosting for third-parties. ISPs generally are not held to the duty of policing the content on their customers' websites.⁹²

87 *Leafscreen NZ Ltd v Leafbusters Group Ltd* (25 February 2004) HC AK CIV2003-404-7015 Heath J.

88 *Ibid.*

89 *Ibid.*

90 *Ibid* (emphasis added).

91 Lanham Act 15 USC § 1114(2).

92 New Zealand Defamation Act 1992, s 21.

Consistent with this approach are the recent amendments to the Films, Videos and Publications Classification Act of 1993,⁹³ which stated that a "network operator or service provider" was not to be included as among the "distributors" of an offending publication, for purposes of the FVPCA.⁹⁴ Furthermore, amendments to New Zealand's Copyright Act will shield an ISP from liability for copyright infringement if it was unaware of the infringing activity it hosted.⁹⁵

(b) Non-competitor scenarios

Electronics retailer purchases "Cypress" from Search Engine:

Scenario Five: When user searches the term "Cypress", or "Cypress Computers", among the sponsor links is a link to Retailer's website. The Sponsor Link has as its heading the phrase "Cypress Computers", and the body read "Huge Range of Cypress PCs and Laptops, Free Delivery". However, when user clicks on the link, it is taken to a page on Retailer's site that offers Beech (and other non-Cypress) computers, but not Cypress computers.

Scenario Six: When user searches the term "Cypress", or "Cypress Computers", sponsor links include link to Retailer's website. The Sponsor Link's heading reads "Top Quality Computers", and the body of the Sponsor Link says "Huge Range of PCs and Laptops, Free Delivery". When user clicks on the link, it is taken to a page on Retailer's site that offers Beech (and other non-Cypress) computers, but not Cypress computers.

Scenario Seven: When user searches the term "Cypress", or "Cypress Computers", among the sponsor links is a link to Retailer's website. The Sponsor Link has as its heading the phrase "Top Quality Computers", and the body reads "Huge Range of PCs and Laptops, Free Delivery". However, when user clicks on the link, it is taken to a page on Retailer's site that offers Beech (and other non-Cypress) computers, as well as Cypress computers.

Scenario Eight: When user searches the term "Cypress", or "Cypress Computers", sponsor links include link to Retailer's website. The Sponsor Link's heading reads "Beech Computers", and the body of the Sponsor Link says "Huge Range of Beech PCs and Laptops, Free Delivery". When user clicks on the link, it is taken to a page on Retailer's site that offers Beech (and other non-Cypress) computers, but not Cypress computers.

Scenario Nine: When user searches the term "Cypress", or "Cypress Computers", sponsor links include a link to Retailer's website. The Sponsor Link's heading reads "Cypress, Beech and Other

93 Films, Videos and Publications Classification Amendment Act 2005.

94 Films, Videos, and Publications Classification Act 1993, ss 122-123, as amended by Films, Videos, and Publications Classification Amendment Act 2005.

95 See, New Zealand Copyright (New Technologies and Performers Rights) Amendment Act, adding s 92 B and C to the Copyright Act 1994.

Top Brand Computers", and the body of the Sponsor Link says "Huge Range of Cypress, Beech, and Other Top Brand PCs and Laptops, Free Delivery". When user clicks on the link, it is taken to a page on Retailer's site that offers Beech, Cypress, and other brand computers.

If we assume that the mere sale and use of a trade mark as a keyword to trigger an ad would be considered "use as a trade mark", it is possible that all five of these scenarios could find Retailer and Search Engine liable for infringing Cypress' trade mark. A *prima facie* case is made by virtue of the use of the identical sign on identical goods.

Note that in Scenarios Seven and Nine, the user *will* encounter Cypress Computers at the Sponsor Link. However, the fact that the Retailer has used the Cypress trade mark as "bait" to entice the user to click on a link that will transport him to a page that contains "identical goods", ie, other brands of computers, it might be sufficient to satisfy the strict liability of 89(1)(a). Additionally, in Scenario Five, Cypress' case would be strengthened by the fact that the header and body of the Sponsor Link also have a visible use of the Cypress trade mark.

If we assume that the sale/use of a trade mark as a keyword to trigger an ad would *not* be considered use as a trade mark, it is my view that only in Scenario Five and Scenario Nine could Retailer and Search Engine possibly be found liable for infringing Cypress' trade mark. This presumes that the visible use of the Cypress trade mark within the header and body of the Sponsor Link qualifies as "likely to be taken as being use as a trade mark". Indeed, since no likelihood of confusion or deception is necessary under 89(1)(a), the mere fact that the resulting page offers non-Cypress computers might be enough to result in liability.

2 Section 89(1)(b)

Section 89(1)(b) pertains to an "identical mark, similar goods" scenario. In the following scenarios, it is assumed that Cypress only makes computers, but not software, accessories and peripherals. I do not believe it is relevant if Beech or Retailer are in the shoes of the keyword purchaser, and if they are a competitor or not, since the fact pattern will require them to be selling goods similar, but not identical to, Cypress' goods. Beech (or Retailer) purchases the keyword "Cypress" from Search Engine:

Scenario One: When user searches the term "Cypress", or "Cypress Computers", sponsor links include a link to Beech/Retailer website. The Sponsor Link has as its heading the phrase "Cypress Peripherals", and the body reads "Huge Range of Software and Accessories for Cypress Computers, Free Delivery".

Scenario Two: When user searches the term "Cypress", or "Cypress Computers", sponsor links include a link to Beech/Retailer website. The heading reads "Beech Software and Peripherals", and the body of the Sponsor Link says "Huge Range of Beech Software and Peripherals, Free Delivery", yet makes no mention of term "Cypress".

Scenario Three: When user searches the term "Cypress", or "Cypress Computers", sponsor links include a link to Beech/Retailer website. The heading reads "Beech Software and Peripherals", but the body of the Sponsor Link says "Huge Range of Accessories and Software for Cypress Computers".

If we, again, assume that the mere sale/use of a trade mark as a keyword to trigger an ad would be considered as use as a trade mark, the issue then turns on "if that use would be likely to deceive or confuse".⁹⁶ On the one hand, use of the trade mark "Cypress" in the heading and/or body in Scenarios One and Three might be relied on by Cypress to show bad faith, and conduct likely to deceive and/or confuse. On the other hand, Beech/Retailer might characterise it as a descriptive fair use of the trade mark since, after all, Cypress does not make peripherals, software or accessories, and all Beech or Retailer was doing was to advertise the products it made available.

3 Section 89(1)(c)

Section 89(1)(c) pertains to a "similar mark, identical or similar goods" scenario. Section 89(1)(c) might apply to scenarios where the plaintiff's trade mark is easily/often misspelt, or where a similar term might be used as a keyword. The following examples, using the Google search engine, might include:

- (1) "Travel Centre" is an established travel service, selling air reservations, holiday bookings, hotel and resort bookings, etc. "Travel Center" (misspelt) has been used to trigger links to competing travel agencies, namely HouseOfTravel.co.nz.
- (2) In the Beech/Cypress example, perhaps Beech might purchase keywords "Cypres" and "Cyprus."

If we assume that the sale/use of a trade mark as a keyword to trigger an ad would be considered as use as a trade mark, the issue then turns on "if that use would be likely to deceive or confuse."⁹⁷ In its defence, HouseOfTravel.co.nz could assert that it is making use of the generic term "travel centre", that Travel Centre's trade mark does not protect the generic term "travel centre", since, after all, HouseOfTravel.co.nz is in fact a "travel center." As such, it would argue that this is not an infringement of the weak trade mark Travel Centre.

4 Section 89(1)(d)

Note that Section 89(1)(d) pertains to an "identical or similar mark, not similar goods" scenario. Section 89(1)(d) might apply to scenarios involving "attention seeking behaviour", ie, a website using a famous mark just to draw attention to itself. There might be no relation whatsoever to the trade mark. Examples might include marks that are simply popular as a search term, famous marks

⁹⁶ New Zealand Trade Marks Act 2002, s 89(1)(b).

⁹⁷ Ibid, s 89(1)(c).

such as iPod, Rolex, Calvin Klein, or even a celebrity whose name happens to be a registered trade mark. Such searches might yield sponsor links to sites offering pornography, general merchandise, other thrown-together Pay-Per-Click advertising pages, all of which might damage the reputation of the trade mark owner. Note that there is no burden on plaintiff to show likelihood of deception or confusion, so it would come down to a factual analysis as to whether or not "the trade mark is well known in New Zealand and the use of the sign takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the mark."⁹⁸

B Section 89(2) – Just What is "Use as a Trade Mark" in New Zealand?

As noted above, in assessing the applicability of section 89 as to whether or not the use of a trade mark as a keyword merely to trigger a third-party sponsor link is an infringement of the trade mark, it all comes down to that tricky question, is the use of a trade mark as a keyword a "use as a trade mark?"⁹⁹ By my use of the word "*merely*", I am referring to the mere use of the mark as a trigger, with no visible use in the heading or body of the sponsor link.

If we look to the statute alone, I suggest that the non-visible use of a trade mark as a trigger is not "use as a trade mark", under section 89, nor does it qualify as an "infringing good", "infringing material", or "infringing object", pursuant to section 5. Looking at section 5 first, I note that this section requires that the infringing good, material or object must "*bear*" the mark. Further, since this section addresses the issue within the context of "the *application* of the sign to the goods or their packaging", ie, that the mark must be *applied* to the goods or their packaging, it would not appear that an invisible use that merely triggers a sponsor link (which has no visible use of the mark) would be considered as infringing.

Of course, I should not end my discussion with a surface-level reading of the statute, I should look at how New Zealand Courts, and other jurisdictions on which New Zealand Courts might rely, have interpreted section 89 and its predecessor section in the 1953 Act. New Zealand Courts have not yet dealt with any "invisible use" cases, such as keywords or metatags. Accordingly, in examining section 89, it is necessary to examine other cases where "use as a trade mark" has been considered, and such cases will hinge on a factual analysis as to the quality of that use and *how* the mark is used.

In the 2007 case *YPG IP Ltd v Yellow Book.com.au Pty Ltd*,¹⁰⁰ an infringement case concerning a competitor of the Yellow Pages/Yellow Book telephone directory, trading under the name "Yellow Duck", the topic of use is examined. Here, the High Court Auckland, Allan J, noted:

⁹⁸ New Zealand Trade Marks Act 2002, s 89(1)(d).

⁹⁹ *Ibid.*

¹⁰⁰ *YPG IP Ltd v Yellow Book.com.au Pty Ltd* (2008) 8 NZBLC 102,063.

[T]he definition encompasses both use on the goods themselves, and in advertising or promotional materials. ... the use of the name YELLOW BOOK by the first and second defendants on the website www.yellowbook.co.nz plainly falls within the definition of "use" in relation to services in s 6 of the Trade Marks Act. Those services are business directory services which are similar, if not identical, to the services covered by the YELLOW PAGES trade marks. The next question is whether the use by the first and second defendants of the YELLOW BOOK mark is likely to deceive or confuse, for the purposes of s 89(1)(c) of the Trade Marks Act. The leading decision on that point remains that of the Court of Appeal in *Pioneer Hi-Bred Corn Co v Hy-Line Chicks Pty Ltd* [1978] 2 NZLR 50, which, although decided under the Trade Marks Act 1953, remains applicable to a consideration of the question of infringement under the 2002 Act. The Court in *Pioneer* distinguished between the terms 'deceive' and 'confuse'. At p 62 Richardson J explained that "deceived" implies the creation of an incorrect belief or mental impression while causing "confusion" may go no further than perplexing or mixing up the minds of the purchasing public. Moreover, where the deception or confusion alleged is as to the source of the goods, 'deceived' is equivalent to being misled into thinking that the goods bearing the applicant's mark come from some other source, and 'confused' is equivalent to being caused to wonder whether that might not be the case.

In an assessment of whether deception or confusion is likely to arise, the Court must consider the use of the first plaintiff's mark in a normal and fair manner in relation to the goods for which it is registered, then to assess the likelihood of confusion arising from the way the defendant actually uses its mark. The proper approach is illustrated in *Anheuser-Busch Inc v Budweiser Budvar*.¹⁰¹ The President said:¹⁰²

The marks are to be compared as they would be encountered in the usual circumstances of trade. That contemplates wholesale and retail transactions, knowledgeable and uninformed purchasers, purchases for on-premises consumption, and for subsequent consumption bearing in mind the varying conditions that may prevail from noisy bars and clubs to self-service stores. Purchases will be made by oral requests (including telephone) and on appearance alone. The products will not necessarily be presented side by side. There may be prospective purchasers who have previously encountered one product and imperfectly recalling its mark, then see or hear of the other.

Furthermore, the use must be "in the course of trade".¹⁰³ Paul Sumpter comments that "[t]he term 'course of trade' is not defined but has been said to be concerned with the purposes of trade (rather than necessarily in trade)".¹⁰⁴ As an example he offers the 1956 Australian case *WD and HO*

101 *Anheuser-Busch Inc v Budweiser Budvar National Corporation* [2003] 1 NZLR 472, 491.

102 *Ibid*, para 74.

103 Trade Marks Act 2002, s 89(1).

104 Paul Sumpter *Trade Marks in Practice* (Lexis-Nexis, Wellington, 2004), 168, citing *WD and HO Wills (Aust) Ltd v Rothmans Ltd* (1956) 94 CLR 182, 191; 1B IPR 511, 512.

Wills (Aust) Ltd v Rothmans Ltd,¹⁰⁵ in which an Australian trade mark was removed from the trade mark register based on non-use.¹⁰⁶ The mark was originally used on cigarettes, although the facts showed that no bona fide use had taken place in Australia for several years. The court reasoned that:¹⁰⁷

The user or use must ... be a user or use (1) for the purposes of trade, (2) by the proprietor or a registered user, (3) in respect of the goods in respect of which the mark is registered. ... That is to say ... it must be 'used for the purpose of indicating, or so as to indicate, a connection in the course of trade' between the goods and the proprietor of the registered mark.

1 "Use" in the World of Sport

Three cases from the world of sport are worth discussing from the context of "use of a trade mark".¹⁰⁸ The UK case *Trebor Bassett Ltd v Football Association Ltd*¹⁰⁹ is instructive as to what constitutes use in the infringement context. In this 1996 High Court case, the Football Association (FA) was the owner of a logo of a crest showing three lions. The logo was worn on the uniforms of English footballers. Bassett was the maker of packaged candy, and with each package of candy sold a "football card", a collectible card showing a football player from the English league. Often, the logo might be visible on the player's uniform in the photo on the collectible football card.¹¹⁰ FA made repeated complaints of trade mark infringement and Bassett ultimately filed suit against FA, requesting that FA be enjoined from such conduct. FA countersued for infringement.¹¹¹

At issue was the visible presence of the mark on the uniforms of the players depicted on the football cards, whether or not it constituted a use of the trade mark, and, as such, whether the activities of Bassett infringed FA's registered trade mark.¹¹² In its defence, Bassett submitted that

105 *WD and HO Wills (Aust) Ltd v Rothmans Ltd* (1956) 94 CLR 182, 191; 1B IPR 511, 512.

106 Trade Marks Act 1905 (Cth), s 72(1).

107 *WD and HO Wills (Aust) Ltd v Rothmans Ltd*, above n 105, 515.

108 *Arsenal Football Club Plc v Matthew Reed* [2003] EWCA Civ 96, *Trebor Bassett Ltd v Football Association Ltd* (1996) 37 IPR 667, and *New Zealand Rugby Football Union Inc v Saint Publishing Ltd* [2001] BCL 1054.

109 *Trebor Bassett Ltd v Football Association Ltd* (1996) 37 IPR 667 (Ch).

110 *Ibid*, 667.

111 *Ibid*, 668.

112 *Ibid*, 670. Trade Mark Act 1994 (UK), s 10(1) provides: "[a] person infringes a registered trade mark if he uses in the course of trade a sign which is identical with the trade mark in relation to goods or services which are identical with those for which it is registered." Use is defined under s 10(4): (4) For the purposes of this section a person uses a sign if, in particular, he: (a) affixes it to goods or the packaging thereof; (b) offers or exposes goods for sale, puts them on the market or stocks them for those purposes under the sign, or offers or supplies services under the sign; (c) imports or exports goods under the sign; or (d) uses the sign on business papers or in advertising."

"Bassett is not using the England logo in relation to any goods or services, any more than is the publisher of a newspaper bearing a photograph of a footballer in the England strip as part of a news report on a football match using the logo in relation to the particular newspaper."¹¹³

Rattee J held that there was no infringement:¹¹⁴

[I]t cannot seriously be argued ... Trebor Bassett is in any sense using the logo in respect of the cards on which the photographs appear. ... The reproduction of the photograph on the card inevitably reproduces the England logo on the garments which the player was wearing when the photograph was taken. By such reproduction, in my judgment, Trebor Bassett is not even arguably using the logo, as such, in any real sense of the word 'uses', and is certainly not, in my judgment, using it as a sign in respect of its cards. It is, I consider, unreal to say ... Bassett is affixing the sign comprising the England logo to its cards – and therefore to goods ... or that it is putting the cards on the market under the sign comprising the England logo.

In the UK case *Arsenal Football Club plc v Matthew Reed*, the meaning of trade mark use received detailed consideration.¹¹⁵ Mr Reed had, for some 30 years, operated a stall outside the football stadium where the English football team "Arsenal" played their home games. From this stall, Reed sold clothing, souvenirs and other memorabilia with the Arsenal theme and containing several Arsenal logos and trade marks.¹¹⁶ While some of the merchandise Reed sold was "official", ie, it was manufactured under an official licence from Arsenal, much of the merchandise was "unofficial", meaning that Reed obtained it from sources other than "officially licenced" manufacturers.¹¹⁷ Reed was careful "to educate his customers" as to the possibility of non-official nature of some products.¹¹⁸ Arsenal Football Club (AFC) came to learn of Reed's business in unofficial Arsenal merchandise and brought suit for trade mark infringement.

At trial, Reed argued that his actions could not be considered trade mark infringement,¹¹⁹ since the Arsenal trade marks were not used as an indicator of source and they were not being used as a trade mark, but "badges of allegiance".¹²⁰ In other words, Reed was arguing that merely because an article of clothing carried the name and/or trade mark of the football club, it did not necessarily

113 Ibid, 670.

114 Ibid, 671-672.

115 *Arsenal Football Club plc v Matthew Reed*, above n 108.

116 See the trial decision *Arsenal Football Club plc v Matthew Reid* [2001] ETMR 77.

117 Ibid.

118 Ibid.

119 Ibid, para 53.

120 Ibid, para 53.

mean that the garment *came from* or *was manufactured by* that football club. The name and/or trade mark was merely there to express the loyalty of the wearer to that club.

The presiding judge in the High Court, Laddie J, applied the relatively new 1994 Act, which implemented the European Community Trade Mark Directive and was different from the original UK trade mark law. Some commentators have opined that Laddie was still in the mindset of the 1938 Act, which had more of a focus on trade marks serving as a source of origin, and that a use could not be "trade mark use" unless it served as an indicator of source.¹²¹ As such, Laddie J was sympathetic of Reed's defence.¹²² Laddie further thought that an expansive interpretation of the Act, to consider as infringement conduct that did not indicate source or origin, was a dangerous proposition, since it ran the risk of granting "a new and very wide monopoly" to trade mark owners.¹²³ On the trade mark infringement action, Laddie made findings of fact favourable to the defendant, and opined that the use of the Arsenal marks was not trade mark infringement, since it did not indicate origin.¹²⁴ Laddie also ruled against AFC on the passing off claim, noting that in order for passing off action to succeed, there must be deception.¹²⁵

The *Arsenal* case was far from over, however. As he was dealing with an interpretation of the relatively new Act, Laddie J saw fit to refer the infringement element of the action to the European Court of Justice.¹²⁶ The ECJ considered the case, held a hearing,¹²⁷ and returned its findings to the English High Court, where the matter was again heard by Laddie J. The ECJ provided the following in response to Laddie's question:

[W]here a third party uses in the course of trade a sign which is identical to a validly registered trade mark on goods which are identical to those for which it is registered, the trade mark proprietor of the mark is entitled, in circumstances such as those in the present case, ... to prevent that use. It is immaterial that, in the context of that use, the sign is perceived as a badge of support for or loyalty or affiliation to the trade mark proprietor.

121 See, Jennifer Bryant "Arsenal v Reed, The End" (3 July 2003) www.twobirds.com/english/publications/articles/ArsenalvReedTheEnd.cfm (accessed 3 November 2007); see also, Rob Sumroy and Carina Badger "Infringing 'Use in the Course of Trade': Trade Mark Use and the Essential Function of a Trade Mark" in Jeremy Phillips (ed) *Trade Mark Use* (Oxford University Press, Oxford, 2005) 167-168.

122 *Arsenal Football Club plc v Matthew Reed*, above n 116, para 42.

123 *Ibid*, para 54.

124 *Ibid*, para 58.

125 *Ibid*, para 23, citing *Warnink BV v J Townend & Sons* [1980] RPC 31, 93 and 106.

126 *Arsenal Football Club plc v Thomas Reed* [2002] EWHC 2695 (Ch); [2003] 1 All ER 137, 2.

127 *Ibid*, para 5.

Although appearing to support Arsenal's infringement claim, Laddie interpreted the ECJ's interpretation as overstepping its bounds by delving into the findings of fact in the case, where it should have limited itself to the narrower role of merely interpreting the statute.¹²⁸ Therefore, Laddie J, apparently making trade mark use a requirement for infringing use, concluded that there was no infringement on the basis that the defendant's use did not prejudice the essential function of the registered mark".¹²⁹ Laddie ruled in favour of defendant Reed, finding that no infringement took place, since Reed's use of Arsenal's trade mark was not a trade mark use.¹³⁰

On appeal, Aldous J began his opinion with the observation that "[t]he Trade Marks Act 1994 swept away the old law and implemented the Trade Mark Directive. It follows that the provisions of the 1994 Act must be construed so as to reflect the terms of the Trade Mark Directive."¹³¹ He also devoted attention to the ECJ's commentary on "the essential function of a trade mark",¹³² stating that this is to guarantee the identity of the origin of the market goods or services.¹³³ He continued that this function of the assurance of origin requires protection against competitors taking "unfair advantage of the status and reputation of the trad mark by selling products illegally bearing it", and that "the ECJ is not concerned with whether the use complained about is trade mark use" or whether there was confusion, but whether the "use affects or is likely to affect the functions of the trade mark".¹³⁴

Aldous J allowed the appeal, concluding that, even though the goods were purchased as badges of loyalty, such use could "still jeopardise the functions of the trade marks, namely the ability to guarantee origin".¹³⁵ In fact, "the wider and more extensive the use, the less likely the trade marks would be able to perform their function."¹³⁶

In *New Zealand Rugby Football Union v Saint Publishing*,¹³⁷ the courts once again dealt with merchandise. The New Zealand Rugby Football Union (Union) owns a registered trade mark on

128 Ibid, para 26-27.

129 Sumroy and Badger "Infringing 'Use in the Course of Trade': Trade Mark Use and the Essential Function of a Trade Mark", above n 122, 170.

130 *Arsenal Football Club plc v Matthew Reed*, above n 116, para 29.

131 *Arsenal Football Club plc v Thomas Reed*, above n 108.

132 Ibid, para 35-37.

133 Ibid.

134 Ibid.

135 Ibid, 48-49.

136 Ibid.

137 *New Zealand Rugby Football Union Inc v Saint Publishing Ltd*, above n 108.

ALL BLACKS, which is the name of the New Zealand national rugby team, and another trade mark on a fern leaf logo. "The defendant had printed calendars displaying All Black test captains, including the current captain."¹³⁸ The Union brought an action in infringement, under the Trade Marks Act 1953,¹³⁹ as well as under the Fair Trading Act 1986,¹⁴⁰ and sought an injunction prohibiting such use of the trade marks. With respect to the trade mark infringement claim, the High Court ruled for the plaintiff. Williams J stated that "the calendar infringed registered marks by using them as a trade mark in the course of trade" and that "[t]he purpose of utilising photos of the captains in uniform must have been to capitalise on their All Black status."¹⁴¹

The High Court also ruled in favour of the plaintiff under the Fair Trading Act claim, because it was "arguable that a member of the public would conclude the All Black captain or the plaintiff had consented to or authorised use of the photograph for merchandising purposes."¹⁴² Furthermore, "[t]he plaintiff also had the right to protect its own interests as proprietor of its trade marks plus the interests of those who had paid to be permitted to produced licensed goods."¹⁴³

2 *Sport Merchandise Cases Vis-a-Vis Trade Mark Keyword Advertising*

The three cases discussed above are perhaps useful in assessing how a New Zealand court might rule on the subject of trade mark keyword advertising, particularly the issue of "trade mark use". The High Court, in the "All Blacks" case, interpreted the "use" aspect of the 1953 Act,¹⁴⁴ which included language similar to that used in the 2002 Act,¹⁴⁵ as encompassing the visible use of the All Blacks' name and fern logo on a calendar. Similarly, the English Court of Appeal in the *Arsenal* case determined that the unauthorised use of a trade mark on memorabilia and clothing was infringement. On the other hand, the High Court in *Trebor Bassett* held that the incidental appearance of the football club's marks on uniforms on football cards was not a trade mark use sufficient to bring about infringement.

In my view, the three cases may be distinguished from the keyword advertising scenario in that all three concerned *visible* uses of the trade marks, ie, the marks were visible in player photographs,

138 Ibid.

139 Trade Marks Act 1953, s 8(1A).

140 Fair Trading Act 1986, ss 9, 10 and 13.

141 Ibid.

142 Ibid.

143 Ibid.

144 Trade Marks Act, s 8(1A).

145 Both the Trade Marks Act 1953 (s 8(1A)) and the Trade Marks Act 2002 (s 89(2)) contain language requiring "use as a trademark" as being required in order to prove infringement.

shown on football uniforms and the like. What is more telling, and significant in the discussion of keyword advertising, is the discussion of "use" in the *Arsenal* decisions, and the ultimate holding. In my view, the *Arsenal* decision is significant, not only in what it said about the concept of source or origin, but also the overall control over the use of a trade mark that is reserved to the owner. In other words, we see in *Arsenal* how England has had to shift its view on trade marks.¹⁴⁶ Perhaps the *Arsenal* decision is an indication that the UK is now operating in a trade mark regime that is more akin to the "trade marks as property" school that pervades in Europe. Such a sea change did not and has not taken place in New Zealand. New Zealand's Trade Marks Act still requires "use as a trade mark" in order to support a finding in infringement.¹⁴⁷

I note that the *Arsenal* decision was not a *coup de grace* with respect to the ongoing battle between the "trade marks are property, and may not be used by third parties without permission" camp, and that of the supporters of robust fair use of trade marks and the trade mark common. Indeed, on the day after the Court of Appeal ruled in favour of the trade mark owner in *Arsenal*, the House of Lords handed down an arguably inconsistent decision in the case of *R v Johnstone*.¹⁴⁸ In *Johnstone*, the defendant was charged with selling "bootleg recordings made of performances by world-renowned performers including Bon Jovi."¹⁴⁹ On the copies of the bootleg CDs at issue, the names of the artists appeared. But was that a trade mark use? The court concluded that the use of the performer's names on the particular CD in question did not indicate any connection between the performer and the origin of the CD, and was only descriptive of what was on the CD.

The cases discussed above are illustrative of the ongoing debate over the role and purpose of a trade mark, historically, as an indicator of source or as a property right. The *Arsenal* decision shows a strengthening of the hand of a trade mark owner, with more focus on the owner's rights, and the exclusivity that may accompany a mark and, further, that a trade mark is far more than just a source indicator but a piece of personal property that cannot be used by others without permission. However, it is important to note that this debate is in the UK more so than in New Zealand and Australia, given the UK's adoption of the Trade Mark Directive, and its attempt at reconciling the differences between the Directive and English common law. While New Zealand and Australia may derive much of its trade mark jurisprudence from English common law tradition, the passage of 1994 Act and implementation of the Trade Mark Directive will likely result, I would suggest, as a point of divergence between the two systems.

146 *Arsenal Football Club plc v Thomas Reed*, above n 108, 11.

147 Trade Marks Act 2002, s 89.

148 *R v Johnstone* [2004] ETMR 2; [2003] UKHL 28. See also Sumroy and Badger "Infringing 'Use in the Course of Trade': Trade Mark Use and the Essential Function of a Trade Mark" "Trade Mark Use", above n 122, 171, citing *R v Johnstone* [2004] ETMR 2.

149 *R v Johnstone*, above n 148, 171.

As a final thought, I would add that sport merchandise takes us into an area of trade mark law where source is not necessarily the paramount objective. Further, whether or not you agree with the whole issue of a trade mark being a "badge of loyalty, support or affiliation", it's an understandable concept. After all, if I wear a shirt with an alligator or polo player on it, it is understood that the shirt originated from Izod Lacoste or Ralph Lauren Polo, respectively. If not, it's a knockoff or counterfeit good. However, if I wear a cap displaying the "curly W" of the Washington Nationals baseball club, the "curly W" does not necessarily indicate that the cap was made by that organisation; indeed, it could have originated from one of a number of licensed manufacturers or, as we have seen, unauthorised sources. Further, that "curly W" trade mark is likely going to "reduce consumer search costs" in an entirely different way. In other words, it will not tell me one whit about the quality of the goods, as the Izod or Polo logo might. Indeed, quality is not necessarily a factor in my choice; I would rather wear an inferior Nationals or All Blacks cap than a Yankee or Wallabies cap of the finest materials and craftsmanship, every day of the week. Perhaps in this context we can see the adaptability of trade marks, how they can be encountered in different contexts by consumers and how they indicate different things.

3 *The Cheetah Case*

Relevant to the issue of what constitutes "use" of a trade mark, it might be instructive to have a look at *Cheetah Trade Mark*.¹⁵⁰ In that case, the plaintiff, referred to simply as "H", was the manufacturer of an herbicide known and sold in the UK by the brand name "Cheetah". Cheetah was also sold in France and Belgium under the brand name "Puma", however the markings on containers of "Puma" did not comply with regulations of the UK's Ministry of Agriculture, Fisheries and Food. Nevertheless, the defendant, known only as "C", shipped packages of Puma into the UK, selling them under the name Cheetah. Although the product label still said "Puma", delivery notes and invoices" specifically bore the name "Cheetah". H brought an action against C for trade mark infringement.¹⁵¹ C argued that there was no infringement as there was no use of the mark printed or otherwise visually represented "upon or in physical relation to goods".¹⁵² The invoices with CHEETAH on them were rendered after the sale and delivery of the herbicide,¹⁵³ so that the invoices were not in the course of trade.¹⁵⁴

The Chancery Division ruled in favour of the plaintiff and determined that, although the packaging still said "Puma", the fact that the trade mark "Cheetah" was displayed on the invoice was

150 *Cheetah Trade Mark* [1993] FSR 263; (1992) IP & T Digest 11 (Ch).

151 Trade Marks Act 1938 (UK), s 68(2).

152 Trade Marks Act 1938 (UK), s 68(2).

153 Trade Marks Act 1938 (UK), s 4.

154 *Cheetah Trade Mark*, above n 150, 1-2.

sufficient to show use of the mark. "The invoice in the instant case was, by definition, rendered in the course of trade. The invoice used the mark and did so in relation to goods and any other conclusion would have been absurd."¹⁵⁵

Perhaps the *Cheetah* case is useful in determining what constitutes "use" of a trade mark "in the course of trade", however its limitations are that the mark was indeed visible to the purchaser, and it is likely that the purchaser relied on the visual aspect of the mark in the course of making the purchase.

4 *Is the Use of a Trade Mark as a Keyword "Importing a Reference?" – What is "Importing a Reference?"*

Under the Trade Marks Act 1953, there were basically two ways of infringing another party's trade mark.¹⁵⁶ One was to actually use the mark as a trade mark,¹⁵⁷ and the other was to use it in such a way as to be "importing a reference" to the proprietor of goods or services "in an advertisement".¹⁵⁸ In other words, making use of another party's trade mark in such a way "likely to cause confusion or indicate a connection in the course of trade between the defendant's goods and the plaintiff's goods as proprietor of the trade mark" was considered as "importing a reference".¹⁵⁹ In short, the prohibitions appeared to prohibit what is known as comparative advertising.¹⁶⁰

However, much has changed since the passage of the Trade Marks Act 2002; comparative advertising is now permissible.¹⁶¹ As a result, I would submit that in the post-2002 Act world, importing a reference is now just one of the ways in which a use could be "otherwise than in accordance with honest practices", and/or a use which "takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark". In other words, just as one can push too far and exceed "fair use" in the copyright context, one can also go too far in the use of another's trade mark, and go beyond comparative advertising, and engage in a use that is deceptive or misleading, and which thereby "imports a reference", or suggests a connection, to the mark or its owner.

As a result of the relatively recent passage of the 2002 Act, it is difficult to rely too much on the available New Zealand jurisprudence on the issue of importing a reference. As noted above, prior to

¹⁵⁵ Ibid, 2.

¹⁵⁶ Trade Marks Act 1953, ss 8(1A)(d) and 8(1A)(e) & (f). As amended in 1994.

¹⁵⁷ Trade Marks Act 1953, s 8(1A)(d).

¹⁵⁸ Trade Marks Act 1953, s 8(1A)(e) and (f).

¹⁵⁹ *PC Direct Ltd v Best Buy Ltd* [1997] 2 NZLR 723, 723.

¹⁶⁰ See the discussion of comparative advertising in *ibid*, 727-728.

¹⁶¹ See, Trade Marks Act 2002, s 94.

the 2002 Act, importing a reference was a much broader infringement.¹⁶² However, the 2002 Act appears to have severely eroded the cause of action of importing a reference,¹⁶³ and the one post-2002 Act decision that relates to this balance between importing a reference (plaintiff's case) and comparative advertising (defendant's defence) would be the *Mitre 10* case.¹⁶⁴

In *Mitre 10*, both the defendant and the plaintiff were retailers in hardware and home improvement merchandise, the plaintiff under the name "Mitre 10", the defendant Benchmark traded under the name "Bunnings".¹⁶⁵ The defendant commenced a rather unorthodox advertising campaign, making use of Mitre 10 printed advertisements, in which Benchmark/Bunnings "displayed outside its stores original copies of Mitre 10 brochures which had been received by its employees. These had superimposed on them bright orange stickers placed against the advertisements of some of the products stating 'Bunnings' Price' with handwritten dollar amounts lower than those offered by Mitre 10."¹⁶⁶ Mitre 10 brought an action based on trade mark and copyright infringement, and the High Court Auckland issued a preliminary injunction.¹⁶⁷

On appeal, counsel for the defence noted that the passage of the 2002 Act would serve to permit comparative advertising, which is all that Bunnings had done.¹⁶⁸ The Court of Appeal acknowledged that "[u]nder the new Act there is no longer a provision for infringement by importing a reference to the proprietor's own goods."¹⁶⁹

The view that the Court of Appeal had reached was that what Benchmark/Bunnings had done was in fact within the scope of comparative advertising.¹⁷⁰ The following reasoning of the Court of Appeal is, in my view, very instructive both with respect of the scope of comparative advertising, as well as the parameters of "honest practices".¹⁷¹ The Court proceeded to assess whether Benchmark's use was otherwise in accordance "with honest practices in industrial or commercial matters in that, without due cause, it takes unfair advantage of or is detrimental to, the distinctive character or the

162 See the discussion of comparative advertising in *PC Direct Ltd v Best Buy Ltd*, above n 159, 727-728.

163 See, Andrew Brown "Legislative Developments – Trade Marks 2002: Big Changes to Some Key Provisions" www.andrewbrown.co.nz/legislative/tma2002changes.asp (accessed 24 November 2007).

164 *Mitre 10 (New Zealand) Ltd v Benchmark Building Supplies Ltd* [2004] 1 NZLR 26 (CA); 58 IPR 407.

165 *Ibid*, 407.

166 *Ibid*, 407.

167 *Ibid*, 407.

168 *Ibid*, 411.

169 *Ibid*, 411.

170 *Ibid*, 415-416.

171 *Ibid*, 415-416.

repute of the trade marks". The function of the trade marks, as used by Mitre 10 in their brochures, was to identify or distinguish the retail source of the products advertised. It was found that when Benchmark displayed the brochures, they were using the trade marks to "perform precisely the same function as they performed upon Mitre 10's original distribution of the brochures", namely indicating Mitre 10's retail goods and services. Thus, the distinctiveness of the marks was not damaged and Benchmark did not take unfair advantage of the distinctiveness or repute of the trade marks any more than conventional forms of comparative advertising do. It was concluded that there was no evidence that Benchmark's practices were inconsistent with honest commercial matters, but were open and obvious.

In my view, with the 2002 Act's legitimisation of comparative advertising, all that is left of "importing a reference" is instances where the defendant's conduct goes beyond "honest practices".¹⁷² Perhaps the question as to the vitality of the concept of "importing a reference" is academic, perhaps it comes down to the matter of simply analysing whether or not the use of the other party's mark is comparative advertising or not, under an analysis of s 94 of the 2002 Act. However, New Zealand's jurisprudence in the area of importing a reference is still worth analysis, and is still instructional in terms of assessing that balancing act between comparative advertising and actions that could be considered beyond "honest practices".

One such case was *Villa Maria v Montana Wines*.¹⁷³ In *Villa Maria*, both parties were (and still are) New Zealand wineries. The defendant Villa Maria had an advertising campaign in magazines, whereby they illustrated bottles of their wine and Montana wine, accompanied by text.¹⁷⁴ The labels on the Montana bottles, some including wine press markers, were clear. It was Villa Maria's intention to promote its wine by equating it to the quality of the then better known and established Montana.

In the Court of Appeal, Somers J held that, because some who saw the advertisements would have assumed that Montana must have agreed to the campaign, contributed to its production or that there was a corporate link between the two companies,¹⁷⁵ Villa Maria used Montana's marks in a trade mark sense.¹⁷⁶ His Honour stated that "Villa Maria ... used the marks in such a manner as to

172 Trade Marks Act 2002, s 94. See also Brown "Legislative Developments – Trade Marks 2002: Big Changes to Some Key Provisions", above n 166.

173 *Villa Maria Wines Ltd v Montana Wines Ltd* [1997] 2 NZLR 723.

174 *Ibid*, 423-424.

175 *Ibid*, 424.

176 *Ibid*, 430.

render their use likely to be taken as importing a reference to wine with which Montana is connected in the course of trade ...".¹⁷⁷

The "importing a reference" cases are useful from the perspective of looking at how the marks were actually used. In other words, in the context of keyword advertising, in instances where the mark actually appears in the triggered ad or sponsor link, the manner in which the advertising party is using the keyed trade mark may or may not constitute "importing a reference". There will be a balancing act, ie, does the use of the keyed trade mark in the sponsor link import a reference, or is it used in a comparative or descriptive manner? Is the use "otherwise in accordance with honest practices in industrial or commercial matters"?¹⁷⁸ This will be for the Courts to decide, based on the facts at hand.¹⁷⁹

5 Domain Name Cases

Internet domain name cases might be instructive in deliberating the notion of "trade mark use" from the perspective of examining whether or not an actual "use" has been made by the mere act of registering the domain name. While the topic of domain name disputes encompasses a wide range of issues, and is far too vast to cover within this paper, what follows is a very cursory overview of some salient aspects of domain name disputes, concerning both the generic Top-Level Domain (gTLD) names (such as .COM and .ORG), as well as in the country code Top-Level Domain (ccTLD). What I focus on is that question, does the mere registration of the domain name constitute a use of the trade mark that is the focal point of the dispute? In other words, if I am Microsoft, and I learn that someone has registered Microsoft.com, and has not a) put up a website, or b) offered to sell it, or c) done anything at all with it, is that act of registering the domain name actionable as trade mark infringement?

While I am raising the topic of domain name cases within the trade mark infringement section of this paper, it is a matter that has also been adjudicated as passing off, and within the context of domain name dispute policies. I am addressing it in this section in the hope that such cases can be useful in examining whether or not "use as a trade mark" and/or "trade mark use" has occurred. Since, as will be seen in the passing off discussion, below, "a misrepresentation made by a trader *in the course of trade*", is a component of one test used in passing off cases.¹⁸⁰ Perhaps parallels can be gleaned from these cases in the trade mark infringement context.

¹⁷⁷ Ibid.

¹⁷⁸ Trade Marks Act 2002, s 94.

¹⁷⁹ For further discussion and analysis of "honest practices", see also, the following UK cases: *Cable and Wireless v British Telecom* [1998] FSR 383; *Barclay's Bank v RBS Advanta* [1996] RPC 307; *Vodafone v Orange* [1997] FSR 34; *McMillan Magazines Ltd v RCM Publishing Co Ltd* [1998] FSR 9; and *British Airways v Ryanair* [2001] FSR 541.

¹⁸⁰ See *Erven Warnink RV v J Townend & Sons (Hull) Ltd* [1979] AC 731; 2 All ER 927, 932.

(a) Within gTLDs

As noted above, a trade mark owner has several options available to it when faced with another party's registration of a domain name which the trade mark owner believes to infringe its trade mark. At the gTLD level, the trade mark owner may file a domain name dispute, under the Internet Corporation for Assigned Names and Numbers, Uniform Domain-Name Dispute-Resolution Policy (ICANN UDRP). Additionally, the trade mark owner might also bring a conventional litigation, under the theory of trade mark infringement, passing off, tortious interference with trade and other remedies available to that party in its jurisdiction.¹⁸¹

Under the UDRP, it is noteworthy that the mere registration of a domain name is not necessarily enough to allow a trade mark owner to contest the offending registration. Indeed, under the UDRP, a three-prong test is required for the trade mark owner to prevail:¹⁸² (i) the domain name must be identical or confusingly similar to a trademark or service mark in which the complainant has rights; (ii) the domain name owner must have no rights or legitimate interests in respect of the domain name; and (iii) the domain name was registered and used in bad faith.

Note that the third prong of the test requires that the domain name be used in bad faith, not just registered in bad faith; both elements must be present. Examples abound where complainants in gTLD disputed have failed to prove bad faith merely because the respondent never used the domain name - all it did was to register it.¹⁸³ However, some domain name dispute policies at the ccTLD level, notably Australia and New Zealand, do not require actual use of the domain name.

While the UDRP and decisions made under it have made it clear that mere registration is not sufficient to prove bad faith, early cybersquatting case law is more problematic in terms of deriving guidance. The 1998 cybersquatting case, *British Telecommunications Plc v One in a Million Ltd*,¹⁸⁴ resulted in a decision from the UK Court of Appeal which centred on the common law tort of passing off. In that case, the defendant, a company specialising in domain name registrations, had registered Internet domain names that corresponded with trade marks of other parties. These names included BRITISHTELECOM.NET, MARKSANDSPENCER.COM, BRITISHTELECOME.COM, ORANGE.COM, BRITISHSAINSBURYS.COM and VIRGIN.ORG (think "Virgin Airlines"). The defendant then offered the names to the respective parties associated with them, at a high price. If those parties did not pay that high price, the defendant threatened that it would then sell the names

181 For example, in the US, a party might file suit under the Lanham Act, which includes the Anticybersquatting Consumer Protection Act. Or, in New Zealand, an action in trade mark infringement might be brought under s 89 of the Trade Marks Act 2002, or under the common law tort of passing off.

182 See ICANN UDRP, s 4(a) www.icann.org/udrp/udrp-policy-24oct99.htm (accessed 24 November 2007).

183 See *Telstra Corporation Limited v Nuclear Marshmallows* WIPO D2000-0003; see also *Panavision v Toepfen* (1998) 141 F 3d 1316, 1324-25 (9th Cir).

184 *British Telecommunications Plc v One in a Million, Ltd* (1998) 4 All ER 476 (EWCA).

to the highest bidder. The defendant at no time hosted websites at any of the domains.¹⁸⁵ The plaintiffs sought injunctive relief to compel the defendant to surrender the domain names, and brought their action under passing off.¹⁸⁶

The case was an appeal from an order for summary judgment and which ruled a *quia timet* injunction.¹⁸⁷ The Deputy Judge justified the injunction on the grounds that it was necessary to preclude or avoid a threatened breach, ie, the subsequent transfer of the offending domains to third parties, where it was reasonably foreseeable that further damage to each plaintiff's goodwill in the respective names might be damaged.¹⁸⁸ This decision was based on an analysis that the defendant controlling the domain names amounted to "instruments of fraud".¹⁸⁹

In the Court of Appeal, the defendant argued that since at least some of the domain names could be used for non-infringing purposes (for example, "Virgin" could mean any number of things, as could "Sainsburys"; the plaintiffs did not own a monopoly on those names), there was no instrument of fraud, and injunctive relief was only appropriate if defendant had threatened to engage in passing off.¹⁹⁰

The Court of Appeal ruled in favour of the plaintiffs, upholding the High Court's decision that defendant had committed passing off.¹⁹¹ I will discuss this decision in greater detail in the discussion of passing off. However, for purposes of this discussion, it is notable that, outside of the UDRP arena, courts have indeed held that passing off may occur even when no actual "use" of a trade mark has been made.

(b) New Zealand's .NZ Domain Name Dispute Resolution Service Policy

In the ccTLD arena, specifically under the .NZ Domain Name Dispute Resolution Service Policy,¹⁹² it would appear that the Policy might consider a domain name to be actionable by a plaintiff/trade mark owner even if the registrant never actually made any "use" of it, and only registered it. In framing out the ways in which a plaintiff might bring an action, the .NZ policy is quite succinct, requiring that the complainant has rights in respect of a name or mark which is

185 Ibid.

186 Ibid, 482-483.

187 Ibid.

188 Ibid.

189 Ibid.

190 Ibid, 487.

191 Ibid.

192 .NZ policy available at <http://dnc.org.nz/drs/index.php?clsid=1012> (accessed 29 October 2007).

identical or similar to the domain name and the domain name, in the hands of the respondent, is an unfair registration.¹⁹³

Fortunately, the .NZ Policy offers guidance on what constitutes, and what does not constitute, an unfair registration, and in doing so, recites several ways in which a domain name registration could theoretically, without any actual "use" of the domain, be considered unfair. These include situations where there are "[c]ircumstances indicating that the Respondent has registered or otherwise acquired the Domain Name primarily" to sell, rent or otherwise transfer the domain name to the complainant,¹⁹⁴ "as a blocking registration against a name or mark in which the Complainant has rights",¹⁹⁵ or "for the purpose of unfairly disrupting the business of the Complainant".¹⁹⁶ Or if "circumstances demonstrat(e) that the Respondent is using the Domain Name in a way which is likely to confuse, mislead or deceive people or businesses into believing that the Domain Name is registered to, operated or authorised by, or otherwise connected with the Complainant",¹⁹⁷ or if:¹⁹⁸

[t]he Complainant can demonstrate that the Respondent is engaged in a pattern of registrations where the Respondent is the registrant of domain names (under .nz or otherwise) which correspond to well known names or trade marks in which the Respondent has no apparent rights, and the Domain Name is part of that pattern ...

Whether or not the analogy of the domain name dispute is of use in this discussion is debatable. I suggest that it may well be relevant, as we have seen from certain domain name disputes, and the .NZ dispute policy, the defendant need not actually make "trade mark use" of the domain name. In *One in a Million*, and under the .NZ policy, no "use" even has to be made for the mere registration a domain name to be considered actionable. Another interesting aspect of this analogy is that it is quite possible for the registration of the domain name by the registrant to remain invisible to the public, if no use is ever made in the form of an active website. This is analogous to the purchase of a trade mark as a keyword, which is never seen by the public. Indeed, in the .NZ dispute concerning the domain name MOUNTAINBUGGY.CO.NZ, no "use" of the domain was ever made; it was not offered back to the trade mark owner for sale, and no website was ever established by the registrant.¹⁹⁹ Although the registrant prevailed in that case, I question if the trade mark owner might

193 Ibid 4.1.

194 Ibid, 5.1.1(a)

195 Ibid, 5.1.1(b).

196 Ibid, 5.1.1(c).

197 Ibid, 5.1.2

198 Ibid 5.1.3

199 *Mountain Buggy Trademarks Limited v Campbell Gower* (21April 2007) DRS 186.

have prevailed in the dispute had it pressed the "blocking registration" claim.²⁰⁰ Indeed, I would suggest that under the .NZ policy, an "unfair registration" might encompass a domain name that never sees the light of day, and is never "used", in a trade mark sense.

(c) Other notable New Zealand cases – pre-dispute policy

Prior to the implementation of the .NZ Domain Name Dispute Resolution Service Policy, discussed above, disputes over .NZ domain names were typically handled in conventional litigation, using passing off, the Fair Trading Act, trade mark infringement, or a combination of all three.²⁰¹ In these cases, the fact pattern was generally the same; the plaintiff was a well-established company, and the defendant had registered a name corresponding with the plaintiff's name, and had either used that domain name for a) a pornographic site or other content/links unrelated to the plaintiff's business, b) a token web page, or c) has demanded a high sum for the sale of the domain name to the plaintiff.

Three representative New Zealand cases are *New Zealand Post Ltd v Leng*,²⁰² *Oggi Advertising Ltd v McKenzie*,²⁰³ and *DB Breweries Ltd v Domain Name Company Ltd and Others*.²⁰⁴ These cases are of varying utility to this discussion of trade mark use, given the extent to which each case saw an actual "use" of the plaintiff's trade mark within the domain name, and the nature of that use. *DB Breweries* is the only one relevant to the issue of whether mere registration of a domain name corresponding with a third-party trade mark might constitute use of the trade mark. In *DB Breweries*, it would appear that there was never a website established by the defendant at that domain name, and therefore no visible use of the plaintiff's mark was made. The other two cases, *Oggi* and *New Zealand Post*, will be discussed in the passing off section of this paper.

In *DB Breweries*, the:²⁰⁵

plaintiff was a large New Zealand company which had carried on business for many years under the trade mark DB and had acquired a substantial reputation and goodwill as a brewer and marketer of beer. It was the registered proprietor of the trade mark DB. ... The defendants had registered the domain name DB.CO.NZ.

200 .NZ Policy, supra, 5.1.1(b).

201 See for example, *DB Breweries Ltd v Domain Name Company Ltd and Others* (2001) 52 IPR 280.

202 *New Zealand Post Ltd v Leng* [1999] 3 NZLR 219.

203 *Oggi Advertising Ltd v McKenzie* [1999] 1 NZLR 631.

204 *DB Breweries Ltd*, above n 201.

205 *Ibid*, 280.

The plaintiff brought a suit based on three causes of action: (a) a threat to infringe DB's trade mark by registering and offering the domain name for sale; (b) passing off; and (c) a breach of the Fair Trading Act 1986.²⁰⁶

The defendants, inter alia, raised the defence that no use as a trade mark had taken place and that the plaintiff did not have a universal right to the letters DB, but only an exclusive right to the letters in relation to the marketing and sale of their goods and services for which the mark was registered.²⁰⁷ In addressing the defendant's claim that no trade mark use had occurred, the High Court appeared to acknowledge that the case for trade mark infringement was rather strained. Randerson J, however, followed Aldous J in *British Telecommunications v One in a Million*.²⁰⁸ He concluded that:²⁰⁹

[w]hile the defendants may properly argue that the domain name has not yet been used to offer goods or services for sale using the mark, I am satisfied that the threat of it may be sufficient to justify injunctive relief at least pending trial

Predictably, Randerson J was equally reliant on *One in a Million* and its "instrument of fraud" in holding in favour of the plaintiff in the passing off element of the case.²¹⁰

As noted above, these domain name cases might be of value in assessing whether the mere registration of a domain name, without any visible "use as a trade mark", might be useful in determining whether the use of a trade mark as a keyword to merely trigger a sponsor link might be actionable as trade mark infringement. My view is that their utility is somewhat limited in this regard. I suggest that to the extent to which these domain name decisions were largely adjudicated in the "early days" of the Internet, where courts around the world were coming to grips with cybersquatting, you had a lot of cases that were, "right for the wrong reasons". In other words, the courts were straining to find in favour of the plaintiff out of a basic sense of right versus wrong. Given the fact that we now have a considerable amount of experience and jurisprudence from the respective domain name dispute policies, it is my view that courts will not be as willing to stretch concepts such as trade mark infringement and passing off to fashion relief for a plaintiff, at least in the domain name context.²¹¹

(d) Australian domain name dispute policy

206 Ibid, 282.

207 *DB Breweries Ltd*, above n 201, 284.

208 *British Telecommunications Plc v One in a Million Ltd*, above n 184.

209 *DB Breweries Ltd*, above n 201, 286.

210 Ibid, 285.

211 For other comments on the domain name cases, please see Part VII A5 Concluding thoughts on passing off.

Under the Dispute Resolution Policy for Australia's .AU domain, use of the domain name is not required. A domain name can be taken away from a registrant if it is determined to have "been registered or subsequently used in bad faith".²¹² Accordingly, in both Australia and New Zealand, actual use of an offending domain name is not necessary in order for a plaintiff to prevail in a domain name suit. Whether or not this is analogous to the keyword advertising context is debatable, however, it is useful to examine instances where no actual or "visible" use of a trade mark is required in order for a plaintiff to be successful in bringing an action to prevent that use.

Of particular interest to whether or not a domain name registration, without any actual "use" in the form of a website, might constitute "trade mark use", is the 2003 Australian case *CSR Ltd v Resource Capital Australia Pty Ltd*.²¹³ In *CSR Ltd*, the defendant RCA registered domain names corresponding to the business name of the plaintiff, namely, CSRSUGAR.COM and CSRSUGAR.COM.AU, then offered the domains to the plaintiff at a high sum. CSR declined to purchase the domains, then commenced an action against RCA for trade mark infringement.²¹⁴

In the decision of the Federal Court of Australia, Hill J noted the difficulty in successfully bringing a trade mark infringement action, since no use of the trade mark had been made:²¹⁵

It is a problem that is noted by the Court of Appeal in the *One in a Million* case but not ultimately decided by it. It is one thing to say that a cyber squatter who registers a name intending to sell that name to the owner of a trade mark or threaten a sale to a competitor if the owner does not come up with the money may have registered the name as an instrument of fraud, and thereby be guilty of the tort of passing off as was held by the Court of Appeal in England. ... But it is another thing to say that ... RCA used the domain name as a trade mark in relation to goods or services in respect of which CSR had registration or for that matter closely related to either goods or services referred to in the CSR registrations. No doubt it can be said that the interest of CSR were likely to be adversely affected by the acts of RCA but that is not sufficient to constitute an infringement. There could be a threatened infringement if one were to take seriously the suggestion that RCA intended to engage in the sugar trade. Clearly, however, that was not the real intention of RCA ... who at no time used or intended to use the domain names as trade marks in relation to either goods or services.

The Federal Court ruled in favour of the plaintiff, not under the Trade Marks Act, but under the Trade Practices Act, supportive of the view that the mere registration of a domain name that corresponds with a trade mark is not an infringement of that mark, since no use as a trade mark had been made.

212 .au Dispute Resolution Policy (2002-22), schedule A, s 4(a)(iii).

213 *CSR Ltd v Resource Capital Australia Pty Ltd* [2003] FCA 279 (NSW).

214 Trade Marks Act 1995(Cth), ss 120 and 53; Trade Practices Act, s 53.

215 *CSR Ltd*, above n 213, para 8.

VI JURISPRUDENCE FROM OTHER JURISDICTIONS AS GUIDANCE

As noted above, because no keyword or metatag cases have yet been brought in New Zealand, it is likely that New Zealand courts would look to UK and Australia decisions.

A United Kingdom Metatag Cases

Two cases relating to invisible use of trade marks have been heard in the UK, and both concerned metatags, with the latter of the two, *Reed*, also containing the use of a trademark as a keyword.²¹⁶ *Roadtech Computer Systems Ltd v Mandata Ltd* was decided in the Chancery Division on 25 May 2000. In this action, both parties were competitors in the field of computer software and related services in the commercial trucking/road haulage industry. Roadtech had a very popular website, which received over 1,000 hits per day. Roadtech owned trade mark registrations on the marks "Roadtech" and "Roadrunner". Mandata's website used both trade marks as metatags on its site; Roadtech alleged that Mandata did so to attain some degree of "diversion of trade" from the Roadtech site to the Mandata site.²¹⁷ Roadtech further alleged that: (1) the defendant has taken a free ride on the back of the claimant's very successful web site; and (2) the defendant clearly intended to gain a commercial advantage from its actions.²¹⁸

Master Bowman found that both infringement and passing off had taken place by virtue of defendant Mandata's use of the plaintiff's trade marks within its metatags.²¹⁹ However, liability appears to have been based more on admissions of the defendant, rather than on substantive analysis.²²⁰ Indeed, the only specific reference to metatags within the decision itself is a brief statement that "it is said that every reasonable effort was made on the part of the defendant to remove the offending metatags and that should have been the end of the matter."²²¹ Elsewhere, the decision appears to refer to the metatags in the sentence that reads, "the offending material was substantially, although not completely, removed by early November."²²²

216 See *Roadtech Computer Systems Ltd v Mandata (Management and Data Services) Ltd* [2000] EMTR 970 (EWHC), see also *Reed Executive plc and Reed Solutions plc v Reed Business Information Ltd and Reed Elsevier (UK) Ltd and Totaljobs.com* [2004] EWCA 159.

217 Dawn Osborne "Metatags and the Reed Case – A Few Discordant Notes" (2002) www.iprights.com/cms/templates/articles.aspx?articleid=170&zoneid=2 (accessed 27 October 2007).

218 *Roadtech Computer Systems*, above n 216, para 2.

219 *Roadtech Computer Systems*, above n 216.

220 Abida Chaudri "Metatags and Banner Advertisements – Do They Infringe Trade Mark Rights?" (2004) 20 (5) *Computer Law & Security Report* 402.

221 See *Roadtech Computer Systems*, above n 216, 3.

222 *Ibid.*

Similar to my observations about the contemporary US cases, in my view, Master Bowman's finding that the existence of metatags was grounds for an action in trade mark infringement is consistent with the time of the case. In the first several years of cases dealing with metatags, courts did not focus on whether the use of trade marks as metatags was sufficient to prove "use" of the trade mark. Rather, it was somewhat presumed that metatag use was trade mark use.²²³ The *Roadtech v Mandata* decision was handed down in May of 2000. It was not until a few years later; a US District Court's 2003 decision in the *1-800 Contacts* case,²²⁴ and the 2005 decision of US Court of Appeals (which was reversed), that you find an in-depth (and now obligatory) analysis of the "use in commerce" requirement of the Lanham Act.²²⁵

The next UK case was *Reed Executive v Reed Business Information Ltd*.²²⁶ There, both parties had peacefully coexisted in separate spheres of the business world under some form of the surname "Reed". The plaintiff, trading under the name Reed Employment, was an established employment firm. The defendant, trading under the name Reed Elsevier, was engaged in the publication of magazines and journals. Conflict arose, when the defendant expanded its horizons and commenced operation of a jobs posting website, at Totaljobs.com. The website contained visible uses of the Reed Elsevier name and logo, as well as the invisible metatag "Reed Business Information". Additionally, the defendant purchased the keyword "Reed" from Yahoo!, which resulted in banner advertisements for defendant's website to appear when that term was searched for using the Yahoo! search engine.

The plaintiff brought an action alleging trade mark infringement and passing off.²²⁷ In the decision by Mr Justice Pumfrey, separate attention was paid to the invisible uses of the trade mark "Reed". Pumfrey J stated:²²⁸

[Legislation] require[s] use of the sign in the course of trade for there to be infringement. I take this to mean that the sign is to be used for business purposes. It appears clear that the use must also be what has often been called trade mark use, that is to say, use whose purpose or effect is to indicate the trade origin of the goods or services. I think that the use of the word 'Reed' in the phrase 'Reed Business Information' satisfies this test. What gives me concern in the context of this action ... is the relevance of the use if its

223 *Brookfield Communications Inc v West Coast Entertainment Corp* (1999) 174 F 3d 1036 (9th Cir); *Playboy Enterprises v Welles* (1998) 7 F Supp 2d 1098 (SD Cal); *Playboy Enterprises Inc v Netscape Communications Corp* (2004) 354 F 3d 1020 (9th Cir).

224 *1-800 Contacts Inc v WhenU.Com and Vision Direct Inc* (2003) 309 F Supp 2d 467 (SDNY).

225 *1-800 Contacts Inc v WhenU.Com and Vision Direct Inc* (2005) 414 F 3d 400 (2d Cir).

226 *Reed*, above n 216.

227 See *Reed Executive plc and Reed Solutions plc v Reed Business Information Ltd and Reed Elsevier (UK) Ltd and Totaljobs.com* [2002] EWHC 1015 (Transcript: Smith Bernal) 146 SJ LB 151.

228 *Ibid*, para 129 and 131 (emphasis added).

only effect is to allow the Defendants' website to appear in the list of search hits but lower than the plaintiffs' website, provided that the Defendants' site does not use the word when it is accessed. In other words, does the user of a web search engine suppose that when he or she searches against, say 'Reed jobs' the sites raised have any connection with the Claimant? Obviously if they are to do so, the search must include the word 'Reed'. But if that search is done, the exhibits show many results having no connection with the Claimants at all.²²⁹

... This seems to me to be an infringing use: it is akin to having the labels printed and attached to the goods, but not yet having moved them outside the factory. But where no such material appears on the search engine results, why should it infringe? The argument by analogy suggests that the search engine is to be taken to be the eyes of the user, but I suspect that is a poor analogy. Like many computer applications, the intervention of a human is essential to sort the rubbish from the potentially interesting in any web search. *Nonetheless, my view is that the concept of use is wide enough to cover invisible use in metatags which is visible in the search results.*

Pumfrey J also concluded there was passing off. His Honour said "[s]o far as the invisible uses, the answer again seems to turn on the question whether the Defendants can be said to be responsible in any way for the appearance of the site in response to a search against 'Reed', and, if so, what the nature of that responsibility is."²³⁰

The decision of the High Court was appealed and reversed, as the judge's finding was "not explicitly tied to any particular form of infringement".²³¹ Jacob LJ on the topic of the invisible uses of the trade mark "Reed", beginning with the Yahoo! banner ad, said:²³²

I am unable to agree with this. The banner itself referred only to totaljobs – there was no visible appearance of the word Reed at all. Whether the use as a reserved word can fairly be regarded as "use in the course of trade" or not (as to which I express no opinion), I cannot see that causing the unarguably inoffensive-in-itself banner to appear on a search under the name "Reed" or "Reed jobs" can amount to an ... infringement. 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 total jobs banner making no reference to the word "Reed" and Reed Employment is fanciful. No likelihood of confusion was established.

229 Ibid, para 35.

230 Ibid, para 37.

231 *Reed Executive plc and Reed Solutions plc v Reed Business Information Ltd and Reed Elsevier (UK) Ltd and Totaljobs.com*, above n 216, para 139.

232 See *Reed Executive plc and Reed Solutions plc v Reed Business Information Ltd and Reed Elsevier (UK) Ltd and Totaljobs.com* [2004] EWCA Civ 159, para 140-142 (emphasis added).

That is not to say, of course, that if anyone actually clicked through (and few did) and found an infringing use, there could not be infringement. Whether there was or not would depend solely on the site content, not the banner.

... It may be that an invisible use of this sort is not use at all for the purposes of this trade mark legislation – the computers who 'read' sets of letters merely 'look for' patterns of 0s and 1s – *there is no meaning being conveyed to anyone – no 'sign'*.

As to whether the use of the "Reed" keyword to trigger a banner ad constituted passing off, Jacob LJ disagreed with the lower Court's finding that there was passing off by substitution.²³³ Passing off by substitution is where one good is supplied in place of another, because the consumer is unlikely to notice the substitution and is, thus, misled. Jacob LJ found that the concept was "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." Passing off could only result from the content of the webpage.

With respect of the metatags, Jacob LJ found that, because evidence showed that a search for "Reed jobs" listed totaljobs below Reed Employment, there was no misrepresentation.²³⁴ Anyone looking for Reed Employment would find it, whether the metatag was visible or not. His Honour found no infringement, as, "[a]ssuming metatag use counts as use of a trade mark, there is simply no confusion."²³⁵ He stated that the "purpose [of the metatag] is irrelevant to trade mark infringement and causing a site to appear in a search result, without more, does not suggest any connection with anyone else."²³⁶

His Honour refrained from deciding whether the metatags constituted use, but pointed out:²³⁷

(a) First, does metatag use count as use of a trade mark at all? In this context it must be remembered that use is important not only for infringement but also for saving a mark from non-use. In the latter context it would at least be odd that a wholly invisible use could defeat a non-use attack. ... *Uses read only by computers may not count - they never convey a message to anyone.*

(b) If metatag use does count as use, is there infringement if the marks and goods or services are identical? This is important: one way of competing with another is to use his trade mark in your metatag – so that a search for him will also produce you in the search results. Some might think this unfair – but others that this is good competition provided that no-one is misled.

233 Ibid, para 26.

234 Ibid, para 147.

235 Ibid, para 148.

236 Ibid, para 148.

237 Ibid, para 149 (emphasis added).

(c) If metatag use can fall within the infringement provisions ..., can the defences ... apply, for instance the own name defence? The Judge thought they could not because the use was invisible. That makes little sense - why should visibility be irrelevant to [infringement] but relevant to [defences]?

The use of the "Reed" metatag was held not to constitute passing off, as there was no misrepresentation causing damage.²³⁸

As I interpret the Court of Appeal decision in *Reed v Reed Elsevier*, although the Court did not definitively rule out the possibility that a party's use of another party's trade mark as a metatag and keywords could constitute "trade mark use" for purposes of an infringement action, it certainly cast doubt on it. Although Jacob LJ qualifies stating that he expresses no (or is reserving his) opinion,²³⁹ it is rather apparent, that Jacob LJ is only just barely "reserving" his opinion. Indeed, there are some statements where it is readily apparent that he does not consider this to be a "use in the course of trade".²⁴⁰ It is also striking that Jacob LJ examines the question of "use" from the perspective of whether or not such "use" would qualify in terms of "saving a mark from non-use".²⁴¹ As to "wholly invisible use" of potentially defeating a "non-use attack",²⁴² (in other words, if a third-party were to attack a registration on the grounds of abandonment or non-use, and the owner's only proof of use was an invisible use, such as use as a metatag) Jacob LJ indicates his view that "it would at least be odd" that such evidence could possibly be sufficient.

Accordingly, the English Court of Appeal has cast doubt on the concept that invisible uses of trade marks, such as within metatags or as keywords, could constitute "use in the course of trade" for purposes of trade mark infringement. As is noted by Kitchin and Llewelyn, this view is not without some caveats:²⁴³

Prior to the decision of the Court of Appeal in *Reed Executive* it seemed clear that under the 1994 Act use of a mark in a metatag does constitute use of the sign for the purposes of infringement. The fact that the metatag is normally not seen should not make any difference, due to s.103 (2) which specifically includes use 'otherwise than by means of a graphic representation'. Likewise for passing off: the fact that the user may not see the metatag might be thought not to remove the misrepresentation.

238 See *Reed Executive plc and Reed Solutions plc v Reed Business Information Ltd and Reed Elsevier (UK) Ltd and Totaljobs.com*, above n 216, para 28.

239 Ibid, para 140 and 149.

240 Ibid, paras 142 and 149.

241 Ibid, para 149.

242 Ibid, para 149.

243 David Kitchin and David Llewelyn et al *Kerly's Law of Trade Marks and Trade Names* (14 ed, Sweet & Maxwell, London, 2005) 736-737.

With respect of the above reference to section 103(2) of the UK's Trade Marks Act 1994, I suggest that section 103(2)'s apparent expansion of the concept of trade mark use still requires some sort of use that the senses can detect. In other words, trade marks can be registered to protect smells and sounds, the "use" and infringement of which certainly would not be "by means of a graphic representation". Accordingly, it could be argued that section 102(3) does not contemplate "invisible use", per se, but rather a use that is perceptible by some sense other than sight. Perhaps instead of referring to "invisible use", I should refer to it as "humanly imperceptible use". This may well be supported by Cornish and Llewelyn's, who stated that:²⁴⁴

Advertising jingles can be written in musical notation, non-musical sounds can be described ('the roar of a lion'), smells can be defined in terms of chemical components, by chromatographical analysis or even by reference to elements in the product which cause them. 'Graphic representation' may well be limited to clear and easily determined means of describing sensations which can be appreciated by hearing or smell.

Kitchin and Llewelyn go on to analyse the issue of invisible use in the wake of *Reed Executive*:²⁴⁵

The difficulty identified by Jacob L.J. is whether the use of a mark as a metatag or an advertising keyword constitutes use which is capable of affecting the functions of a trade mark, given that in normal operation the consumer will not be aware of the use by the defendant itself, merely of the results of the use (the display of a competitor's advertisement or a higher position on a search engine result table). In many circumstances it is the consumer who has typed in the mark in issue, and the only visible use on the consumer's screen, alongside the advertisements and search results complained of. A further difficulty identified in *Reed* is the issue of whether, assuming such use was capable of constituting use for the purposes of trade mark infringement, it would also constitute use for the purposes of defeating an application to revoke for non-use? In response to the latter point, it is difficult to see how 'invisible' or metatag use could be use in order to create or preserve an outlet for goods and services as required by *Ansul*.

I also suggest that the Court of Appeal decision in *Reed* tends to show that the US doctrine of Initial Interest Confusion²⁴⁶ would not find the UK as hospitable soil in which to take root. Indeed, the decision appears to place a higher degree of confidence in the savvy of the average Web user than Judge O'Scannlain did in the *Brookfield*²⁴⁷ decision.

244 William Cornish and David Llewelyn *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights* (4 ed, Street & Maxwell, London, 1999) s 17-21.

245 Kitchin and Llewelyn *Kerly's Law of Trade Marks and Trade Names*, above n 248, 737-738, citing *Ansul v Ajax* [2003] ECR I-2439 (C40/01).

246 See below.

247 See below.

B Other UK Guidance

Mindful of the requirement that the infringing use must be a use "in the course of trade", it is perhaps of value to look at the 1945 case *Aristoc Ltd v Rysta Ltd*.²⁴⁸ Although not an infringement case, but rather one dealing with an application to register a trade mark, it still offers some guidance on what "in the course of trade" might be:²⁴⁹

The proprietor is required to be a trader who places the goods before the public as being his goods. That is the vital connection, not some later partial and ephemeral attribution to some one else. Trade is a very wide term: it is one of the oldest and commonest words in the English language. Its great width of meaning and application can be seen by referring to the heading in the Oxford English Dictionary. But it must always be read in its context. That gives it the special connotation appropriate to the particular case. In the 1938 Act the context shows that "trade" refers to selling or otherwise trading in the goods to which the mark is applied. Thus in s 26(2)(6), we find the words "goods to be sold or otherwise traded in"; the same collocation of words is found in s 31; and again in s 68 in the definition of Limitations. These instances show that trade is here used in the particular sense of merchanting, selling or the like, which would nowadays include the more modern practices of hire purchase, leasing (eg, of valuable machines), letting out for public use, exporting, etc. But equally it is clear that repairing or processing or the like is not included because it is not trade in the particular sense intended. This construction is consonant with the established user in the past of the word trade mark and the established definition of its functions.

Also in the registration context is the guidance offered by Cornish and Llewelyn which, in interpreting the UK's Trade Marks Act 1994, notes that:²⁵⁰

[w]hereas the previous law required that trade marks had to indicate 'a connection in the course of trade', the TMA 1994, following the Directive, refers to the capacity to distinguish goods or services of one undertaking from those of other undertakings. In the course of Parliamentary debate on the Bill, the Government insisted that this wording (from the Directive) implied that the mark must be used in commercial context and therefore refused to accept an amendment which would have said so explicitly. All in all, a requirement for a trade connection continues to be necessary.

248 *Aristoc Ltd v Rysta Ltd and Another* [1945] 1 All ER 34. Decided under the 1938 Act, s 68, and in particular the words "used or proposed to be used ... so as to indicate a connection in the course of trade between the goods" and the proposed proprietor of the mark.

249 *Ibid*, 47-48.

250 William Cornish and David Llewelyn *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights* (5 ed, Street & Maxwell, London, 2003) 655, citing Hansard, HL Vol 552, cols 732-733.

C Australian Jurisprudence

In Australia, trade mark use is also a "gatekeeper issue" in an infringement action; an action may not proceed under the theory of trade mark infringement if the defendant has not used the mark as a trade mark.²⁵¹ According to "Shanahan's Australian Law of Trade Marks and Passing Off", the "use as a trade mark" prerequisite is found not only in the Australian Trade Marks Act 1995, but has its origins prior to the passage of that Act,²⁵² in *Yeast-Vite*, which held that "the exclusive right to the use of such trade mark ... carried with it the implication of use of the mark as a trade mark to denote origin in the person using it".²⁵³ Use of a trade mark for descriptive or functional purposes is not trade mark use.

With respect of the visibility of a mark as being a component of "use of a trade mark", the 2002 case of *Philmac Pty Ltd v Registrar of Trade Marks* is useful. It was not an infringement case, but one dealing with the minimum requirement of use in an application for registration. In considering the use of colour in a trade mark, and whether or not that served as a trade mark, Mansfield J stated that "[u]nless it is a visible feature of the goods in respect of which registration is sought, it cannot be capable of distinguishing those goods in the course of trade from the goods of other persons."²⁵⁴

In the infringement context, the Federal Court of Australia held that for in order for an infringement to have taken place, the mark must have been used to indicate origin:²⁵⁵

- (i) 'Use' of a trade mark for the purposes of the Act means use as a 'badge of origin' that indicates a connection in the course of trade between the goods and the person who applies the mark to those goods.
- (ii) To determine whether there has been 'use as a trade mark' requires an analysis of whether the alleged infringer has used a sign so as to indicate origin in itself, not whether the alleged infringer has used a sign so as to indicate origin in the registered owner of the mark.

251 Trade Marks Act 1995 (Cth), s 120. "Use" is defined in s 7.

252 Mark Davison, Kate Johnston and Patricia Kennedy *Shanahan's Australian Law of Trade Marks and Passing Off* (3 ed, Lawbook Co, Pyrmont, New South Wales, 2003) 434, citing *JB Stone & Co Ltd v Steelace Manufacturing Co Ltd* (1929) 46 RPC 406 (CA).

253 *Irving's Yeast-Vite Ltd v FA Horsenail Co Ltd* (1934) 51 RPC 110 (HL), adopted in Australia by *Mark Foy's Ltd v Davies Co-op & Co Ltd* (1956) 95 CLR 190 (Cth) (decided under the Trade Marks Act 1905) and *Shell Co (Aust) v Esso Standard Oil (Aust) Ltd* (1963) 109 CLR 407.

254 *Philmac Pty Ltd v Registrar of Trade Marks* (2002) 56 IPR 452, 477.

255 *The Coca-Cola Company v All-Fect Distributors Ltd* (1999) 47 IPR 481 (FCA), citing *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd* (1991) 30 FCR 326; 21 IPR 1.

VII BEYOND TRADE MARK INFRINGEMENT - PASSING OFF AND THE FAIR TRADING ACT 1986

The owner of a New Zealand trade mark, who might find itself a plaintiff in an enforcement action for trade mark infringement, will be likely to employ what is often called a "shotgun approach", ie, to claim any and all means of relief available. In other words, the complaint will likely raise trade mark infringement, passing off and violation of the Fair Trading Act 1986.²⁵⁶ Further, passing off is something of a safety net for trade mark infringement, and the Fair Trading Act is a safety net beneath that; the respective burdens of proof appear to be less for each respective cause of action, as the cases I will discuss will show. Indeed, as was noted in *Patience & Nicholson (NZ) Ltd v Cyclone Hardware Pty Ltd*, "the Fair Trading Act has a wider scope than the action for passing off; there is no need to show damage to goodwill."²⁵⁷

A Passing Off

The common law tort of passing off is similar to trade mark infringement, but rather than protect the "property right" in the mark, passing off protects the goodwill therein.²⁵⁸ Further, it will also provide protection for a mark that has not been registered as a trade mark, ie, a common law trade mark. Indeed, an action based on trade mark infringement cannot be brought without a registered trade mark.²⁵⁹

The term "passing off" first appears in the 1842 case *Perry v Truefitt*.²⁶⁰ *Wilberforce J in Norman Kark Publications Ltd v Odhams Press Ltd* emphasised the need for a showing of goodwill in the name and deceptive use by the defendant.²⁶¹ The essential elements in proving the tort of passing off were set forth in *Erven Warnink BV v J Townend & Sons (Hull) Ltd*,²⁶² the "Advocaat"

256 Such as was the case in *Levi Strauss & Co v Kimbyr Investments Ltd* [1994] 1 NZLR 332.

257 See *Patience & Nicholson (NZ) Ltd v Cyclone Hardware Pty Ltd* [2001] 3 NZLR 490, 519 para 134 Rodney Hansen J.

258 Frankel and McLay, above n 85, 474.

259 Trade Marks Act 2002, s 99.

260 *Perry v Truefitt* (1842) 6 Beav 66, see John Drysdale and Michael Silverleaf *Passing Off Law and Practice* (Butterworths, London, 1986) 6.

261 See *Patience & Nicholson (NZ) Ltd v Cyclone Hardware Pty Ltd*, above n 257, para 21, citing, *Wilberforce J in Norman Kark Publications Ltd v Odhams Press Ltd* [1962] RPC 163, 169.

262 *Erven Warnink BV v J Townend & Sons (Hull) Ltd*, above n 180, the 'Advocaat' case. This has been followed by many subsequent cases, notably *Dominion Rent A Car Ltd v Budget Rent A Car Systems* (1970) Ltd [1987] 2 NZLR 395.

case. Lord Diplock identified five characteristics which must be present to give rise to a valid cause of action as:²⁶³

(1) a misrepresentation, (2) made by a trader in the course of trade, (3) to prospective customers of his or ultimate consumers of goods or services supplied by him, (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a quia timet action) will probably do so.

However, Lord Diplock offered a cautionary note following that test, noting that everything had to be taken in context.²⁶⁴ As summarised by Frankel and McLay:

[i]n short, not all fact situations that satisfy the test will necessarily give rise to passing off. ... His Lordship was then clear that the law he was formulating to protect competition, should not become a tool to prevent that very competition.

Also within the *Erven Warnink* decision we find another classic test for passing off, from Lord Fraser of Tullybelton, who stated:²⁶⁵

(1) that his business consists of, or includes, selling in England a class of goods to which the particular trade name applies; (2) that the class of goods is clearly defined, and that in the minds of the public, or a section of the public, in England, the trade name distinguishes that class from other similar goods; (3) that because of the reputation of the goods, there is goodwill attached to the name; (4) that he, the plaintiff, as a member of the class of those who sell the goods, is the owner of goodwill in England which is of substantial value; (5) that he has suffered, or is really likely to suffer, substantial damage to his property in the goodwill by reason of the defendants selling goods which are falsely described by the trade name to which the goodwill is attached.

While it may seem odd to have not one but two tests for passing off within the same case, any apparent contradiction is dismissed in decisions such as that of Oliver J, who held in *Anheuser-Busch Inc v Budejovicky Budvar NP*:²⁶⁶

These two statements of principle complement one another, Lord Diplock emphasising what has been done by the defendant to give rise to the complaint, and Lord Fraser what the plaintiff has to show as a prerequisite of complaining. Since the remaining members of their Lordship's House agreed with both speeches, it is not in dispute that the two statements have to be taken as a composite.

²⁶³ *Erven Warnink BV v J Townend & Sons (Hull) Ltd*, above n 180, 742.

²⁶⁴ *Ibid*, 742.

²⁶⁵ *Ibid*, 755-756.

²⁶⁶ *Anheuser-Busch Inc v Budejovicky Budvar NP* [1984] FSR 413, 463.

The twin-perspectives of defendant and plaintiff espoused by Lords Diplock and Fraser has also been characterised as a reflection on the dual nature of the tort, in *Taylor Bros Ltd v Taylors Group Ltd*, where the High Court held that "[t]he law about passing off represents a compromise between two conflicting objectives, on the one hand the public interest in free competition, on the other the protection of a trader against unfair competition by others."²⁶⁷

In hopes of simplifying the matter, I offer one last test in passing off cases, which has come to be known as "the classical trinity".²⁶⁸ It is the three-pronged test espoused by Lord Oliver in *Reckitt & Colman v Borden*, which sets forth the basic elements of passing off, goodwill, misrepresentation and damage.²⁶⁹

1 *The misrepresentation element*

Misrepresentation is the cornerstone of an action in passing off.²⁷⁰

It does not automatically follow that the commencement of business in New Zealand under a name the same as, or similar to, that of an existing like business will amount to passing off. It is still necessary to consider whether the use by the defendants of the (plaintiff's) trade name ... is a misrepresentation in the sense that they have, innocently or deliberately, described their goods in a way calculated to injure the business or goodwill of the plaintiff by leading persons doing business with them to suppose that they are doing business with the plaintiff.

Further, the misrepresentation must be "reasonably foreseeable as injurious to the business or goodwill of another trader and in fact damaging to the goodwill of the trader who sues."²⁷¹ As was noted by Gault J in the *Wineworths* case:²⁷²

It is necessary to keep firmly in mind that it is in the market or trade setting that the issues arise for determination. It is the point at which goods or services are bought and sold, where business dealings are transacted that the elements of the tort are to be investigated. It is concerned with trade or business goodwill and with conduct in trade or commerce establishing or injuring that goodwill. The manner in

267 *Taylor Bros Ltd v Taylors Group Ltd* [1988] 2 NZLR 1, 16.

268 Alexandra Sims "Rethinking *One in a Million*, Myth or Reality? The Public Interest Defence in Copyright Law" (2006) EIPR 335-343.

269 *Reckitt & Colman v Borden* [1990] 1 All ER 873; [1990] 1 WLR 491; 500 [1990] RPC 341.

270 *Patience & Nicholson*, above n 257, paras 112 and 113, citing *Dominion Rent A Car v Budget Rent A Car* [1987] 2 NZLR 395, 420 (CA), and *Office Cleaning Services Ltd v Westminster Window and General Cleaners Ltd* [1946] 63 RPC 39, 42.

271 *Yves St Laurent Parfums and Another v Louden Cosmetics Ltd* [1997] 39 IPR 11, 23-24.

272 *Wineworths Group Ltd v Comité Interprofessionel du Vin de Champagne* [1992] 2 NZLR 327.

which a name is presented in trade will dictate the goodwill that is generated. It is the understanding of those engaged in trade that will dictate whether or not they are, or will be, misled.²⁷³

Misrepresentation need not be intentional and it is not necessary to "show particular instances of deception or damage, although if that can be done it would strengthen the plaintiff's case."²⁷⁴ In *Patience v Nicholson* case:²⁷⁵

It is, of course, the best evidence of likely future deception. It is notoriously difficult to obtain. It has been said 'the more complete the deception, the less likely its detection'. I bear in mind also that evidence of confusion is not the decisive question. Confusion is not the same as deception and may arise without any misrepresentation.

2 *Damage to goodwill required*

As is noted in the above tests, in order for the plaintiff to succeed in a passing off action, it must not only prove that it has goodwill in the mark, but that the defendant's actions either caused damage to that goodwill, or "probably" or was "really likely" to do so.²⁷⁶ In *Taylor Brothers*,²⁷⁷ McGechan J identified three categories of loss actionable in passing off – diversion of trade, loss to reputation and dilution, where:²⁷⁸

[d]iversion is an appropriation of the plaintiff's goodwill. Damage to reputation amounts to a poisoning of the plaintiff's goodwill. Damage by suggestion of association of the plaintiff's business amounts to a dilution of the plaintiff's goodwill.

(a) Source motivation

The discussion of damage to goodwill brings us to so-called "source motivation". This is especially interesting with respect to the discussion of the use of trade marks as keywords, and against the American jurisprudential concept of "Initial Interest Confusion", as will be discussed in more depth below. As discussed by Frankel and McLay:²⁷⁹

²⁷³ Ibid, 336-337.

²⁷⁴ *Taylor Bros Ltd v Taylors Group Ltd*, above n 267, 17, citing *National Timber Co Ltd v National Hardware, Timber, and Machinery Co Ltd* [1923] NZLR 258, 1270-1271.

²⁷⁵ *Patience & Nicholson*, above n 257, 516-517, citing Lloyd-Jacob J in *Electrolux Ltd v Electrix Ltd* [1953] 70 RPC 127, 132.

²⁷⁶ *Erven Warnink BV v J Townend & Sons (Hull) Ltd*, above n 180, 742 and 755-756.

²⁷⁷ *Taylor Bros Ltd*, above n 267, 22.

²⁷⁸ Frankel and McLay, above n 85, 478, citing *Taylor Bros Ltd*, above n 267, 22.

²⁷⁹ Ibid, 478, citing *Tot Toys Ltd v Mitchell* [1993] 1 NZLR 325, 350-351. This view was upheld in *Thorley v McKean Motors & Contractors Ltd* [1997] DC Henderson NP 183/97; DCR 575; 1997 NZDCR LEXIS 41, as well as in *ABB Ltd v New Zealand Insulators Ltd* [2006] 3 NZCCLR 645, para 84.

In *Tot Toys*, Fisher J emphasised that 'source motivation' was an essential element of a diversion action. It is not enough that the plaintiff had lost customers to a competitor, but rather the plaintiff needs to establish that the customers it had lost linked the competitor's products to its own.

3 *Analysis of Passing Off*

I now look at the availability of passing off as a cause of action by a trade mark owner whose mark has been used as a keyword, to trigger a sponsor link to a competitor's ad. I will first look at the possible defendants. Beginning with the competitor, in an action for passing off, a trade mark owner would generally have a difficult burden of proof with respect of passing off claim. All such cases, of course, rely on the facts at hand. However, the challenges facing the trade mark owner, in my view, and making use of Lord Diplock's five part test, are as follows:

1. Is the use of the plaintiff's trade mark to trigger a sponsor link owned by the defendant competitor a "misrepresentation"?

2, 3 Is that triggering use made by the defendant competitor "in the course of trade", and to the plaintiff's prospective customers?

4. Is the triggering use "calculated to injure the business or goodwill" of the plaintiff?

5. Does the triggering use in fact damage the plaintiff's goodwill in the mark, and/or is such damage probable?

So, is the use of a trade mark as a keyword by a competitor of the mark owner a passing off? Again, the answer will lie within the facts of the case, but perhaps it is best to look at this issue using the scenarios I introduced in the analysis of Section 89(1) of the Trade Mark Act 2002, above, vis-à-vis the salient elements in the tests for passing off, discussed above.²⁸⁰

(a) Misrepresentation?

In Scenario One, misrepresentation could indeed be found, since Beech is using the keyword "Cypress" to bring a would-be Cypress customer to the Beech site, *and* is using the Cypress trade mark deceptively in the heading and body of the link. As was held in *Yves St Laurent Parfums*, "[t]he nature of a relevant misrepresentation can vary. Often it takes the form of a representation that the goods being sold by the defendant are a plaintiff's goods."²⁸¹

On the topic of possible misrepresentation in the online advertising context, *Yves St Laurent Parfums* stated:²⁸²

²⁸⁰ See Part IV A 1 (a) Competitor scenarios.

²⁸¹ *Yves St Laurent Parfums and Another v Louden Cosmetics Ltd*, above n 271, 23-24.

²⁸² *Ibid*, citing *Cadbury Schweppes v Pub Squash Co* [1981] 1 All ER 213, 218; (1980) 32 ALR 387.

It is not necessary for a misrepresentation to be crass. It may be astute and involve a complex of mechanisms of misrepresentation. A representation may operate by invoking a recollection of a plaintiff's intellectual property, and in a number of ways, no single one of which may be compelling but the combination of which is effective. In the contemporary market, where products are advertised and promoted in ways which effectively use the qualities of electronic media, and plainly exploit modern knowledge of psychology and sociology, misrepresentations may relate to distinctive mental images and connotations in which a plaintiff has acquired a proprietary interest. ... the tort is no longer anchored, as in its early nineteenth century formulation, to the name or trade mark of a product or business. It is wide enough to encompass other descriptive material, such as slogans or visual images, which radio, television, or newspaper advertising campaigns can lead the market to associate with a plaintiff's product, provided always that such descriptive material has become part of the goodwill of the product.

In Scenario Two, it is my view that misrepresentation would be more difficult, if not impossible to show, since the heading and body of the link do not mention the name Cypress. Plaintiff would have to show that a misrepresentation has taken place, some degree of deception. As noted above, this will be a fact-driven analysis.

Scenario Three would pose an even harder standard for plaintiff to meet, given the openness of the use of Beech's own trade mark(s) within the body and heading of the link. Unless the linked ad itself, or other elements about the link were found to be misleading, deceptive, or otherwise a misrepresentation, it is my view that passing off would be hard to prove.

Scenario Four would, in my view, be the least likely possibility for a finding of passing off, especially given the fact that comparative advertising is lawful in New Zealand; accordingly, as long as the use is generally in good faith, "honest practices" are adhered to, and the use of the plaintiff's mark does not take "unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark", I would submit that the plaintiff would be hard pressed to succeed in a showing of misrepresentation.²⁸³

These views find some support in "Shanahan's Australian Law of Trade Marks and Passing Off",²⁸⁴ in the following passage, which refers to Lord Diplock's five-part test:

It is possible to find within his Lordship's formulation of passing off, four broad categories of misrepresentation:

- (a) misrepresentation by which the defendant's business or product is associated with the plaintiff (or with some class of persons of which the plaintiff is a member);

²⁸³ Trade Marks Act 2002, s 94.

²⁸⁴ Davison, Johnston and Kennedy *Shanahan's Australian Law of Trade Marks and Passing Off*, above n 252, 496.

- (b) misrepresentation praising the defendant's business or product without reference to that of the plaintiff;
- (c) misrepresentation disparaging the plaintiff's business or product without reference to that of the defendant; and
- (d) misrepresentation unfavourably comparing the plaintiff's business or product with that of the defendant.

The first is clearly passing off...

As for the second, this has provided a competitor with no basis at all for relief at common law²⁸⁵ (though it, like the three other categories, may sustain an action in deceit by a purchaser).²⁸⁶ While authority on the subject is sparse, this second category seems clearly enough to be one of those forms of 'inaccurate statement' noted by Lord Diplock for which the policy of the common law has denied redress. ...

As for the third and fourth categories, both have been tortious hitherto, as injurious falsehood, but only on proof of malice and actual damage.²⁸⁷

The final comment on misrepresentation, is suggestive of the "gatekeeper issue" that the "trade mark use theory" seeks to be. Is misrepresentation to passing off what the trade mark use theory is to infringement? In other words, if it does not misrepresent, it cannot be passing off? The logical next question: Is the use of a trade mark to trigger a competitor's ad a *misrepresentation*, per se? If the user types in NIKON and a Sponsored Link appears on the right that either says DIGITAL CAMERAS or CANON, is that a misrepresentation? If not, then I would suggest that only when the link itself, and/or the linked-to ad contains a misrepresentation, can you then go through the rest of the test for passing off. If not, then the "gatekeeper issue" of misrepresentation should eject the case at that point.

(b) In the Course of Trade?

In applying the longer Lord Diplock test, the next question is, would the triggering use of a trade mark be "in the course of trade" and to the plaintiff's "prospective customers?" This question, of course, will invoke comparisons to the whole "trade mark use theory", "use as a trade mark" and "trade mark use" discussions that have been hotly debated in US keyword cases. A use "made in the

285 Ibid, there is a footnote that reads "But will under the Trade Practices Act 1974, which catches all four kinds of misrepresentation."

286 Ibid, it is noted that "Equity will provide rescission. At common law, such a representation, if fraudulent, is actionable as deceit, for which both rescission and damages are available."

287 Davison, Johnston and Kennedy *Shanahan's Australian Law of Trade Marks and Passing Off*, above n 252, 496-497.

course of trade" it is a lower threshold than "use as a trade mark".²⁸⁸ The plaintiff would argue that, by virtue of purchasing its trade mark and then having it trigger sponsored ads to the defendant's web site, the mark was being used in the course of trade.

The plaintiff would likely need to offer analogies to other passing off cases to support this view, however. Certainly, it would be tempting to offer the Court of Appeal decision in *British Telecommunications Plc v One In A Million Ltd*,²⁸⁹ where domain name cybersquatting was held to be passing off. In that case, the defendants were engaged in the registration of domain names that corresponded with popular trade marks.²⁹⁰ The respective owners of the trade marks brought suit for trade mark infringement and passing off.²⁹¹

In the High Court, this conduct was enjoined.²⁹² The decision of Deputy Judge, Sumption QC, was a curious one. He explained that it was *not* passing off, since the registration of the domain names only constituted an "instrument of deception",²⁹³ but that an injunction was nevertheless proper, because it was reasonably foreseeable that the goodwill of the plaintiffs could be damaged.

Of particular significance as to whether, or not, a use of a trade mark as a keyword to trigger a competitor's ad might be a "use in the course of trade", the High Court in *Marks & Spencer* contains an interesting determination:²⁹⁴

What then are the issues which the defendants say should go to trial under this head? There appear to be two: (i) they deny that their use of it has been 'in the course of trade'; and (ii) they contend that it is an implicit requirement ... that there should have been a likelihood of confusion on the part of the public, and there has been none.

The first of these points can be shortly dealt with. Use 'in the course of trade' means use by way of business. It does not mean use as a trade mark ... The use of a trade mark in the course of the business of a professional dealer for the purpose of making domain names more valuable and extracting money from the trade mark owner is a use in the course of trade.

In the Court of Appeal in *One in a Million*, Aldous J determined that the mere registration of a domain name could in fact be a passing off, to the extent to which the act could be considered "an

288 As required by Trade Marks Act 2002, s 89(2).

289 *British Telecommunications Plc v One in a Million Ltd*, above n 184.

290 *Ibid*, 4.

291 *Ibid*, 3-4.

292 *British Telecommunications Plc v One in a Million Ltd* [1998] FSR 265.

293 *Ibid*, 271.

294 *Marks & Spencer Plc v One in a Million Ltd* [1998] FSR 265, 315.

instrument of fraud".²⁹⁵ I should note that *One in a Million* has been criticised as being an over-extension of passing off,²⁹⁶ but it has been followed in *Global Projects Management Ltd v Citigroup Inc*.²⁹⁷

A key strand in Aldous's LJ reasoning was that the main names which One in a Million succeeded in having registered to it were 'instruments of fraud.' I do not think that he meant fraud in the criminal and most pejorative sense of the term. ...

The reason why the domain names were regarded by Aldous LJ as instruments of fraud was not that One in a Million itself used the domain names to make fraudulent misrepresentations to the public that goods and services supplied by it were the goods and services of, for example, Marks & Spencer or British Telecom. One in a Million's main defence to the passing off claim had been that, although companies like Marks & Spencer and British Telecom may have disliked what One in a Million was doing, it was not trying to supply any goods or services to anybody. Aldous LJ did not accept the defence, and in the circumstances I consider that it is not open to me to accept the equivalent defence in this case either. The mere registration and maintenance in force of a domain name which leads, or may lead, people to believe that the holder of the domain is linked with a person is enough to make the domain a potential 'instrument of fraud', and it is passing off.

(c) Damage to goodwill?

In any of the above scenarios, whether or not the triggering use was "calculated to injure the business or goodwill" of the plaintiff, or was the cause of "actual damage" are factual matters, but it would appear that such could indeed be proven, given the appropriate fact patterns. For example, if the triggered link were to contain disparaging references to the owner of the mark or its goods/services, or feature knock-off products that were, in and of themselves, passing off, damage could be easily shown. In Scenario One, since the plaintiff's mark is used in the heading and body of the ad, in a way that could be considered deceptive in and of itself, the plaintiff would be capable of proving damage to goodwill. It would be a matter of proof.

Until now, my analysis has been somewhat limited to a competitor (mis)using a trade mark as a keyword, to trigger an advertisement to his site, ie, the Beech and Cypress scenarios. But earlier in this paper, I suggested that a non-competitor might wish to purchase a very popular trade mark, one that is expected to be searched for often, simply to have sponsor links appear, offering anything from pornography, malware, and other potentially harmful content. To the extent to which the mark holder's goodwill might be damaged, or the mark itself "diluted", or its distinctiveness impaired,

²⁹⁵ *British Telecommunications Plc v One in a Million Ltd*, above n 184, 10.

²⁹⁶ Sims "Rethinking One in a Million", above n 268, as well as Jason Goodall "The Unruly Rise of Passing Off" (2002) 9 Auck U LR 643, 1004.

²⁹⁷ *Global Projects Management Ltd v Citigroup Inc and others* [2005] EWHC 2663, paras 39-40.

Taylor Bros Ltd is relevant, as it states that "in some cases it is legitimate to infer damage from a tendency to impair distinctiveness."²⁹⁸

4 *New Zealand domain name cases brought under passing off*

As was discussed above, there have been a number of New Zealand cases about the registration and use of domain names, brought as passing off actions.²⁹⁹ These cases might be of some use in terms of reviewing the implementation of the test for passing off in the keyword advertising context. In *Oggi Advertising Ltd*, the plaintiff was an advertising firm,³⁰⁰ which came to discover that the defendant had registered the domain name OGGI.CO.NZ.³⁰¹ The defendant soon posted a one-page website, containing the following statement:³⁰²

OPEN YOUR EYES

80 Million people can drive past

EVERY DAY

THE CHANGING FACE OF ADVERTISING

The plaintiff brought an action in passing off.³⁰³ In holding for the plaintiff, Baragwanath J relied on *One in a Million*,³⁰⁴ holding that Lord Diplock's five-part test for passing off had been met:³⁰⁵

1. There has been floated into cyberspace a misrepresentation associating Mr McKenzie and his alias 'Ron Towitt' with the plaintiff's name 'Oggi' and a homepage referable to its business of outdoor advertising.
2. There was accordingly a clear business implication.
3. New Zealand users of the web are prospective customers.

²⁹⁸ *Taylor Bros Ltd v Taylors Group Ltd*, above n 267, 52, citing.

²⁹⁹ See *Oggi Advertising*, above n 203; and *New Zealand Post*, above n 202.

³⁰⁰ *Ibid*, 631.

³⁰¹ *Ibid*, 631.

³⁰² *Ibid*, 637.

³⁰³ *Ibid*, 631.

³⁰⁴ See *Marks & Spencer Plc v One in a Million Ltd*, above n 294, discussed in detail in the Passing Off section, *infra*.

³⁰⁵ *Oggi Advertising Ltd*, above n 203, 638.

4. By diverting business intended to go to the plaintiff, the conduct is calculated to injure its goodwill.

5. The conduct will probably cause actual damage, not least in the competition with the plaintiff's major competitor.

In the *New Zealand Post* case, the defendant registered NZPOST.COM, whereas the plaintiff had already registered, and operated its website, at NZPOST.CO.NZ.³⁰⁶ The defendant used the domain name NZPOST.COM to present a directory of other sites, such as an Auckland modelling agency, adult-oriented material, matchmaking and other such content.³⁰⁷ The plaintiff brought an action in passing off, and under the Fair Trading Act and prevailed in having the High Court rule in its favour because of NZ Post's goodwill in its name both in New Zealand and overseas Baragwanath J held that:³⁰⁸

there is enough to suggest that his domain site is under development and ... that it receives a large number of 'hits'.

The Court has little difficulty in concluding that the domain site nzpost.com is likely to be confused with nzpost.co by all but experienced users of the Internet and that, notwithstanding the need for precise identity, information sought by inquirers using search engines and browsers may also lead them to nzpost.com and thus result in confusion. ...

As far as the cause of action under the Fair Trading Act 1986 is concerned, again, in the Court's view, there is sufficient to show at least a prima facie case for breach even though Mr Leng may only have been trading in a modest way to the present time.³⁰⁹

The *DB Breweries* case, discussed above, also discusses causes of action in passing off and the Fair Trading Act 1986.

5 *Concluding thoughts on passing off*

My analysis has focused on the conduct and potential liability of the competitor as the plaintiff. But what of the conduct and potential liability of Search Engine? It is my view that Search Engine could indeed be found liable under the analyses shown above, depending on what level of involvement a Court would determine Search Engine to have taken, given the decisions in the domain name and company name cases referenced above, namely, *One in a Million*, *Fletcher*

306 *New Zealand Post Ltd*, above n 202, 220.

307 *New Zealand Post Ltd*, above n 202, 222.

308 *New Zealand Post Ltd*, above n 202, 224-225.

309 *New Zealand Post Ltd*, above n 202, 224-225.

Challenge, *Citicorp*, *Direct Line*, *Glaxo*,³¹⁰ and related cases. In these actions, the defendant was not necessarily the end user of the misappropriated name, it was in the position of a broker, or someone looking to leverage the name, either back to the "rightful owner", or to sell it to a third-party, in whose hands it was viewed as either an "instrument of deception" or an "instrument of fraud". From this perspective, I suggest that the defendants' role could be akin to that of Search Engine.

On the other hand, I note that in the above cases, as well as in the New Zealand domain name cases *New Zealand Post*, *Oggi Advertising* and *DB Breweries*, there was a party to the transaction that was held *not* liable. Indeed, in all of these and other domain name cases, the domain name registrar has consistently been held to have been above the fray.³¹¹ Would Search Engine be viewed as the broker with unclean hands, as in the *One in a Million* and *Glaxo* line of cases, or as the neutral, good-faith purveyor of keywords on a first-come, first-served basis, as with domain name registrars? This characterisation could be the crux of the case, in my view.

Further support for immunity of search engines would be the dicta found in the *Leafscreen* case, discussed above. In that case, the High Court was prepared to absolve Telecom Directories Ltd of liability since its role was only that of a "publisher" or "conduit".³¹²

B Fair Trading Act 1986

Characterised in its introduction as "[a]n Act to prohibit certain conduct and practices in trade, to provide for the disclosure of consumer information relating to the supply of goods and services and to promote product safety ...",³¹³ the Act regulates misleading and deceptive conduct.³¹⁴

It is my view that trade mark infringement is the hardest case for a New Zealand plaintiff to prove, with passing off serving as a "safety net" or backstop to trade mark infringement, especially for an unregistered mark. For the past 20 years, New Zealand plaintiffs have had the Fair Trading Act (FTA) to catch those cases where the other two remedies might not apply. As noted by Frankel and McLay:³¹⁵

310 See *One in a Million*, above n 186, *Fletcher Challenge Limited v Fletcher Challenge Pty Limited* [1982] FSR 1; *Glaxo plc v Glaxowellcome Ltd* [1996] FSR 388, *Direct Line Group v Direct Line Estate Agency Ltd* [1997] FSR 374, and *Global Projects Management Ltd v Citigroup Inc and others* [2005] EWHC 2663.

311 See also, *Lockheed Martin Corp v Network Solutions Inc* (1999) 194 F 3d 980; 52 USPQ 2d 1481 (9th Cir), and *Porsche Cars of North America Inc v Porsche.com* (1999) 51 F Supp 2d 707; 51 USPQ 2d 1461 (ED Va).

312 *Leafscreen*, above n 87.

313 Fair Trading Act 1986, preface.

314 Fair Trading Act, ss 9-13.

315 Frankel and McLay, above n 85, 505.

[r]ather than conferring a property right, the Fair Trading Act protects only consumers' interest in not being misled or deceived as to the origin of those goods. Passing off lies somewhere in the middle of a continuum between property right conferred by the Trade Marks Act, and a consumer protection status of the Fair Trading Act.

1 Focus on conduct

One of the reasons for the view that an infringement action is the hardest to win results from the simple fact that trade mark infringement requires a showing of "use as a trade mark",³¹⁶ which is more difficult to prove (at least in the keyword advertising context) than use "in the course of trade",³¹⁷ one of the requirements in passing off. What does the FTA require in terms of the defendant's behaviour? Conduct, nothing more, just conduct, ie, some activity that is misleading and/or deceptive.

On this topic, I offer an interesting anecdote, from "Shanahan's Australian Law of Trade Marks and Passing Off":³¹⁸

It is said that there were three tailors side by side in the high street, and that the one in the middle, confronted by a 'Summer Sale' to the right and a 'Closing Down Sale' on the left, confounded its rivals by erecting a large sign saying simply 'Main Entrance.' It is not reported whether that tailor was ever enjoined, but as the case may demonstrate, passing off need not involve the use of any mark or name.

Indeed, whether or not that tailor was engaging in a passing off, I would submit that he was engaging in *conduct*, possibly misleading or deceptive conduct, at that. But it is important to note that courts will look at the big picture, examine all of the facts in context. The decision in *New Zealand Conference of Seventh Day Adventists v Registrar of Companies*³¹⁹ offers a good overview of the examination Courts will place on the defendant's conduct, as well as the degree to which a Court will exercise discretion:³²⁰

It will be noted that the Fair Trading Act is not concerned with the use of any particular name or expression per se. Rather, the focus lies upon conduct in trade. The conduct may or may not involve the use of a name as one of its components but the essentials under s 9 are that it must be conduct in trade and that it must be misleading or deceptive or be likely to mislead or deceive. ... A meticulous

316 Trade Marks Act 2002, s 89(2)

317 See *Erven Warnink BV v J Townend & Sons (Hull) Ltd*, above n 180, 742, Lord Diplock's five-part test for passing off.

318 Davison, Johnston and Kennedy *Shanahan's Australian Law of Trade Marks and Passing Off*, above n 257, 537.

319 *New Zealand Conference of Seventh Day Adventists v Registrar of Companies* [1997] 1 NZLR 751.

320 *Ibid*, 759.

examination of the particular facts will be necessary in each case.³²¹ Use of a name which would be misleading in some circumstances could be perfectly acceptable in others due, for example, to accompanying disclaimers, a knowledgeable target group or a context otherwise preventing confusion. All of this militates against the possibility that anyone could say in advance that the mere adoption of a name per se will necessarily result in a breach of the Fair Trading Act.

2 *Confusion still necessary*

And while the plaintiff's burden of proof is lower under the FTA, the plaintiff must still show that the complained-of conduct must be more than just confusing. The Australian case of *Chase Manhattan Overseas Corporation v Chase Corporation* reasoned as follows:³²²

I am satisfied that if this occurs there is a possibility some degree of confusion may be created in the minds of the public or relevant members of the public; but that circumstances does not resolve this matter in favour of the appellants (plaintiffs). ... Conduct does not contravene [the Act] merely because members of the public would be caused to wonder whether it might not be the case that two products come from the same source or two services are provided by the same source or two business names suggest that they come from the same stable. The purpose of [the] Act is to protect consumers by eliminating unfair trade practices ... [and] to prevent misleading or deceptive conduct which will affect the identification of goods or services. Conduct which merely causes some uncertainty in the minds of the public does not infringe ... [One must be careful not to confer] a statutory monopoly in the word ...

3 *Need for showing of misleading/deceptive conduct, misrepresentation*

Bonz Group (Pty) Ltd v Cooke discussed the misrepresentation element:³²³

The essence of a cause of action based on s 9 is some misrepresentation by the defendant. Conduct cannot be described as misleading or deceptive or likely to be so unless it involves a misrepresentation ...

An important question in the present case is the degree of likelihood required before it can be said that the conduct in question is likely to mislead or deceive. The words in s 9 'likely to mislead or deceive' import a lesser degree of likelihood than something which is more probable than not. The degree of likelihood must involve a real risk in the sense that the misleading or deception could well happen. The consequence must be more than a mere possibility.

The fact that there is evidence that someone has been misled or deceived is relevant but not conclusive. It is necessary to identify those members of the public who are vulnerable to or at risk of being misled or

321 Citing *Goldsbro v Walker* [1993] 1 NZLR 394, 401 (CA).

322 *Chase Manhattan Overseas Corporation v Chase Corporation* (1986) 70 ALR 303, 144. This applied s 52 of the Australian Trade Practices Act (which is identical to s 9 of the FTA).

323 *Bonz Group (Pty) Ltd v Cooke* [1994] 3 NZLR 216, 229.

deceived by the conduct in question. As was said by Lockhart J in *Puxu Pty Ltd v Parkdale Custom Built Furniture Pty Ltd* (1980) 31 ALR 73, 93 one must consider 'the astute and the gullible, the intelligent and the not so intelligent, the well educated as well as the poorly educated, men and women of various ages pursuing a variety of vocations'.

Similarly, the Court of Appeal, in *Neumegen v Neumegen and Co*, stresses that the focus should be on the defendant's conduct, and submits that the conduct must rise to the level of misrepresentation.³²⁴ Further, "[t]he misrepresentation may be express or arise from silence or from conduct. It need not be intentional and often will not be."³²⁵

In *CSR Ltd v Resource Capital Australia Pty Ltd*,³²⁶ the Federal Court of Australia held that the registration of domain names corresponding to the plaintiff's trade marks constituted a violation of the Trade Practices Act. Concerning the "misleading and deceptive" element, Hill J said:³²⁷

The conduct required of a corporation is that it not, in trade or commerce, engage in conduct that is misleading or deceptive or likely to mislead or deceive. The Court has an undoubted discretion where it is satisfied that a person is either in breach of that code of conduct or is proposing to engage in conduct that would be in breach of that code of conduct to grant an injunction in such terms as the Court determines to be appropriate. ...

While conduct may be misleading or deceptive even where it does not involve a representation which is false, a quite large percentage of the cases where contravention has been found under s52 have involved representations. ...

As is noted by Frankel & McLay:³²⁸

"New Zealand Courts, as in passing off cases, have tended to take what might be termed a 'realistic' view of consumer behaviour, accepting that some consumers are fallible and may not make the distinctions that other well-informed consumers might, or that lawyers arguing later in Court might. While defendants may view this approach as being overly indulgent, New Zealand Courts have sought some balance by accepting that there are definite limits to the behaviour that they consider to be misleading or deceptive.

324 *Neumegen v Neumegen and Co* [1998] 3 NZLR 310, 317, citing *Bonz Group Pty Ltd v Cooke* (1996) 7 TCLR 206.

325 *Ibid.*

326 *CSR Ltd v Resource Capital Australia Pty Ltd*, above n 215. See above, Part VI B 5 (d) Australian Domain Name Dispute Policy.

327 *CSR Ltd v Resource Capital Australia Pty Ltd*, above n 215, 5-6. Quoting Frankel and McLay, above n 85, 500, citing *Allied Liquor Merchants Ltd v Independent Liquor (NZ) Ltd* (1989) 3 TCLR 328, 336 (HC).

328 Frankel and McLay, above n 85, 500-501.

4 *FTA should not be viewed as distortion of passing off*

The decision in the 2005 High Court case *World TV Ltd v Best TV Ltd*³²⁹ makes it clear that the FTA, just as is the case with Australia's Trade Practices Act, should be viewed in the proper context with the common law tort of passing off.³³⁰ It states that the legislation is not a statutory enactment of passing-off or its principles.³³¹ The FTA and passing off have different backgrounds, different purposes, they serve different interests, and "their areas of operation do not coincide".³³²

An early, if not the first, New Zealand case to apply section 9 of the FTA, *Taylor Bros Ltd v Taylors Group Ltd*,³³³ offers some interesting background on the Act:³³⁴

The Fair Trading Act 1986 has its genesis in requirements for harmonisation of trade practices as between New Zealand and Australia related at least in part to the CER Treaty. ... Clearly the New Zealand provisions presently relevant to a substantial extent have been derived from their Australian counterparts. The leading authorities in Australia, as at late 1986 interpreting and applying such Australian provisions would have been known to the draftsman of the New Zealand Act.

5 *Not strictly consumer-oriented: competitors may bring action*

Although having a consumer focus, from the beginning New Zealand courts have made it clear that a business competitor may use the Act, as was shown in *Taylor Bros Ltd*:³³⁵

Its provisions are sufficiently broad to allow proceedings between rival traders.³³⁶ Indeed, the Australian experience has been that enforcement through proceedings by rival traders predominates. Presumably the intention underlying the New Zealand legislation is to permit likewise. In the absence of any effective consumer class action in New Zealand, or history of effective State regulation, a legislative intent that the Act be self policing is not surprising. On the recognised Australian approach, the provisions concerned are to be construed in their natural and ordinary meaning. In particular, they are

329 *World TV Ltd v Best TV Ltd* (13 July 2005) HK AK CIV-2005-404-1239 Baragwanath J.

330 *Ibid*, para 52.

331 *Ibid*, para 52.

332 *Ibid*, para 52.

333 *Taylor Bros Ltd v Taylors Group Ltd*, above n 267.

334 *Taylor Bros Ltd v Taylors Group Ltd*, above n 267, 26-27, quoting *Taco Company of Australia Ltd v Taco Bell Pty* (1982) 42 ALR 177, 197 Deane and Fitzgerald JJ refers to Pengilly (1987) NZLJ 59.

335 See *Taylor Bros Ltd v Taylors Group Ltd*, above n 267, 27. Referring to *Parkdale Custom Built Furniture v Puxu Pty Ltd* (1982) 149 CLR 191.

336 See *Taylor Bros Ltd v Taylors Group Ltd*, above n 267, 27, citing *Lubidineuse v Bevanere Pty Ltd* (1984) 55 ALR 273, 275. See also p 39.

not to be read down either by reference to other provisions of the legislation or by reference to the general law relating to intellectual property

6 *No showing of loss or damage by either competitor or consumer required*

In the view of Frankel & McLay, "[a]llowing a rival trader to sue not for loss or goodwill as under passing off, but rather for simple consumer confusion, creates a cause of action quite unlike any traditional intellectual property action."³³⁷ The Court of Appeal decision in the *Prudential Building Society* case³³⁸ indicated a further distinction between passing off and an FTA action, as Brissson J said:³³⁹

In the tort of passing off, misrepresentation ... which is calculated to injure the goodwill or business of the respondents and does so, ... is an essential element. This is not the case where an injunction is sought under ... the Fair Trading Act. ... McGechan J did not make any finding as to economic loss or probably economic loss to [Prudential Assurance]. There may well be some. We prefer to consider the case as falling more appropriately under the Fair Trading Act than under the tort of passing off.

This was echoed in the *Taylor Brothers* case, where Cooke P held that even though the Act is primarily consumer-protection legislation, a rival trader may enforce section 9. The FTA operates partly for the benefit of the ethical trader. Such a trader need not show damage to goodwill, because the Act has a wider scope than the common law of passing off.³⁴⁰

Taylor Brothers also established that the rival trader in an FTA action need not prove loss or damage to the consumer, all that was necessary was to show that the consumer was deceived, and no proof of "impact on the economic interests of consumers" was required.³⁴¹ The *Taylor Brothers* approach was echoed in *Levi Strauss*.³⁴²

7 *"International goodwill" may also be protected*

An interesting aspect of the FTA's coverage has emerged in cases such as *Patience & Nicholson*.³⁴³ For example, an internationally-known mark such as "Victoria's Secret®" with no brick-and-mortar retail presence in New Zealand, but with strong name recognition nevertheless,

337 Frankel and McLay, above n 85, 485.

338 See *Prudential Building & Investment Society of Canterbury v Prudential Assurance Co of New Zealand Ltd* [1988] 2 NZLR 653; (1988) 3 TCLR 62 (CA).

339 Ibid, 658-659.

340 *Taylor Bros Ltd v Taylors Group Ltd*, above n 267, 39.

341 Ibid, 455.

342 *Levi Strauss & Co v Kimbyr Investments Ltd*, above n 256, 382, citing *Taylor Bros Ltd v Taylors Group Ltd*, above n 267, 40-41.

343 Discussed above at Part VII A Passing Off.

might find its trade mark the subject of illicit use as a keyword during periods of time corresponding with one of its television specials. Might it seek relief under the FTA, in spite of its non-presence in New Zealand?³⁴⁴

In the end the question of the existence and extent of reputation and of goodwill must be a matter of fact.

In the case of a business having an international reputation which extends to New Zealand not much in the way of activity in New Zealand would I think be required to establish a goodwill. In such cases the reputation itself may be almost tantamount to goodwill, activity having importance in localising that reputation in New Zealand.

8 *Application of Fair Trading Act in context of keyword advertising?*

The *Seventh Day Adventist* decision, in my view, gives guidance on the possible application of the FTA to a trade mark keyword advertising scenario, especially with respect to the proposition that the use of trade marks in keyword advertising should not be prohibited, per se, but rather that such use must be viewed in the totality of the circumstances. Further, it reminds us that words simply cannot be taken out of the lexicon without an assessment of how they are being used, and the context of that use.

This point is also addressed in *Goldsbro v Walker*.³⁴⁵ That case offers further guidance relevant to the role played by a third party (such as a search engine). While *Goldsbro v Walker* dealt with an agent/solicitor in a real estate transaction, I suggest that the parallels are of guidance in the trade mark keyword advertising context:³⁴⁶

The general principles applying under the section are well settled. First, the test of whether conduct is misleading is objective and requires assessment of the circumstances in which the conduct occurred and the person or persons likely to be affected by it. In considering whether conduct is to be characterised as misleading it is necessary to apply the ordinary words of the section to the particular facts. Problems arising tend to be problems of fact and degree. Second, there is no requirement that the person engaging in the conduct must do so intending to mislead or with the purpose of persuading the person affected by the conduct. It is sufficient that there is a clear nexus between the conduct and the loss or damage suffered. In a context such as the present it is sufficient if the vendors relied on that conduct in deciding to take the property off the market. Third, the representation need not be the sole factor influencing the person affected by the conduct.

³⁴⁴ See *Patience & Nicholson*, above n 264, 505.

³⁴⁵ *Goldsbro v Walker*, above n 335.

³⁴⁶ *Ibid*, 401.

Another excerpt from *Goldsbro v Walker* which might be of help in assessing the potential for applicability of the FTA to the use of trade marks in keyword advertising is shown below:³⁴⁷

There is no difficulty in accepting that an innocent agent who acts merely as a conduit and purports to do no more than pass on instructions from his principal does not thereby become responsible for anything misleading in the information so passed on. ... On the other hand an agent who does not merely purport to pass on what he has been told, or who passes it on inaccurately or in some way adopts it as his own or adds to it, may himself thereby engage in misleading conduct. ...

Section 9 requires that the conduct that is misleading be that of the person charged ... It is not sufficient to attract liability that the communication simply purports to pass on information ostensibly provided by a third party. In such a case any misleading conduct is that of the third party not of the intermediary. ...

The test under s 9 is objective and on which side of the line a particular case falls turns on an assessment of what was conveyed. Was it a representation by the person charged or was it the passing on of information for what it was worth to the receiver without any inference that the person charged was vouching for it?

Thus, the question would be asked, in an action under the FTA, if the search engine's conduct would be assessed in terms of whether or not the sale of the trade mark as a keyword was akin to "the passing on of information", with no appearance of "vouching for it". In the *Taylor Brothers* decision, the view of the Court of Appeal regarding the FTA is that "[m]embers of the public have a right not to be misled about with whom they are dealing".³⁴⁸ However, within that same decision is the following:³⁴⁹

Certainly the degree of impact or likely impact on consumers is important. It goes both to whether there is a real likelihood that persons will be misled or deceived and to whether the Court in its discretion should grant an injunction (or other remedy) under the Act. The case has to be sufficiently serious to warrant a remedy.

How protective would New Zealand courts be of consumers using trade marks in the search engine context? How likely would the courts be to use the FTA to enjoin a party from using the trade mark of a competitor to trigger a link? Would a court be inclined to invoke the FTA if it felt that only a handful of consumers might be deceived? In this context, Patterson J's holding in *Neumegen* is intriguing:³⁵⁰

347 Ibid, 398 and 401-402.

348 See *Taylor Bros Ltd v Taylors Group Ltd*, above n 267, 40-41.

349 Ibid, 40-41.

350 *Neumegen v Neumegen and Co*, above n 324, 317.

However, in our view, if the number of affected members of the public is or will be very small and the impact upon those persons is or will be minimal a Court may be justified in taking the view that, looked at in the round, the conduct of the defendant is not properly to be characterised as deceptive or misleading or that, even if it has to be so characterised, what has occurred or is likely to occur is so lacking in real importance to any consumers who may be affected that the Court's discretion may fairly be exercised against the granting of a remedy. In considering these questions the Court will make a judgment about whether the conduct is of a kind which it is the object of the legislation to curb.

As such, I suggest that New Zealand Courts will consider the impact of the defendant's conduct on consumers on a case-by-case basis, with an eye towards balancing the desire to protect consumers, against, as Frankel and McLay have noted, "the reality that (the FTA) might also overprotect traders. However, as all intellectual property law is about balance, the difficulty is that the New Zealand Courts often do not undertake a balancing of interests."³⁵¹

Finally, I echo my comments, above, with respect to the possibility that a search engine would want to avail itself of the dicta in *Leafscreen NZ Ltd.*³⁵² A search engine would likely want to characterise itself as merely a publisher or conduit, and thereby escape liability.

9 *Fair Trading Act a cradle for initial interest confusion?*

Within this next subsection, I will examine the possibility that the FTA might serve as fertile soil for the trade mark doctrine of Initial Interest Confusion to take root. As was cautioned by Frankel and McLay:³⁵³

[t]he simplicity of s 9, combined with the ability of competitors to sue, has the potential to sweep away all legal doctrine before it. New Zealand judges have, as have their Australian colleagues in relation to the Australian Trade Practices Act, struggled with the relationship between this "consumer protection" and more traditional intellectual property rights. Section 9 has none of the balancing of interests that is an intrinsic part of traditional intellectual property law, and risks preventing activities that might be quite legitimate under other intellectual property doctrines in the name of consumer protection. ... From a public policy perspective, allowing trade competitors to enforce consumer protection laws is a double-edged sword. Compared to a trader's competitors, individual consumers are unlikely to have either the inclination or the resources to take actions. However, competitors will, at best, be only partially motivated by consumer's interests.

The decision in the *ASB Bank*³⁵⁴ case offers some language that brings to mind the foundations of the Initial Interest Confusion doctrine. The defendant bank used "HIT" to describe its high

³⁵¹ Frankel and McLay, above n 85, 489.

³⁵² *Leafscreen*, above n 87. See Part VI A 1 (a) Competitor Scenarios.

³⁵³ Frankel and McLay, above n 85, 483.

interest accounts in a similar manner to the plaintiff's bank accounts. The Court of Appeal rejected that consumer confusion could be fixed at the point of sale.³⁵⁵

The Court of Appeal's decision in *Neumegen*, discussed above, refers to *ASB Bank*, and in doing so is reminiscent of that troublesome US case, *Playboy v Netscape*.³⁵⁶ *Neumegen* concerned an established law firm operating under the name *Neumegen & Company*, and a newly established firm, comprising two cousins of the name *Neumegen*, wanting to call their new firm *Neumegen & Neumegen*. Much attention was paid, understandably, to the issue of client confusion, and the fact that there need not be a showing of bad faith, or an intent to deceive.³⁵⁷

But what is reminiscent of *Playboy v Netscape* is the following passage, excerpted from the Court of Appeal in *ASB Bank*,³⁵⁸ which all but appears to contemplate the existence of Initial Interest Confusion:³⁵⁹

There seems to us to be no reason why s 9 should not protect the public from being led into business premises by being misled as to the ownership of the business. Once a prospective customer has entered, he or she will often be more likely to buy.

Where such 'buying' occurs, after the consumer has been alerted, it may be thought that no harm has been done to the consumer; that there is no adverse consequence. That is a matter which may influence the Court's discretion concerning remedy in a particular case.³⁶⁰

As an aside, I offer the following commentary on the above excerpt, in Frankel and McLay's book:³⁶¹

However, if consumers suffer no loss, apart from the time delay in entering the wrong bank, is what is going on really so much the protection of the consumer, or is it instead the protection of the plaintiff's business?

Perhaps the term "web site" could be inserted where "bank" appears, above?

354 *ASB Bank Ltd v Trust Bank Auckland Ltd* (1989) 3 TCLR 77; *Trust Bank Auckland Ltd v ASB Bank Ltd* [1989] 3 NZLR 385 (CA).

355 Frankel and McLay, above n 85, 486.

356 *Playboy Enterprises, Inc v Netscape Communications Corp*, above n 223. See below Part IX D 2 Initial interest confusion, continued: evolution, focus shifting from metatags to keywords.

357 *Neumegen v Neumegen and Co*, above n 324, 320.

358 *Trust Bank Auckland Ltd v ASB Bank Ltd*, above n 354.

359 *Ibid*, 389.

360 *Neumegen v Neumegen and Co*, above n 324, 320.

361 Frankel and McLay, above n 85, 486.

The *ASB Bank* dissent, in my view, is as important as the decision. This is reminiscent of the *Playboy v Netscape* decision, where Ninth Circuit Justice Berzon offered a concurring opinion in which she strongly questioned and cautioned against the adoption of the Initial Interest Confusion doctrine.³⁶²

In his concurring opinion in *Neumegen*, Thomas J cautioned against and objected to not only the misapplication of section 9 of the Fair Trading Act in this particular case, but its potential for abuse in cases where one rival trader seeks to enjoin the conduct of a competitor, since "[t]he Act was passed in the public's interest to protect consumers."³⁶³ In that case, he questions how it came to pass that the defendants can be largely exonerated of wrongdoing, yet can somehow still run afoul of section 9. In particular, he noted that the defendant, in attempting to use his last name in identifying the law firm belonging to his cousin and himself: (1) avoided an injunction for passing off, as there were serious doubts as to sufficient damage to goodwill; (2) were exonerated of any deceitful intention; (3) were not liable under section 11 of the FTA for misleading conduct in relation to providing services; (4) were not held liable under section 13(b) of the FTA for false representation in relation to supply of services; and (5) obtained approval from the Auckland District Law Society.³⁶⁴

Thomas J goes on to criticise the vagueness of section 9 of the Fair Trading Act in terms of its scope and application by the courts.³⁶⁵

But in a literal sense the section is incomplete. It prohibits conduct which is likely to mislead or deceive but does not expressly state whom the prohibition is to benefit. The object of the Act provides the obvious answer. The Act was passed in the public interest to protect consumers. In the context of name protection cases, this object requires, not only that the relevant class or group of consumers contemplated be identified, but also that they must warrant protection. Moreover, the conduct to be prohibited must be likely to mislead or deceive in a way which is adverse or unfair to the interests of those consumers. In most cases the detriment will be self-evident, but where it is not the requirement is that it should be expressly addressed.

He then cautions against the likelihood that "rival traders" will abuse the FTA, which was "designed for consumers", and "stifle legitimate competition".³⁶⁶ His Honour continues that "[i]t

³⁶² *Playboy Enterprises Inc v Netscape Communications Corp*, above n 223, 1034-1036. (See discussion, below See below Part IX D 2 Initial interest confusion, continued: evolution, focus shifting from metatags to keywords.)

³⁶³ *Neumegen v Neumegen and Co*, above n 324, 323.

³⁶⁴ *Ibid*, 321-322.

³⁶⁵ *Ibid*, 322-323.

³⁶⁶ *Ibid*, 324.

is the interests of the consumers which are in issue and those interests should clearly be adversely or unfairly affected before the section is applied for their protection."³⁶⁷

Additionally reminiscent of the discussion of Initial Interest Confusion are Thomas J's views on "the relevant groups of consumers"³⁶⁸ who might have been fooled into thinking that one Neumegen law firm was actually the other.³⁶⁹

It is highly probable that the fact the Neumegen & Neumegen they are visiting is not the Neumegen & Neumegen of old, or Neumegen and Co, or a branch of Neumegen and Co, would emerge. The potential client would at that point have an opportunity to correct his or her mistake and take their leave. Even if he or she is not sufficiently assertive to do so, can it be said that they have been misled or deceived? Before the point is reached where they feel any need or occasion to proceed with that firm, they are aware of the original error.

In closing, and in noting his extreme reluctance to over-extend the scope of section 9 of the FTA, Thomas J stated:³⁷⁰

I cannot see that, even if there is a residual number of this limited subgroup who would be likely to be misled or deceived, his conduct is adverse or unfair to those consumers such as to merit the protection of the Act. Protecting consumers who are unlikely to want or ask for that protection is to risk exposing the Court to the charge of judicial paternalism.

10 Australian government's Trade Practices Act litigation against Google

As was discussed above, section 9 of the FTA is based upon, and virtually identical to, section 52 of Australia's Trade Practices Act (TPA). Until this point in the paper, I have only been able to speculate with respect to New Zealand and its trans-Tasman neighbour Australia. In each instance, I've not had any local case law, and could only analogise, or look to the United Kingdom for the few metatag cases there. But, in July 2007, that changed, when the Australian Competition and Consumer Commission (ACCC) filed an action against Google (and several other parties) alleging violation of the TPA. In short, the ACCC alleged that the use of the names of two car dealerships as triggering keywords, and their use as the headings of the Sponsored Links, breached the TPA.³⁷¹

367 Ibid, 324.

368 Ibid, 325.

369 Ibid, 327-328.

370 Ibid, 329. For further discussion of the question of "how many consumers merit protection of the Act", please see the discussion below at Part VII B 5 (c) New Zealand and Australia: different approaches to virtually identical statute?

371 ACCC v *Google*, above n 7, 9-16; Statement of Claim.

The ACCC is Australia's "consumer watchdog" agency. According to its web site, it is an independent statutory authority, formed in 1995 to administer the Trade Practices Act and other Acts.³⁷² It promotes competition and fair trade in the market place to benefit consumers, business and the community, by enforcing consumer protection laws.

ACCC alleged that both the party purchasing and using the trade mark keywords (Trading Post) and the search engine (Google) violated the TPA.³⁷³ Trading Post is an Australian corporation that publishes "online classified advertisements accessible to the general public on the internet for the sale and provision of a range of goods."³⁷⁴ Google's Australian subsidiary, Google Australia, assists and advises "Advertisers in Australia as to the content of advertisements those Advertisers would place on Search Engine websites operated by Google Inc or its related companies, and in the placement of their advertisements on the Google sites."³⁷⁵ During 2005 and 2006, Trading Post and Google (via one or more of the Google defendants) entered into advertising agreements by which Trading Post would advertise on Google sites, including the use of keywords. Among those keywords were the names of car dealerships in New South Wales, Australia, namely, "Kloster Ford" and "Charlestown Toyota."³⁷⁶ No business relationship or connection exists between Trading Post and the two car dealerships, Kloster Ford or Charlestown Toyota. Neither dealership ever advertised or sold products on the Trading Post website.³⁷⁷

In August 2005, a Google search for the term "Kloster Ford" would yield a page of search results, at the top of which would appear a sponsored link for the Trading Post site. The sponsored link sat atop the organic results, rather than off to the right hand side. The sponsored link had the term "Kloster Ford" as the heading, and the entirety of the sponsored link appeared as follows: "**Kloster Ford** www.tradingpost.com.au New/Used Fords – Search 90,000+ auto ads online. Great finds daily!"³⁷⁸ This was the same with the search for "Charlestown Toyota", which gave the sponsored link: "**Charlestown Toyota** www.tradingpost.com.au New/Used Toyota Cars - Search 90,000+ auto ads online. Great finds daily!"³⁷⁹

372 Australian Competition and Consumer Commission www.accc.gov.au/content/index.phtml/itemId/54137/fromItemId/3744 (accessed 17 November 2007).

373 *ACCC v Google*, above n 7, 15-17; Statement of Claim filed 11 July, 15-16, and Statement of Claim filed 10 September. Under TPA (Cth), ss 52 and 53(d).

374 *Ibid*, 4; Amended Statement of Claim filed 11 July.

375 *Ibid*, 6.

376 *Ibid*, 9.

377 *Ibid*, 9-10.

378 *Ibid*, 10 and Schedule B.

379 *Ibid*, 12 and Schedule C.

The ACCC contended that the placement and the nature of these two sponsored link, meant that the defendants (Google and Trading Post) were making the following representations:

1. That by clicking on either the Kloster Ford or Charlestown Toyota links (both of which were Trading Post ads), the user would be taken to a website associated with either of the two car dealerships;³⁸⁰
2. That there was therefore an association or affiliation between Trading Post and the respective dealership;³⁸¹
3. That the dealership sponsored, approved of, and/or paid for the Sponsored Link;³⁸²
4. That information concerning the respective dealership or car sales there from would be found at the Trading Post site;³⁸³
5. That the Trading Post ad was not a Sponsored Link (by virtue of its placement atop the search results), and indeed was "the most relevant" of the search results;³⁸⁴

With respect to the Google defendants, ACCC asserted that these representations were:³⁸⁵

misleading or deceptive or likely to mislead or deceive, in that, by reason of the AdWords Programme, Search Results are, or may be, accorded priority in the listing on the left hand side of the Results Page by reason of payments made by Advertisers, rather than by reason of their relative relevance to the Query as determined by the Google Search Tool.

With respect to Trading Post, the ACCC asserted that the two sponsored links were:³⁸⁶

misleading or deceptive or likely to mislead or deceive, in that the User was directed to the Trading Post site by reason of Trading Post having selected the ... (names of the two car dealerships) as a Keyword as part of its Adwords Service Agreement rather than by reason of any relevance between the Search Term ... and Trading Post's business or the Trading Post Site as determined by the Google Search Tool.

Ultimately, ACCC's claims were upheld.³⁸⁷

380 Ibid, 11-13.

381 Ibid, 11-13.

382 Ibid, 11-13.

383 Ibid, 11-13.

384 Ibid, 11-13.

385 Ibid, 15.

386 Ibid, 15.

387 Ibid, 15-17.

(a) Discussion

It might make sense to first have a look at the Google AdWords Trademark Policy³⁸⁸ that was in place in 2005,³⁸⁹ and remains in place. The policy states that, outside the US and Canada, their "review is limited to ensuring that the advertisements at issue are not using a term corresponding to the trademarked term in the ad text or as a keyword trigger."³⁹⁰ Conduct outside of and/or not conforming with this policy should not be interpreted as "illegal" or tortious, per se. Google's policy is just that, a policy. However, it would appear to be in contravention of the Google policy for Trading Post to offer ads that contain the names "Charlestown Toyota" and "Kloster Ford" "in the ad text or as a keyword trigger."

It is clear that the ACCC took a dim view of Google's sponsored links, no matter where they are placed (either on the left or right sides of the page), and was not convinced that the "subtle shading" does any good in terms of distinguishing or differentiating bona fide search results from advertisements. Further, the use of the terms "Kloster Ford" and "Charlestown Toyota" as the headings of the two sponsored links, and the act of "highlighting" it, all add up to misleading and/or deceptive conduct on the part of Google and Trading Post.

Is it? Do they "represent that the corporation has a sponsorship, approval or affiliation it does not have"?³⁹¹ This will be a matter for Allsop J to interpret, if the case does not settle before trial. As of the time of this writing, a 23 June 2008 trial date has been set.³⁹²

As noted above, Google typically places sponsored links either atop the organic search results, or off to the side. Further, they are labelled "sponsored links", and have a shaded background, that is presumably intended to differentiate the sponsored links from the organic results. Is this enough of a differentiation? Are the shading and the designation an effective means of informing the user that the sponsored links are paid-for advertisements, and *not* present based on relevance among search results, or connection, affiliation, or relationship with the owner of the term used as a keyword? These, in my view, are matters that, if the case proceeds to trial, will be the subject of extensive survey evidence provided by each side. Google will hope to show that most, if not all, computer users understand the difference between a sponsored link and an organic search result, and that the Trade Practices Act should not be used to protect any consumers who are unaware of the difference.

388 See Trademark Complaints Procedure www.google.com/tm_complaint_adwords.html (accessed 6 October 2007).

389 Google's current policy was implemented in 2004.

390 Ibid.

391 TPA (Cth), s 53(d).

392 See cnet news Australia Court Sets June Date for Google Case www.news.com/Australian-court-sets-June-date-for-Google-case/2110-1030_3-6218963.html?tag=sas.email (accessed 20 November 2007).

These questions are open to debate, and should be supported by survey evidence from either perspective. Frankly, one either understands and accepts the concept of a sponsored link (or other designations of its ilk), or one does not. It remains to be seen to what extent Google, either by means of judicial compulsion or public policy persuasion, will take steps to even further differentiate and distinguish Sponsored Links from regular search results.

But what of the highlighted/bold font and underlined use of the names "Charlestown Toyota" and "Kloster Ford" as the headings for each sponsored link? Are these instances more compelling as evidence of misleading and/or deceptive conduct? To me, on the spectrum, they are more likely to be misleading and/or deceptive, since I cannot think of a reason for them to be there. If you are generally a supporter of keyword advertising, or at least if you understand and accept the concept of sponsored links, and you are accepting of the use of sponsored links to help consumers minimise search costs, locate other commercial offerings, etc, then you might be willing to accept the adverse implications of sponsored links as "the nature of the beast", and tolerate them. But on what basis would one accept the use of the names "Charlestown Toyota" and "Kloster Ford" as the headings for each sponsored link? What purpose did their use as the headings of those links serve? What good did it do the consumer? Is it in any way justifiable, or supported by some sort of rational or logical basis? Whether or not you are a fan of sponsored links, I question whether the use of another entity's name in this manner is supportable.

Suppose, however, that the sponsored link had instead looked something like this: Trading Post www.tradingpost.com.au New/Used Toyota Cars – Search 90,000+ auto ads online. Great finds daily! We offer better deals than Charlestown Toyota!

What then? Would these be considered as misleading or deceptive? Although the Google AdWord Policy would frown on the use of a competitor's trade mark either "in the ad text or as a keyword trigger", at least such use is defensible under the trade mark law concept of comparative advertising, and it can be argued that its use is therefore not deceptive or misleading.

Will the ACCC succeed in forcing some degree of reform or improvement on Google's AdWords Policy, or the degree to which it is enforced? It remains to be seen.

(b) New Zealand and Australia: different approaches to virtually identical statute?

Section 9 of the FTA and section 52 of the TPA are virtually identical, stating that a party ("person" in New Zealand, "corporation" in Australia) may not "engage in conduct that is misleading or deceptive or is likely to mislead or deceive."³⁹³ As the TPA predated the FTA by 12 years, New Zealand courts have looked to Australian decisions under the TPA for guidance when

393 Fair Trading Act of 1986, s 9; Trade Practices Act 1974 (Cth), s 52.

deciding FTA actions.³⁹⁴ But certain decisions have indicated that New Zealand courts are reluctant to interpret these statutes identically.

The New Zealand Court of Appeal has held that the principles set out in the Australian case *Chase Manhattan*³⁹⁵ case are of assistance in construing the FTA.³⁹⁶ However, there are some differences in emphasis between the New Zealand and Australian courts with respect to the sufficiency of confusion or uncertainty. Where the Australian courts have tended to say that mere evidence of confusion is not enough, Cooke P stated that, some times, it is not difficult to take that step between confusion and concluding that something is misleading or deceptive.³⁹⁷ This approach was confirmed in *Trust Bank Auckland Ltd v ASB Bank Ltd*.³⁹⁸ The Courts have emphasised the importance of the Act in protecting the consumer.

In *Allied Liquor Merchants Ltd v Independent Liquor*, Gault J stated:³⁹⁹

[I]t is no answer to assert ... that misunderstandings occurring on introduction of a product will disappear as the product becomes known. No one is entitled to practice deception until the public get used to it. It is perhaps part of the same point that it is not relevant that the public are not particularly concerned about the misunderstanding, being more concerned with price. That rather misses the point that the public is entitled to be accurately informed. Further, that some people may not be misled is no answer if there is a real likelihood that a substantial number of others will be.

11 Concluding thoughts on the Fair Trading Act 1986

Just how far should New Zealand courts go to protect consumers, and how many consumers merit protection of the FTA? Similarly, how much protection and exclusivity should be afforded to trade marks, should their owners enjoy a monopoly over their use as keywords? Should the FTA be interpreted to protect *all* consumers, including "the very unreasonable, reasonable consumer", as is characterised by Frankel and McLay?⁴⁰⁰ Does it extend to "a significant proportion", as was case in

394 See cases such as *Taylor Bros Ltd*, above n 267, which relied on *Chase Manhattan*, above n 336; *Levi Strauss v Kimbyr*, above n 256, which relied on the *Taco Company of Australia* case, above n 348; and many others.

395 *Chase Manhattan Overseas Corporation v Chase Corporation Ltd* (1985) 6 IPR 59, 68-69 wherein Wilcox J set out the relevant principles (under s 52 of the Trade Practices Act 1974) of determining of the question of whether something is actually or potentially misleading or deceptive.

396 *Taylor Bros Ltd v Taylors Group Ltd*, above n 267, 39 Cooke P.

397 *Ibid.*

398 *Trust Bank Auckland Ltd v ASB Bank Ltd*, above n 353, 389.

399 *Allied Liquor Merchants Ltd v Independent Liquor*, above n 327, 336 Gault J; *Levi Strauss v Kimbyr*, above n 263, 381-382.

400 Frankel and McLay, above n 85, 492.

Bonz Group?⁴⁰¹ Should it protect "the astute and the gullible, the intelligent and the not so intelligent, the well educated as well as the poorly educated, men and women of various ages pursuing a variety of vocations"?⁴⁰²

As discussed above, the extent to which New Zealand courts will interpret and enforce the Fair Trading Act to protect consumers will no doubt continue to evolve. Similarly, how New Zealand courts would interpret the FTA in a keyword advertising case is also subject to question. In my view, a large part of the analysis, as is the case in any FTA action, is the extent to which the Court will want to protect consumers. The ACCC interestingly stated:⁴⁰³

It is not to the point that users may, over time, learn to discern advertisements from search results, to disregard the title of an advertisement and to have sole regard to web-site addresses. Indeed the difference between those who are misled and those who are not may simply be the number of times such users have clicked on an unhelpful result unrelated to their query.

Will New Zealand Courts "over-protect" consumers, and "over-enforce" the FTA? It is my impression, from decisions such as those discussed above, that there is an appreciation for the risk in over-application of the FTA, and a reluctance to do so. However, this remains to be seen, should a keyword case ever be brought in New Zealand.⁴⁰⁴

VIII GOVERNMENT INTERVENTION IN KEYWORD ADVERTISING – POLICY SHAPING ROLE

A Other Governmental Responses to Concerns Over Possible Search Engine Deception

While the ACCC's lawsuit against Google is certainly the most aggressive action ever taken by a government agency or regulatory body, it is not the first. The US Federal Trade Commission (FTC) and the UK's Advertising Standards Authority (ASA) have also taken action to address concerns over the possible deceptiveness or misleading nature of pay-for-placement search engine advertising.

1 United States – Federal Trade Commission

In the US, the Federal Trade Commission is agency primarily responsible for ensuring that trade and advertising practises are fair and not deceptive or misleading. Within the FTC, that

401 *Bonz Group (Pty) Ltd v Cooke*, above n 323, 230.

402 *Taco Company of Australia Inc v Taco Bell Pty Ltd*, above n 333, 202.

403 *ACCC v Google*, above n 7, para 9; Summary Outline of Case Against Second Respondent, filed 24 September 2007.

404 *DB Breweries*, above n 201. See also the *DB Breweries* case, discussed above in the section dealing with Trade Mark Infringement, since the decision of the High Court Auckland also discusses both a cause of action in passing off as well as the Fair Trading Act.

responsibility falls to the Bureau of Consumer Protection.⁴⁰⁵ Just as the ACCC is charged with responsibility for enforcing the TPA, so to is the FTC given authority over a consumer-protection statute, namely, the Federal Trade Commission Act.⁴⁰⁶

(a) FTC actions in online advertising

On 16 July 2001, a consumer organisation Commercial Alert wrote a formal complaint to the FTC, against AltaVista Co., AOL Time Warner Inc, Direct Hit Technologies, iWon Inc, LookSmart Ltd, Microsoft Corp. and Terra Lycos SA, and requested an investigation into whether the companies were violating federal prohibitions against deceptive acts or practices by inserting advertisements in search engine results without clear and conspicuous disclosure that the ads were ads.⁴⁰⁷

In particular, Commercial Alert was complaining about search engines that blended paid ads in with the presumably organic results, rather than setting them aside as sponsored links or the like:⁴⁰⁸ Commercial Alert alleged that the blending of paid ads within search results violated the Federal Trade Commission Act, and was a risk to Internet users of all ages.⁴⁰⁹

What is of particular interest, at least with respect to the ACCC litigation, is the following statement, which appears to praise Google's "sponsored Links", or, at least considers the Google method to be the lesser of two evils: "[n]ot all search engine companies have adopted deceptive advertising practices. For example, Google clearly notes that its paid placements are "sponsored links", and it will not put paid ads within its search results."⁴¹⁰ Indeed, Commercial Alert did not

405 A Guide to the Federal Trade Commission www.ftc.gov/bcp/edu/pubs/consumer/general/gen03.shtm#intro (accessed 20 November 2007).

406 Federal Trade Commission Act, s 5, cite as 15 USC § 45. Unfair methods of competition unlawful; prevention by Commission "(a) Declaration of unlawfulness; power to prohibit unfair practices; inapplicability to foreign trade (1) Unfair methods of competition in or affecting commerce, and unfair or deceptive acts or practices in or affecting commerce, are hereby declared unlawful."

According to its website, www.ftc.gov/os/closings/staff/commercialalertletter.shtm (accessed 20 November 2007), "[t]he Commission will find deception if there is a representation, omission, or practice that is likely to mislead the consumer acting reasonably in the circumstances, to the consumer's detriment." See FTC Policy Statement on Deception, appended to *Cliffdale Associates Inc* (1984) 103 FTC 110, 174.

407 See Commercial Alert Latest News www.commercialalert.org/news/news-releases/2001/07/commercial-alert-files-complaint-against-search-engines-for-deceptive-ads (accessed 20 November 2007).

408 Ibid.

409 Ibid.

410 Ibid.

appear to have any concerns that Google's sponsored links were "insufficient" as a means to "distinguish search results from advertisements", as the ACCC has maintained.⁴¹¹

Commercial Alert asked that the FTC "fully investigate this matter and exercise any and all of its powers to enjoin the companies listed in this complaint from disseminating deceptive advertising, and to require them to disclose, in a clear and conspicuous manner, that ads placed in search engine results are, in fact, ads."⁴¹²

The FTC replied on 27 June 2002, in a letter back to Commercial Alert.⁴¹³ Although it noted that the FTC would likely not take formal action against the search engine companies, that "determination should not, however, be construed as a determination by either the Bureau of Consumer Protection or the Commission as to whether or not the practices described in [the] complaint violate[d] the FTC Act or any other statute enforced by the Commission."⁴¹⁴ The Commission then sent letters to each of the search engine companies, outlining the need for "clear and conspicuous disclosures of paid placement", as the existing disclosures may not have been sufficiently clear.⁴¹⁵ They continued that "depending on the nature of the paid inclusion program, there should be clearer disclosure of the use of paid inclusion, including more conspicuous descriptions of how any such program operates and its impact on search results."⁴¹⁶

Of particular interest, again, with respect to the ACCC litigation, is this passage concerning the desirability of distinguishing and/or setting apart paid ads from organic search results:⁴¹⁷

Paid placement listings may also be denoted by segregating them from non-paid listings. Each separate set of paid placement listings should be clearly labeled as such so they can be easily distinguished from other types. Of the 12 search sites owned or operated by the 7 named search engine companies, 11 segregate paid ranking results by placing them above the non-paid results or prominently elsewhere. *Many of these sites appear to be headed in the right direction, using terms such as "sponsored links" or "Sponsored Search Listings" to denote payment for rankings.* In some cases, these sites display more than one set of paid placement listings, and these additional listings are labeled using terms such as "Recommended Sites", "Featured Listings", "Premier Listings", "Search Partners", "Provided by the [_____] Network", or "Start Here." Other sites use much more ambiguous terms such as "Products

411 *ACCC v Google*, above n 7, Amended Statement of Claim.

412 *Ibid.*

413 See FTC website www.ftc.gov/os/closings/staff/commercialalertletter.shtm (accessed 20 November 2007).

414 *Ibid.*

415 *Ibid.* See FTC website www.ftc.gov/os/closings/staff/commercialalertattatch.shtm (accessed 20 November 2007).

416 *Ibid.*

417 *Ibid.* (emphasis added).

and Services", "News", "Resources", "Featured Listings", "Partner Search Results", or "Spotlight", or no labels at all. To avoid deception, these sites should be labeled to better convey that paid placement is being used.

Additionally, the FTC has undertaken other efforts in this area, including a page on the FTC website titled "Being Frank About Search Engine Rank",⁴¹⁸ which seeks to inform consumers about search engine practices. And, although not relevant to the issues raised in the ACCC case, ie, the use of trade marks as keywords, the FTC has paid particular attention to other practices of search engines that are of concern to the FTC, namely "behavioural advertising". On 1-2 November 2007, the FTC hosted a "town hall meeting" to address consumer protection issues generally.⁴¹⁹ As such, it would seem that the FTC's scrutiny is not as fixed on keyword advertising as is the case with the ACCC.

2 *United Kingdom – Advertising Standards Authority*

In the UK, the Advertising Standards Authority (ASA) serves as the entity charged with oversight over advertising practices. According to its website:⁴²⁰

The Advertising Standards Authority is the independent body set up by the advertising industry to police the rules laid down in the advertising codes. The strength of the self-regulatory system lies in both the independence of the ASA and the support and commitment of the advertising industry, through the Committee of Advertising Practice (CAP), to the standards of the codes, protecting consumers and creating a level playing field for advertisers.

(a) ASA actions in online advertising

In 2004, the ASA took action with respect of the issue of paid advertisements within search results. The ASA asked an internet service provider (ISP) to make it clearer that some of its web search results were paid advertisements, as pay-for-placement listings in search results could confuse consumers. ISP provider Wanadoo displayed a light-grey hyperlink (at the foot of each sponsored link) against a white background to explain that search results are ranked according to the

418 See FTC website www.ftc.gov/bcp/online/pubs/alerts/searchalrt.shtm (accessed 20 November 2007).

419 See FTC Behavioural Advertising www.ftc.gov/bcp/workshops/behavioral/index.shtml (accessed 20 November 2007). "On November 1 and 2, 2007, the Federal Trade Commission will host a Town Hall entitled 'Behavioral Advertising: Tracking, Targeting, and Technology'. The event will bring together consumer advocates, industry representatives, technology experts, and academics to address consumer protection issues raised by the practice of tracking consumers' activities online to target advertising - or 'behavioral advertising'. The Town Hall is a follow-on to a dialogue on behavioral advertising that emerged at a November 2006 FTC forum, 'Tech-Ade', which examined the key technological and business developments that will shape consumers' core experiences in the coming ten years. In addition, several consumer privacy advocates, as well as the State of New York, recently sent letters to the FTC asking it to examine the effects of behavioral advertising on consumer privacy."

420 See About the ASA www.asa.org.uk/asa/about/ (accessed 20 November 2007).

highest bidder instead of by relevance. They argued that this link was sufficiently clear to remove any possible misleading or deception.⁴²¹

IX UNITED STATES CASE LAW

A Overview

While this section of the paper will discuss a number of US cases, it will not by any means provide an exhaustive survey of all US cases dealing with the invisible use of trade marks, such as within metatags, keywords, "keying", and other "triggering" uses, as explained below. What I hope to accomplish is to set forth a number of salient cases, to showcase the main themes that have been the subject of intense scrutiny in these cases, and discuss the extent to which these themes have influenced the evolution of US jurisprudence.

The overall concept of invisible use of trade marks has served as a battlefield where ideologies, and doctrines of trade mark law have been debated. One of those doctrines is the concept of Initial Interest Confusion. Another area of contention is the concept of "trade mark use", and the extent to which "trade mark use" should be the "gatekeeper issue" in cases dealing with invisible use of a trade mark. A further issue is far more basic, and concerns the underlying concept of just what is a trade mark in the first place? Whom does a trade mark serve? What is its purpose and function? Is it a property right, with broad exclusivity as to use, is it designed to protect its owner, and should we view it from the owner's perspective? Or is it a means by which consumers are protected, a means by which consumers minimise their search time and costs, and should broad latitude be given to the unauthorised use by third parties (within the realm of fair use, descriptive use, comparative advertising, etc)? My examination of these theme illustrates how the concept of invisible use of trade marks, in the US experience, has served as a battleground for these issues. I lastly hope to illustrate the extent to which lessons can be learned from these battles.

B Metatags, Generally

An examination into US case law on the subject of trade mark keywords should begin with a discussion into metatags, since both share the common attribute of being invisible to the computer user and since US jurisprudence in the area of invisible use of trade marks began with the metatag cases.

A "metatag" (also "meta tag") is defined as a "tag (that is, a coding statement) in the Hypertext Markup Language (HTML) that describes some aspect of the contents of a Web page. The

⁴²¹ This story is no longer available on News.com, however the author located it at a weblog devoted to search engines, Did Google Drop the PageRank Concept? http://bazac.blogspot.com/2004_06_01_archive.html (accessed 20 November 2007).

information that you provide in a meta tag is used by search engines to index a page so that someone searching for the kind of information the page contains will be able to find it."⁴²²

If you think of an interior wall within a house, behind the wall are wires, pipes, and in homes outside New Zealand, there is even insulation. But these are "behind the scenes" and invisible to the eye. Similarly, metatags and other aspects of the HTML code, exist behind the scenes of a website. To view a website's HTML code, including the metatags, you may do so by clicking "View", and then "Source", when using the Web browser Windows Explorer.

To a greater or lesser degree, metatags were originally designed to help search engines find websites. Without going into too much detail on how search engines work(ed),⁴²³ search engines troll through millions of Internet websites and locate "hits" or "results" that correspond to the search inquiry. In theory, if I own a website offering shoes for sale, my HTML code would be full of metatags such as "shoes", "sneakers", "loafers", "boots", "cleats", "running shoes", etc. Of course, if I wanted to attract visitors to my website seeking particular brands of shoes, I could plant Adidas®, Nike®, New Balance®, Nine West® and other shoe brands into my metatags.

In reality, metatags are no longer effective in terms of attracting search engines to websites, so say the experts.⁴²⁴ In fact, according to an extensive paper written by expert Danny Sullivan of SearchEngineWatch.com, metatags have not been recognised by most search engines since 1997; further, Google's search engine technology does not rely on recognition of metatags.⁴²⁵ Nevertheless, the notion that metatags are relevant in terms of the likelihood of a search engine locating a particular site lives on, at least in the hearts and minds of many plaintiffs in trade mark infringement lawsuits. Why? Quite simply, if a trade mark owner discovers its trade mark liberally used as metatags within another party's HTML code, it is perceived as a "smoking gun", evidence that the website owner intended to rely on that trade mark to lure search engines, and thereby visitors, to its website.

With apologies to the classic film "Casablanca", the trade mark owner will likely exclaim, "I'm shocked, shocked to find my trade mark in your metatags!" Indeed, similar to Rick and Louis at the end of that film, trade mark owners and metatags have enjoyed a "beautiful friendship" over the

422 See SearchSOA.com Definitions http://searchwebservices.techtarget.com/sDefinition/0,,sid26_gci542231,00.html (accessed 10 October 2007).

423 For excellent discussions of search engines and metatags, please see Greg Lastowka "Search Engines, HTML, and Trademarks: What's the Meta for?" (2000) 86(4) Va L Rev 835; Goldman "Deregulating Relevancy in Internet Trademark Law", above n 5.

424 See Technology and Marketing Law Blog http://blog.ericgoldman.org/archives/2007/09/keyword_metatag.htm (accessed 10 October 2007); and Meta Keywords Tag 101: How To "Legally" Hide Words On Your Pages For Search Engines <http://searchengineland.com/070905-194221.php> (accessed 10 October 2007).

425 See Meta Keywords Tag 101: How To "Legally" Hide Words On Your Pages For Search Engines, *ibid.*

years, as case after case has found the court focusing on the presence, and significance, of the use of trade marks within the defendant's metatags as being among "the usual suspects" under scrutiny.⁴²⁶ Examination of this issue is seemingly *de rigeur* in Internet trade mark litigation.⁴²⁷ Indeed, Professor Eric Goldman notes that "[f]rom a legal standpoint, keyword metatags have earned mythical status, which has led some courts to deem their usage as per se infringing, or, at minimum, confirmation of a publisher's bad faith."⁴²⁸

Perhaps the use of a trade mark within a metatag is relevant after all, not necessarily from the standpoint of whether or not it *technologically* is an effective means of attracting search engines to a website, but from the standpoint of showing the intentions of the defendant in cases where evidence of "stuffing" trade mark metatags into the HTML was shown. In other words, courts will likely scrutinise the defendant's use of metatags in assessing whether he acted in good or bad faith.⁴²⁹ Just as a drug dealer can be prosecuted for possessing and selling powdered sugar that he *thinks* is cocaine or heroin, if a defendant's web site is loaded with the plaintiff's trade marks as metatags, it could be viewed as evidence of a bad faith intention to "free ride" on the plaintiff's trade marks to attract users to its site. However, as more and more courts come to understand that metatags are no longer relevant to search engines, they are likely to become less relevant in trade mark infringement cases.

C Selected Metatag Cases

The 1998 case of *Playboy Enterprises v Welles*⁴³⁰ is useful in discussing the issue of metatags. In a nutshell, a model by the name of Terri Welles appeared in *Playboy* magazine in 1981 and attained the title "Playmate of the Year". In 1997, Ms Welles established her own website, at TerriWelles.com, and within the HTML code of that site were embedded the metatags "playboy" and "playmate", both of which are trade marks of Playboy Enterprises, publisher of the magazine. Additionally, those trade marks were visibly used on the website, as well.

426 For example, see *Playboy Enterprises Inc v Calvin Designer Label* (1997) 985 F Supp 1220 (ND Cal), *Brookfield*, above n 223; *Playboy Enterprises v Welles*, above n 223.

427 In addition to the cases cited above, see *Nettis Environment Ltd v IWI Inc* (1999) 46 F Supp 722 (ND Ohio); *SNA Inc v Array* (1999) US Dist Lexis 8526 (ED Pa); *Playboy Enterprises Inc v AsiaFocus International, Inc*, Civil Action No 97-734-A, (1998) US Dist LEXIS 10359 (ED Va); *Bally Total Fitness Holding Corp v Faber* (1998) 29 F Supp 2d 1161 (CD Cal); *Niton Corp v Radiation Monitoring Devices Inc* (1998) 27 F Supp 2d 102 (D Mass); and *Patmont Motor Werks v Gateway Marine* (1997) WL 811770 and others.

428 Goldman "Deregulating Relevancy in Internet Trademark Law", above n 5, 567, citing *Horphag Research Ltd v Pelligrini* (2003) 337 F 3d 1036, 1040 (9th Cir) and *Eli Lilly & Co v Natural Answers, Inc* (2000) 233 F 3d 456, 465 (7th Cir)

429 *Ibid.*

430 *Playboy Enterprises v Welles*, above n 223.

As it was 1997, it is likely that search engines seeking the trade marked terms "Playboy" and "Playmate" might have found Ms Welles' site, based upon the inclusion of those trade marks within the metatags. Playboy Enterprises objected to both the visible and invisible uses of its trade marks and, on February 27, 1998, it filed a lawsuit against Welles in the US District Court, complaining of trade mark infringement, false designation of origin, unfair competition, trade mark dilution (all under Federal statutes), as well as two similar state claims.⁴³¹

The District Court ruled in favour of Welles, determining that both the visible and invisible uses of the Playboy trade marks were descriptive permissible under the "fair use exception" of the Federal Trademark Act.⁴³² Indeed, the Court noted that "Ms Welles has used the trademark term *Playmate of the Year* to identify and describe herself."⁴³³ Further, the Court determined that:⁴³⁴

Ms Welles earned the title of 'Playboy Playmate of the Year' in 1981 and has used that title ever since, without objection from PEI. ... it is evident that Ms. Welles has minimized her references to *Playboy* on her website and has not attempted to trick consumers into believing that they are viewing a *Playboy*-endorsed website. ... In this case, then, defendant's use of the term *Playmate of the Year 1981* is descriptive of and used fairly and in good faith only to describe [herself].

What is important about the *Welles* case is that the Court ruled in favour of Welles with respect of her use of the trade marks as metatags as well.⁴³⁵ She used the metatags in good faith to index the content of her webpage and they are not visible. Furthermore, the term "Playboy" was used only in reference to her identity and in a legitimate editorial sense.

Contrary to the outcome in the *Welles* case, was *Oppedahl & Larson v Advanced Concepts*,⁴³⁶ a 1997 case that showed a deceptive and unsupportable use of metatags. Whereas Terri Welles was seen to be acting in good faith in her "fair use" of the Playboy trade marks as metatags, in *Oppedahl* the opposite conclusion was reached. Oppedahl & Larson ("O&L") was a well known intellectual property law firm. Advanced Concepts had no connection with O&L, however, according to the

431 Ibid, 1099-1100.

432 Ibid, 1104-1105. Federal Trademark Act 15 USC §§ 1115(b)(4) and 1125(c)(4). Under s 1115(b)(4), fair use may be raised as a defense to infringement when the use of the other party's trade mark is "descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin." Pursuant to 1125(c)(4), "[t]he following shall not be actionable under this section: (A) Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark; (B) Noncommercial use of a mark; (C) All forms of reporting and news commentary."

433 Ibid, 1104.

434 Ibid, 1104.

435 Ibid, 1104.

436 *Oppedahl & Larson v Advanced Concepts* (23 July 1997) Civil Action Number 97-CV-1592 (DC Colo).

complaint, hidden from view, but within "the underlying source document for" the Advanced Concepts website, could be found the words 'Oppedahl' and 'Larson' eight times each.

In its Complaint, O&L asserted that it had "determined that the URLs on defendants' web sites are using Plaintiff's 'OPPEDAHL' and 'LARSON' marks to erroneously identify to search services that these URLs are identifying services provided by Plaintiff."⁴³⁷ O&L further asserted that the use was likely to be misleading, cause confusion and mistake, and deceive the public into falsely believing there was a connection between the web site and O&L and/or sponsored by O&L.⁴³⁸

The defendants in the *Oppedahl & Larson* case settled, agreeing to a permanent injunction.⁴³⁹

In *Playboy Enterprises Inc v Calvin Designer Label*,⁴⁴⁰ the defendant operated adult-themed websites, at the domain names "playboyxxx.com and www.playmatelive.com."⁴⁴¹ In addition to the "visible" uses of the Playboy trade marks (within the domain names and on the sites themselves), it included within each website's metatags a number of Playboy trade marks, including "Playboy" and "Playmate."⁴⁴² However, similar to *Oppedahl & Larson*, and unlike *Welles*, the defendant had no legitimate reason to use the Playboy trade marks. Indeed, defendant had no connection to Playboy and could not rely on any fair use, descriptive use, or nominative use defences, nor could it claim use of the trade marks as part of any comparative advertising scheme.

But, what is significant about *Oppedahl* and *Calvin Designer Label*, is the precedent they set. These cases established that metatags could be used as evidence in an infringement matter. Indeed, in issuing its decision, the United States District Court held that Playboy:⁴⁴³

... has demonstrated a sufficient (i) likelihood of success on the merits of its trademark infringement, unfair competition and dilution claims, (ii) irreparable harm if it is not granted a temporary restraining order pending hearing on its motion for a preliminary injunction, (iii) the balance of hardships tipping in its favor, (iv) and the absence of any public interest factors militating against the interim relief sought in its application, to merit and constitute good cause for the issuance of a Preliminary Injunction Order as more particularly described herein.

And further, that Playboy was:⁴⁴⁴

437 Ibid, Complaint No 36.

438 Ibid, paras 37-40.

439 Order, Judgment and Permanent Injunction with regard to defendants Welch and Advanced Concepts www.oppedahl.com/ac/welchord.htm (accessed 10 October 2007).

440 *Playboy Enterprises Inc v Calvin Designer Label*, above n 426.

441 Ibid.

442 Ibid.

443 Ibid.

... likely to succeed on the merits in proving inter alia trademark infringement, unfair competition, including a false designation of origin and false representation, in Defendants' use of the domain names "playboyxxx.com" and "playmatelive.com", the use of the name "Playmate Live Magazine" which include Plaintiff's PLAYMATE registered trademark, the use of "Get it all here @ Playboy" which includes Plaintiff's PLAYBOY registered trademark, and *the repeated use of the PLAYBOY trademark in machine readable code in Defendants' Internet Web pages, so that the PLAYBOY trademark is accessible to individuals or Internet search engines which attempt to access Plaintiff under Plaintiff's PLAYBOY registered trademark.*

With these three cases, there appears to be a logical and reasonable treatment of these invisible uses of trade marks by US Courts. Indeed, *Welles* stands for the notion that trade marks can in fact be used "invisibly" within the metatags (and in full, view, as well), as long as the user has a good faith, legitimate reason to use them, and uses them within the scope of fair use, descriptive or referential use, comparative advertising, etc. *Oppedahl* and *Calvin Designer Label* stand for the notion that if the defendant lacks this good faith, if it does not make a fair, descriptive, referential or other accepted use of the third-party trade mark, it will lose. Unfortunately, this era of logic and reasonableness was short-lived. As we will see, the realm of "invisible use" of trade marks would come to serve as the venue for fierce debate over trade mark doctrines and ideologies.

D Concept One: Introduction of "Initial Interest Confusion" Theory into Metatag Cases

In the 1999 case of *Brookfield Communications, Inc v West Coast Entertainment Corp*,⁴⁴⁵ dealing with invisible use of a third-party's trade mark within metatags, we begin to see the US courts applying initial interest confusion. This has become a very popular theory in US trade mark law among plaintiffs.⁴⁴⁶ In short, initial interest confusion exists where the customer is only initially *diverted* to another party's goods, then realises that the goods are not those of the trade mark owner, but decides to purchase them anyway. The *Brookfield* decision, and the expansion of the doctrine of initial interest confusion, have both been criticised.⁴⁴⁷

In *Brookfield*, the plaintiff owned a trade mark on the term "Movie Buff", which it had used since 1993 on software relating to the motion picture business, later to include "a searchable database containing entertainment-industry related information."⁴⁴⁸ The defendant, West Coast Video, a video rental store chain, had used the slogan "The Movie Buff's Movie Store" since 1986,

444 Ibid, ss 5 and 6 of the Order of Preliminary Injunction (emphasis added).

445 *Brookfield*, above n 223.

446 Ibid, 1062.

447 Goldman "Deregulating Relevancy in Internet Trademark Law", above n 5; Jennifer E Rothman "Initial Interest Confusion: Standing at the Crossroads of Trademark Law" (2005) 27 Cardozo L Rev 105.

448 *Brookfield*, above n 223, 1036.

and received a US trade mark registration on that slogan in 1991. Further, it had used the "Movie Buff" motif in slogans such as "The Movie Buff's Gift Store", "Calling All Movie Buffs!", "Good News, Movie Buffs!", and related slogans since 1986.⁴⁴⁹ So, as of 1996, there were two entities peacefully coexisting, both using the relatively weak trade mark "Movie Buff" in marginally similar areas of trade. It would seem from the record that neither party knew of the other's existence.

Trouble began in 1996 when Brookfield attempted to register the domain name MOVIEBUFF.COM. It learned that West Coast had already registered the domain name, on February 6, 1996.⁴⁵⁰ So, Brookfield registered BROOKFIELDCOMM.COM and MOVIEBUFFONLINE.COM, in May and September, 1996, respectively.⁴⁵¹ Brookfield then filed with the US Patent and Trademark Office to register the mark "MOVIE BUFF" as a US trademark and service mark, to cover Brookfield's use of the trade mark on "computer software providing data and information in the field of the motion picture and television industries."⁴⁵² The service mark registration was for "providing multiple-user access to an on-line network database offering data and information in the field of the motion picture and television industries."⁴⁵³ According to the decision, "[b]oth federal trademark registrations issued on 29 September 1998. Brookfield had previously obtained a California state trademark registration for the mark MOVIEBUFF covering 'computer software' in 1994."⁴⁵⁴

According to the decision, "[i]n October 1998, Brookfield learned that West Coast – one of the nation's largest video rental store chains with over 500 stores – intended to launch a web site at 'moviebuff.com' containing, inter alia, a searchable entertainment database similar to 'MovieBuff.'⁴⁵⁵ Brookfield soon sent West Coast a cease and desist letter, requesting that West Coast stop its planned use of the domain name MOVIEBUFF.COM, and asserting that doing so "would violate Brookfield's trademark rights." "As a 'courtesy,' Brookfield attached a copy of a complaint that it threatened to file if West Coast did not desist."⁴⁵⁶

West Coast did not heed Brookfield's request or warning, and in November of 1998, Brookfield filed a lawsuit with the US District Court for the Central District of California, alleging trade mark

449 Ibid, 1047.

450 Ibid, 1042.

451 Ibid, 1042.

452 Ibid, 1042.

453 Ibid, 1042.

454 Ibid, 1042.

455 Ibid, 1042.

456 Ibid, 1042.

infringement and unfair competition in violation of Lanham Act.⁴⁵⁷ Brookfield later filed a request for a Temporary Restraining Order, to enjoin West Coast:⁴⁵⁸

[f]rom using ... in any manner ... the mark MOVIEBUFF, or any other term or terms likely to cause confusion therewith, including moviebuff.com, as West Coast's domain name, ... as the name of West Coast's website service, in buried code or metatags on their home page or web pages, or in connection with the retrieval of data or information on other goods or services.

West Coast prevailed in the lawsuit at the District Court level, where much of the focus was directed to priority of rights in the underlying term "MOVIEBUFF" and/or MOVIE BUFF.⁴⁵⁹ In other words, the trial court ruled that based on West Coast's prior use of the longer slogans, such as "The Movie Buff's Movie Store", and "Movie Buffs, Show Your Stuff!", and the prior registration of the domain name MOVIEBUFF.COM, that it had senior rights in the mark.⁴⁶⁰ Further, the trial court "also determined that Brookfield had not established a likelihood of confusion."⁴⁶¹

At the Court of Appeal, the court looked not only at the issue of which party had superior rights in the mark "MOVIE BUFF", but also, assuming that party was Brookfield, whether West Coast's use of that mark constituted infringement. Brookfield had to show that the public was likely to be "somehow confused about the source or sponsorship of West Coast's 'moviebuff.com' web site - and somehow to associate that site with Brookfield."⁴⁶² In the course of deliberating, Judge O'Scannlain invoked the doctrine of initial interest confusion and, in doing so, attempted to explain its rationale by employing a lengthy billboard metaphor:⁴⁶³

Using another's trademark in one's metatags is much like posting a sign with another's trademark in front of one's store. Suppose West Coast's competitor (let's call it "Blockbuster") puts up a billboard on a highway reading - "West Coast Video: 2 miles ahead at Exit 7" - where West Coast is really located at Exit 8 but Blockbuster is located at Exit 7. Customers looking for West Coast's store will pull off at Exit 7 and drive around looking for it. Unable to locate West Coast, but seeing the Blockbuster store right by

457 Lanham Act, ss 32 and 43(a).

458 *Brookfield*, above n 223, 1043.

459 *Ibid*, 1043-1061.

460 *Ibid*, 1053.

461 *Ibid*, 1043.

462 *Ibid*, 1053.

463 *Ibid*, 1064. Citing *See Blockbuster* (1994) 869 F Supp 505, 513 (ED Mich), which found trademark infringement where the defendant, a video rental store, attracted customers' initial interest by using a sign confusingly to its competitor's even though confusion would end long before the point of sale or rental. Also citing *Dr. Seuss* (1997) 109 F.3d 1394 (9th Cir), 1405; *Mobil Oil Corp v Pegasus Petroleum Corp* (1987) 818 F 2d 254, 260 (2d Cir); *Green Prods* (1997) 992 F Supp 1070, 1076 (ND Iowa).

the highway entrance, they may simply rent there. Even consumers who prefer West Coast may find it not worth the trouble to continue searching for West Coast since there is a Blockbuster right there. Customers are not confused in the narrow sense: they are fully aware that they are purchasing from Blockbuster and they have no reason to believe that Blockbuster is related to, or in any way sponsored by, West Coast. Nevertheless, the fact that there is only initial consumer confusion does not alter the fact that Blockbuster would be misappropriating West Coast's acquired goodwill.⁴⁶⁴

It is my opinion that Judge O'Scannlain not only botched the "billboard metaphor", but he also erred in comparing West Coast's use of "movie buff" (as a metatag) to the two *Playboy* cases he cited. As for the billboard metaphor, I respectfully suggest that use of a metatag is not at all like a deceptive billboard, especially in the West Coast case. For one, billboards are visible, metatags are not. Second, it takes far less effort for a computer user to hit the "back button" and get back on the "information super highway", than it would for the real-life driver to get back on an actual highway and proceed to the next exit. Third, West Coast had been using the term "movie buff" for over 10 years; its use (within the longer slogans) pre-existed the use made by Brookfield and, as such, there was no bad faith or "bait and switch". Further, I suggest that comparisons to the *AsiaFocus* and *Calvin Designer* cases were erroneous. Both defendants in those cases had no legitimate claim to use the term "Playboy", and had not used it in any fashion prior to the plaintiff, as was the case with West Coast. West Coast had used the term "movie buff" to attract users to a term it believed to be its own trade mark; the defendants in *AsiaFocus* and *Calvin Designer Label* could claim no such "good faith" use, their use was purely designed to "free-ride" on the popularity and goodwill associated with the *Playboy* trade marks.

In closing, Judge O'Scannlain concluded by confirming his belief that West Coast's use of the trade "movie buff" constituted "initial interest confusion", and compared it to a domain name dispute:⁴⁶⁵

As we have seen, registration of a domain name for a Web site does not trump long-established principles of trademark law. When a firm uses a competitor's trademark in the domain name of its web site, users are likely to be confused as to its source or sponsorship. Similarly, using a competitor's trademark in the metatags of such web site is likely to cause what we have described as initial interest confusion. These forms of confusion are exactly what the trademark laws are designed to prevent.

Thus, initial interest confusion, which had been relatively dormant for about 30 years, came to be implemented in the context of the Internet, and it has cast a long shadow on not only metatag cases, but keyword cases, ever since.⁴⁶⁶

464 O'Scannlain continued with reference to the *Playboy* cases. *Brookfield*, above n 223, 1064-65. Citing *Playboy Enters v AsiaFocus Int'l Inc* (1998) US Dist LEXIS 10459, No 97-734; 1998 WL 724000, 3 and 6-7 (ED Va); and *Playboy Enters v Calvin Designer Label*, above n 425.

465 *Brookfield*, above n 223, 1066.

1 *Brief background on initial interest confusion: where did it come from?*

In an excellent paper on the concept of initial interest confusion, Rothman examined the roots of this theory, tracing it to two earlier trade mark cases, *Grotrian, Helfferich, Schulz. Th. Steinweg Nachf v Steinway & Sons*,⁴⁶⁷ and *Mobil Oil Corp v Pegasus Petroleum Corp*,⁴⁶⁸ both of which were cited by Judge O'Scannlain in the *Brookfield* decision.⁴⁶⁹ Both cases stood for the concept that "defendants have committed trademark infringement even when no one is ever likely to be confused by the use of the trademark. Instead, courts have allowed findings of trademark infringement solely on the bases that a consumer might *initially be interested*, "attracted", or "distracted" by a competitor's, or even a non-competitor's, product or service."⁴⁷⁰

The *Steinweg* case concerned the possible confusion over the names Steinweg and Steinway as names for a piano. Steinway is an established brand, and when Steinweg began to sell pianos under the name "Steinweg", litigation ensued. The plaintiff, Steinway, prevailed at both the trial court⁴⁷¹ and the appeals court⁴⁷² level. At the district court level, trade mark infringement was found on the basis that consumers were "[m]isled into an initial interest" in the Grotrian-Steinweg pianos because of "subliminal confusion" as to the possibility that the two companies might be related to one another.⁴⁷³

The Court of Appeal took a similar view and upheld the lower court's decision:⁴⁷⁴

The issue here is not the possibility that a purchaser would buy a Grotrian-Steinweg thinking it was actually a Steinway. ... The harm to Steinway, rather, is the likelihood that a consumer, hearing the "Grotrian-Steinweg" name and thinking it had some connection with "Steinway", would consider it on that basis. The "Grotrian-Steinweg" name therefore would attract potential customers based on the reputation built up by Steinway. ... The harm to Steinway in short is the likelihood that potential piano purchasers will think that there is some connection between the Grotrian-Steinweg and Steinway pianos. Such initial confusion works an injury to Steinway.

466 Rothman "Initial Interest Confusion: Standing at the Crossroads of Trademark Law", above n 446.

467 *Grotrian, Helfferich, Schulz Th Steinweg Nachf v Steinway & Sons* (1975) 523 F 2d 1331 (2d Cir).

468 *Mobil Oil Corp v Pegasus Petroleum Corp*, above n 462.

469 *Brookfield*, above n 223, 1062-1063.

470 Rothman "Initial Interest Confusion", above n 446, 108.

471 *Grotrian* (1973) 365 F Supp 707 (SD NY).

472 *Grotrian*, above n 467.

473 *Grotrian* (1973), above n 471 717.

474 *Grotrian*, above n 467, 1342.

In *Mobil Oil*,⁴⁷⁵ the plaintiff, Mobil Oil, had become known by its distinctive "winged horse of Pegasus" logo. Mobil alleged that defendant, Pegasus Petroleum, was infringing Mobil's "flying horse" trade mark by virtue of its selection of its name, since, after all, a winged horse is known in mythological circles as "Pegasus."⁴⁷⁶ The District Court, relying on the precedent set by the *Grotrian-Steinweg* decision, found that Pegasus had indeed engaged in initial interest confusion and had therefore infringed Mobil's trade mark.⁴⁷⁷ The Circuit Court reasoned that in making the decision at the District Court:⁴⁷⁸

Judge MacMahon found a likelihood of confusion not in the fact that a third party would do business with Pegasus Petroleum believing it related to Mobil, but rather in the likelihood that Pegasus Petroleum would gain crucial credibility during the initial phases of a deal. For example, an oil trader might listen to a cold phone call from Pegasus Petroleum – an admittedly oft used procedure in the oil trading business – when otherwise he might not, because of the possibility that Pegasus Petroleum is related to Mobil.

Further, the Court of Appeal expressed its agreement with the reasoning of the district court, which had held that "even though defendant's business is transacted in large quantities only with sophisticated oil traders, there is still and nevertheless a likelihood of confusion."⁴⁷⁹ The Circuit Court agreed with "the district court's concerns focused upon the probability that potential purchasers would be misled into an initial interest in Pegasus Petroleum. Such initial confusion works a sufficient trademark injury."⁴⁸⁰ In affirming the decision of the lower court, the Court of Appeal also agreed with the lower court's determination that the defendant had chosen the name with the expectation that it would therefore receive a "free ride" on the goodwill associated with the plaintiff's trade mark, and thus there was bad faith.⁴⁸¹

In her analysis of both the *Grotrian Steinweg* and *Mobil* decisions, and the birth of the doctrine of initial interest confusion, Rothman noted that the doctrine was seldom used prior to the mid-to-late 1990s and always required a likelihood of confusion.⁴⁸² *Brookfield* both resurrected and

475 *Mobil*, above n 463, 255.

476 *Ibid*, 255.

477 *Ibid*, 260.

478 *Ibid*, 259.

479 *Ibid*, 260.

480 *Ibid*, 260.

481 *Ibid*, 259.

482 Rothman, "Initial Interest Confusion", above n 461, 117-118 (emphasis added).

expanded the doctrine, removing the confusion requirement. In assessing the damage she believes to have been done by the *Brookfield* decision on US trade mark law, Rothman stated:⁴⁸³

Although there is no source confusion in the sense that consumers know they are patronizing West Coast rather than Brookfield, there is *nevertheless* initial interest confusion in the sense that, by using 'moviebuff.com' or 'MovieBuff' to *divert* people looking for 'MovieBuff' to its web site, West Coast improperly benefits from the goodwill that Brookfield developed in its mark. The court's conclusion that such diversion is improper competition and constitutes trademark infringement is wrong both as a matter of statutory construction and as a matter of policy. ... The three cases I have discussed trace the initial interest confusion doctrine's evolution from "initial *confusion*" or confusion that occurs prior to the time of sale, to "initial *interest*" involving "possible" confusion, and then to "initial interest" *absent* any likely confusion. This progression has created the troubling state of the law in which defendants can be held liable for trademark infringement absent a showing of a likelihood of confusion.

2 *Initial interest confusion, continued: evolution, focus shifting from metatags to keywords*

In the next major case in the area of invisible use of trade marks, "use" manifested not in metatags, but in keywords, and not in computer users being "diverted" to websites, but rather the use of trade marks to "key" the appearance of banner ads, pop-up ads, pop-under ads and similar new advertising devices.

In *Playboy Enterprises Inc v Netscape Communications Corp and Excite Inc*,⁴⁸⁴ Netscape provided web users its Netscape Navigator web browser, and Excite provided the search engine therein.⁴⁸⁵ The case was brought in the US District Court. Here, the defendants keyed adult entertainment banner ads to over 450 terms, including "playboy" and "playmate".⁴⁸⁶ The other terms were mostly generic terms. Playboy, referred to in the decision as "PEI", objected to its two trade marks being included within those 450 terms offered to advertisers, and filed a lawsuit, claiming trade mark infringement and trade mark dilution, and sought a preliminary injunction against defendants.⁴⁸⁷

The trial court ruled in favour of defendants Netscape and Excite, and denied Playboy's request for a preliminary injunction, ruling that defendants inclusion of the terms "playboy" and "playmate" within the 450 search terms did not constitute trade mark infringement or dilution.⁴⁸⁸ Playboy

⁴⁸³ Ibid, 121, wherein the author cites *Brookfield*, above n 223, 1062 (emphasis in original).

⁴⁸⁴ *Playboy Enterprises Inc v Netscape Communications Corp*, above n 223.

⁴⁸⁵ Ibid, 1072.

⁴⁸⁶ Ibid, 1072.

⁴⁸⁷ Ibid, 1071.

⁴⁸⁸ Ibid, 1076.

attempted to rely on *Brookfield* and argued that the inclusion of its trade marks within the search terms constituted "initial interest infringement."⁴⁸⁹ The District Court disagreed with Playboy's comparison billboard analogy in *Brookfield*.⁴⁹⁰

Here, the analogy is quite unlike that of a devious placement of a road sign bearing false information. This case presents a scenario more akin to a driver pulling off the freeway in response to a sign that reads "Fast Food Burgers" to find a well-known fast food burger restaurant, next to which stands a billboard that reads: "Better Burgers: 1 Block Further." The driver, previously enticed by the prospect of a burger from the well-known restaurant, now decides she wants to explore other burger options. Assuming that the same entity owns the land on which both the burger restaurant and the competitor's billboard stand, should that entity be liable to the burger restaurant for diverting the driver? That is the rule PEI contends the Court should adopt.

The District Court held that the defendants should not be liable, and granted summary judgment in favour of defendants.⁴⁹¹ Playboy appealed. The District Court was reversed and it was noted "that genuine issues of material fact preclude summary judgment on both the trademark infringement and dilution claims."⁴⁹²

In its decision, the Court reasoned:⁴⁹³

PEI's strongest argument for a likelihood of confusion is for a certain kind of confusion: *initial interest confusion*. ... 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.

Although the decision couches its findings within the context of Playboy's arguments with respect of initial interest confusion, it indirectly agrees with Playboy in a footnote, and viewed the defendants' use of Playboy's trade marks constituted initial interest confusion. The footnote states "[i]ndeed, we find insufficient evidence to defeat summary judgment on any other theory."⁴⁹⁴

Notwithstanding the Court's apparent decision to hinge its holding on the theory of initial interest confusion, it proceeded with a more conventional analysis as to the issue of likelihood of confusion, looking at strength of the mark, proximity of the goods, similarity of the marks, evidence of actual confusion, marketing channels used, type of goods and the degree of care likely to be

489 Ibid, 1074.

490 Ibid, 1075.

491 Ibid, 1076.

492 *Playboy Enterprises Inc v Netscape Communications Corp*, above n 223.

493 Ibid, 1025 (emphasis added).

494 Ibid, 1025.

exercised by the purchaser, defendant's intent in selecting the mark, and likelihood of expansion of the product lines.⁴⁹⁵

In concurring with the decision, Judge Berzon issued an opinion that called into question the theory of initial interest confusion, and expressing his view that it was "an insupportable rule".⁴⁹⁶ Judge Berzon disagreed with the implication from *Brookfield* that one could find initial interest confusion when a consumer was never confused as to source affiliation, for example when a banner ad is clearly labelled.⁴⁹⁷ Berzon continued that there is a difference between "hijacking" a customer by misleading them as to affiliation and merely "distracting a potential customer with another choice, when it is clear that it is a choice."⁴⁹⁸ Berzon found that "such choices do not constitute trademark infringement off the internet", so they should not on it.⁴⁹⁹

After comparing real-world situations, such as a retailer's common practice of placing a generic painkiller next to a trade marked one, or Penthouse magazine next to Playboy, Berzon continued: "Accordingly, I simply cannot understand the broad principle set forth in *Brookfield*. Even the main analogy given in *Brookfield* belies its conclusion", at which point she critiqued the flawed billboard analogy.⁵⁰⁰ Berzon concluded that "[s]hould the question arise again, in this case or some other, this court needs to consider whether we want to continue to apply an insupportable rule."

As a final comment on the 9th Circuit's holding in *Playboy v Netscape*, I will repeat one segment of the decision:⁵⁰¹ "PEI clearly holds the marks in question and defendants used the marks in commerce without PEI's permission. PEI's strongest argument for a likelihood of confusion is for a certain kind of confusion: initial interest confusion." I note that within this slender excerpt from the decision, the opinion managed to touch upon all three of the major themes I raised above, namely, (1) whether an invisible use, such as a trade mark keyword, constitutes a "use in commerce", (2) whether or not such a thing could constitute initial interest confusion, or whether that doctrine has any viability in the first place; and (3) the extent to which trade marks are rights in gross, to be used exclusively and "without permission".⁵⁰²

495 Ibid, 1026.

496 Ibid, 1036.

497 Ibid, 1034-1035.

498 Ibid, 1034-1035.

499 Ibid, 1034-1035.

500 Ibid, 1035.

501 Ibid, 1024.

502 Ibid, 1024.

Although the Court of Appeal's decision in *Playboy v Netscape*, as well as the concept of initial interest confusion, have come under attack, both appear to be good law and cast a long shadow on trade mark infringement cases, in general, and invisible use cases, in particular *Playboy v Netscape* criticism, cases following cases rejected.

E Concept Two: The Debate Over "Use in Commerce" and "Trademark Use"

As noted above, in the 9th Circuit's decision in *Playboy v Netscape*, the court rather summarily concluded that the defendants had "used the marks in commerce".⁵⁰³ Indeed, in the metatag cases, discussed above (*Welles*, *Oppedahl*, and *Calvin Designer Label*), the defendant's "use" of the plaintiff's trade marks within each respective website's metatags, was not scrutinised as to whether it was considered a "use in commerce" or a "trade mark use". Perhaps because it was in the early days of Internet trade mark jurisprudence, the issue appears to have been taken for granted, and defendants had not yet awakened to that argument as being part of their arsenal.

F The US Trademark Statute - The Lanham Act

The US trade mark statute is known as the Lanham Act. The Lanham Act generally prohibits the unauthorised use of a registered trade mark by a third party.⁵⁰⁴ Additionally, a section of the Lanham Act designed to protect unregistered trade marks, and prohibits false designation of origin and dilution of a mark.⁵⁰⁵

1 Selected US keyword cases examining use

What follows is a non-exhaustive summary of US cases dealing with metatags and/or keywords which focused on whether or not the "use" of the plaintiff's trade mark by the defendant was in fact a "trade mark use" or "use in commerce" for purposes of the Lanham Act. The purpose of this overview is not to chronicle each and every US case, but to examine some of the factors courts have used in ruling for or against a finding of "use", the ways in which courts (or the parties) distinguished prior precedents, and other factors.

- (a) Conduct of defendant(s) held to be a use in commerce and/or a trade mark use
 - (i) *GEICO v Google*

Government Employees Insurance Company ('GEICO') brought an eight-count complaint against defendants Google and Overture based on the defendants' use of GEICO trade marks in selling advertising on defendants' Internet search engines.⁵⁰⁶ The plaintiff's claims were upheld, as

503 Ibid, 1024.

504 The Lanham Act 15 USC §1114.

505 The Lanham Act 15 USC §1125.

506 *GEICO v Google Inc, et al* (2004) 330 F Supp 2d 700 (ED Va).

the Court found that they proved sufficient facts to show trade mark use. The complaint was over more than the invisible use of the marks in the internal computer coding, as the defendants had argued, but also the use of the marks to sell advertising and sponsored links, ie an unlawful use of the marks by allowing advertisers to bid on them and pay to be linked to them.⁵⁰⁷

(ii) *American Blind and Wallpaper v Google*

This case spanned over three years, resulted in several rulings, two of which are germane to this paper,⁵⁰⁸ and ultimately settled. "In summary, the action pertains to the sale by Google ... of trademarked terms belonging to ABWF as keywords that trigger 'Sponsored Links' on Google's search results pages. ABWF alleges that Google sells these terms to ABWF's competitors."⁵⁰⁹ The defendants argued that American Blind's claims that were premised on trade mark 'use' had to be dismissed, because American Blind did not – and would not – allege that the defendants use was to identify the source of *their own* search engines or advertising products.⁵¹⁰

After a thorough discussion of conflicting decisions from other circuits,⁵¹¹ the US District Court stated that it had been guided by *Playboy v Netscape*,⁵¹² before commenting that "[n]othing in the majority's discussion of the relevant facts suggests that it questioned whether the plaintiff had shown that there was a use of its trademark in commerce."⁵¹³ The Court then considered *Brookfield*, and observed that:⁵¹⁴

507 Ibid, 702-705.

508 *American Blind & Wallpaper Factory Inc et al v Google Inc et al*, 1) Order issued 30 March 2005, Granting in Part and Denying in Part Counter-Defendant's and Third-Party Defendants' Motions to Dismiss, see (2005) US Dist LEXIS 6228; 74 USP Q 2D (BNA) 1385; and, 2) Order issued 18 April 2007, Granting in Part and Denying in Part Motion for Summary Judgment, see (2007) US Dist LEXIS 32450 (ND Ca).

509 *American Blind & Wallpaper Factory Inc et al v Google Inc et al* (2007), *ibid*.

510 *American Blind & Wallpaper Factory Inc et al v Google Inc et al* (2005), above n 508, 18 (emphasis added).

511 *Ibid*, 11-14. Namely, *Gov't Employees Ins Co v Google Inc* (2004) 330 F Supp 2d 700 (ED Va); *Merck & Co Inc v Medioplan Health Consulting Inc* (2006) 425 F Supp 2d 402 (SD NY); *1-800 Contacts v WhenU.com, Inc* (2005) 414 F 3d 400 (2d Cir); *Rescuecom Corp v Google, Inc* (2006) 456 F Supp 2d 393 (ND NY); *800-JR Cigar Inc v GoTo.com Inc* (2006) 437 F Supp 2d 273 (D NJ); *Buying for the Home LLC v Humble Abode, LLC* (2006) 459 F Supp 2d 310 (D NJ); *Int'l Profit Assocs v Paisola* (2006) 461 F Supp 2d 672 (ND Ill); *Edina Realty Inc v TheMLSOnline.com* (2006) US Dist LEXIS 13775; (2006) WL 737064 (D Minn); and *JG Wentworth SSC v Settlement Funding LLC* (2007) US Dist LEXIS 288; (2007) WL 30115 (ED Pa).

512 *American Blind & Wallpaper Factory Inc et al v Google Inc et al*, above n 508, 14.

513 *Ibid*, 18-19.

514 *Ibid*, 19-21.

[a]s it did later in *Playboy*, the Ninth Circuit focused its analysis on initial interest confusion and did not question whether the metatags were used in commerce in the sense at issue here. *Brookfield*, like *Playboy*, suggests that the Ninth Circuit would assume use in commerce here. This Court thus concludes, as did the courts in *GEICO*, *800-JR Cigar*, *Humble Abode*, *Edina Realty*, and *Wentworth*, that the sale of trademarked terms in the AdWords program is a use in commerce for the purposes of the Lanham Act. ... the lengthy discussions of likelihood of confusion in *Brookfield* and *Playboy* would have been unnecessary in the absence of actionable trademark use. Accordingly, while Google's analogies to trademark infringements outside the digital realm are attractive, the Court will deny Google's motion for summary judgment to the extent that it is brought on the basis of an asserted absence of trademark use.

(iii) *Edina Realty Inc v TheMLSOnline.com*

The plaintiff, Edina Realty, a real estate brokerage firm, owns a US trade mark on mark "Edina Realty". The defendant was also a real estate brokerage firm, and a competitor of the plaintiff.⁵¹⁵ The plaintiff argued that the defendant was riding the coattails of the plaintiff's advertising and marketing efforts. Specifically, the defendant used the mark by purchasing it as a keyword Internet search term from Google and Yahoo, using it in the text of the advertisements that appear on Google and Yahoo, and using it in hidden links and hidden text on its website.⁵¹⁶

The defendant argued that the purchase of the term was not a use in commerce, as there was no public promotion of the mark during the search transaction.⁵¹⁷ The plaintiff argued that there was a visual element, as the user types in the mark as a search term, which is on a tool bar above the results. It was held that "[w]hile not a conventional 'use in commerce,' defendant nevertheless uses the Edina Realty mark commercially" when they purchased the search term.

(iv) *800-JR Cigar v GoTo.com*

GoTo.com was a "pay-for-priority search engine", meaning that it did not differentiate sponsor results from organic results. All results were ranked according to the amount paid by the advertiser purchasing the linked ad. Plaintiff JR Cigar owned a trade mark on that term, and objected to the use of that trade mark as a keyword, prompting search results that offered advertisements from competitors of JR Cigar. The plaintiff filed suit against GoTo.com, and those competitors purchasing ads, alleging that the sale of "JR Cigar" as a keyword constituted trademark infringement, unfair competition, and false designation of origin in, involving the unauthorised use of JR marks in interstate commerce in a manner that is likely to create confusion. JR Cigar further

515 *Edina Realty Inc v TheMLSOnline.com*, above n 511, 2.

516 *Ibid*, 2-3.

517 *Ibid*, 9-10, citing *Daimlerchrysler AG v Bloom* (2003) 315 F 3d 932, 939 (8th Cir).

argued that GoTo had diluted JR Cigar's famous mark, entitling JR Cigar to permanent injunctive relief under the anti-dilution statute.⁵¹⁸

The Court ruled in favour of JR, holding that:⁵¹⁹

GoTo makes trademark use of the JR marks in three ways. First, by accepting bids from those competitors of JR desiring to pay for prominence in search results, GoTo trades on the value of the marks. Second, by ranking its paid advertisers before any "natural" listings in a search results list, GoTo has injected itself into the marketplace, acting as a conduit to steer potential customers away from JR to JR's competitors. Finally, through the Search Term Suggestion Tool, GoTo identifies those of JR's marks which are effective search terms and markets them to JR's competitors.

(v) *Buying for The Home LLC v Humble Abode*

The plaintiff asserted that (1) by causing a sponsored ad to appear next to the results on the Google search engine when a computer user enters the search phrase "total bedroom", the defendant Humble misappropriated the plaintiff's mark, TOTAL BEDROOM, in connection with the sale of goods and in that such use was likely to communicate a false designation of origin of those goods.⁵²⁰ The Court followed *Edina Reality*, and held that there was use in commerce, as:⁵²¹

First, the alleged purchase of the keyword was a commercial transaction that occurred 'in commerce,' trading on the value of Plaintiff's mark. Second, Defendants' alleged use was both 'in commerce' and 'in connection with any goods or services' in that Plaintiff's mark was allegedly used to trigger commercial advertising which included a link to Defendants' furniture retailing website. Therefore, not only was the alleged use of Plaintiff's mark tied to the promotion of Defendants' goods and retail services, but the mark was used to provide a computer user with direct access (*ie*, a link) to Defendants' website through which the user could make furniture purchases.

(vi) *JG Wentworth, SSC Limited Partnership v Settlement Funding LLC d/b/a/ Peachtree Settlement Funding*

The plaintiff's claims arose from the defendant's alleged use of plaintiff's trade marks in two ways: (1) through Google's AdWords program; and (2) in the 'meta tags' for defendant's website. The plaintiff alleged that these uses of plaintiff's name ensured that a link to defendant's website

518 *800-JR Cigar v GoTo.com*, above n 510, 280.

519 *Ibid*, 285.

520 *Buying for the Home LLC v Humble Abode LLC*, above n 511, 315-316.

521 *Ibid*.

would appear when individuals conducted internet searches for 'J.G. Wentworth' or 'JG Wentworth'.⁵²²

Trade mark use was found.⁵²³

[L]ike the Court in *Buying for the Home*, [the] defendant's use of plaintiff's marks to trigger internet advertisements for itself is the type of use consistent with the language in the Lanham Act which makes it a violation to use 'in commerce' protected marks 'in connection with the sale, offering for sale, distribution, or advertising of any goods or services,' or 'in connection with any goods or services'.

(vii) *Australian Gold et al v Hatfield et al*

Australian Gold (AG) makes tanning products, which it sells to public via authorised dealers. The defendants, who were not authorised dealers, acquired AG products and resold them, at deep discount, a practise to which AG objects. Additionally, the defendants used AG trade marks as metatags on its website to attract customers and as keywords in search engine advertising.

This case looked at initial interest confusion. It evaluated the plaintiffs' claim for initial interest confusion according to the six-prong test set out in *Sally Beauty Co v Beautyco Inc*:⁵²⁴ (1) the degree of similarity between the marks; (2) the intent of the alleged infringer in adopting the mark; (3) evidence of actual confusion; (4) similarity of products and manner of marketing; (5) the degree of care likely to be exercised by purchasers; and (6) the strength or weakness of the marks. No one factor is dispositive, and likelihood of confusion is a question of fact. The Court held that the evidence at trial pointed towards a likelihood of confusion, in this the lower court did no err.⁵²⁵

It is interesting to note that the Court summarily concluded that use of the trade mark was established.

(b) Conduct of defendant(s) that is not a use in commerce and/or a trade mark use

(i) *Merck & Co v Mediplan Health Consulting Inc*

The plaintiff alleged trade mark infringement based on the defendant's use of the trade mark ZOCOR as a keyword for sponsored links on Google and Yahoo.⁵²⁶

⁵²² *JG Wentworth SSC Limited Partnership v Settlement Funding LLC d/b/a/ Peachtree Settlement Funding*, above n 511, 4.

⁵²³ *Ibid*, 16-17.

⁵²⁴ *Sally Beauty Co v Beautyco Inc* (2002) 304 F 3d 964 (10th Cir).

⁵²⁵ *Australian Gold et al v Hatfield et al* (2006) 436 F 3d 1228, 1238-1239 (10th Cir).

⁵²⁶ *Merck & Co v Mediplan Health Consulting Inc*, above n 511, 426.

The Court decided not to follow *Edina Reality*.⁵²⁷ "Trademark use 'ordinarily' involves placing a trademark on goods or services to indicate that the goods or services emanate from or are authorized by the owner of the mark." Mere commercial use is insufficient. It was held that the search engine did not place the mark on goods, etc, nor did they use the marks to indicate sponsorship. The internal use of the word was not use of the mark in the trademarks sense (though it may have been commercial use), but was more analogous to market strategy.⁵²⁸ "Moreover, here defendants actually sell Zocor, albeit Zocor manufactured by Merck's Canadian affiliates. Hence, there was nothing improper – in a trademark sense – with their purchase of sponsored links tied to searches of the keyword 'Zocor'."⁵²⁹

(ii) *S&L Vitamins, Inc v Australian Gold, Inc*

The defendant, S&L Vitamins (S&L), was not an authorised dealer of the plaintiff's products. It acquired AG products from other dealers and resold them, at deep discount. Additionally, S&L used AG trade marks as metatags on its website to attract customers, and as keywords in search engine advertising. AG filed suit for trade mark infringement, inter alia.

In its decision, the Court stated that:⁵³⁰

This Court takes note of AG's argument [as to use], but finds it is premature. While the Second Circuit has not ruled on trademark use in metatags and the search engine context, it has expressly rejected the initial interest confusion theory prior to a determination of trademark 'use.' ... "use' must be decided as a threshold matter, because while any number of activities may be 'in commerce' or create a likelihood of confusion, no such activity is actionable under the Lanham Act absent the 'use' of a trademark.'

Finding the case analogous to *Merck v Mediplan Health Consulting*, it was held that:⁵³¹

by purchasing keywords and sponsored links and using the Marks in its metadata, S&L has not 'used' the Marks in the trademark sense and, therefore, does not provide an independent basis for a trademark infringement claim.

(iii) *U-Haul Int'l, Inc v WhenU.com, Inc*

WhenU.com distributed a software called "SaveNow", which when installed, would monitor user activity and would trigger pop-up ads to appear when certain terms were searched for or

527 Ibid, 426.

528 Ibid, 427-428.

529 Ibid, 427.

530 Referencing *1-800 Contacts*, above n 525, 412, which dismissed an argument of initial interest confusion because the plaintiff had not yet established 'use' in the trademark sense.

531 Ibid.

entered into the browser address line. For example, if a user entered into a browser the URL of the U-Haul web site, a pop-up ad would be triggered, that pop-up being keyed to the U-Haul trade mark, (which was found on the "SaveNow" directory). The pop-up was typically an ad for a competitor of Plaintiff.⁵³²

The plaintiffs were unable to show that the pop-up advertisements were used as trademarks.⁵³³ Use in commerce was also rejected:⁵³⁴

(1) "When a WhenU ad appears on a user's computer screen, it opens in a WhenU-branded window that is separate and distinct from the window in which the U-Haul website appears"; (2) "'use' is not established merely because trademarks are simultaneously visible to a consumer. Such comparative advertising does not violate trademark law, even when the advertising makes use of a competitor's trademark"; (3) "WhenU's inclusion of the U-Haul uniform resource locator ('URL') and 'U-Haul' in its directory incorporated into the SaveNow program does not constitute 'use'", as they don't sell the URL to their customers they don't display the URL or the words 'U-Haul' to the computer user when the ad pops-up, there was no evidence that WhenU used U-Haul's trademarks to identify the source of its goods or services, and When U did no place the marks in commerce. "WhenU merely uses the marks for the 'pure machine-linking function' and in no way advertises or promotes U-Haul's web address or any other U-Haul trademark."; (4) WhenU's scheme does not interfere with the use of U-Haul's web site by its customers and dealers and the SaveNow program is a user-installed program where the user has made a conscious decision to install the program.

(iv) *Wells Fargo & Co v WhenU.com Inc*

This had similar facts as the previously discussed case.⁵³⁵ In this case, no trade mark use was found, because WhenU only used the plaintiffs' marks in its directory in order to determine what advertisements to direct to consumers.⁵³⁶ It was even stated that the "juxtaposition of WhenU's advertisements with plaintiffs' websites in separate windows on a participating consumer's computer screen is a form of comparative advertising".⁵³⁷ Use in commerce was rejected, as the advertisements did not display the plaintiff's mark, but WhenU's marks. Thus, the URLs were only

⁵³² *U-Haul Int'l Inc v WhenU.com Inc* (2003) 279 F Supp 2d 723, 724-725 (ED Va).

⁵³³ *Ibid*, 726.

⁵³⁴ *Ibid*, 727-729.

⁵³⁵ *Wells Fargo & Co v WhenU.com Inc* (2003) 293 F Supp 2d 734, 738-739 (ED Mich).

⁵³⁶ *Ibid*, 759.

⁵³⁷ *Ibid*, 761.

used to identify the website itself,⁵³⁸ which does not constitute use as it does not "indicate anything about the source of the products and services it advertises."⁵³⁹

(v) *1-800 Contacts Inc v WhenU.com Inc*

This was another WhenU case,⁵⁴⁰ which also found no trade mark use.⁵⁴¹ The court held that WhenU did not trade mark in the manner ordinarily at issue in an infringement claim because it did not use the plaintiff's trade marks on any goods or services in order to pass them off as the plaintiff's. The District Court had found that the differences between the web address and the trade mark were insignificant, however the Court of Appeal disagreed, and held the defendant had transformed the trade mark into "a word combination that functions more or less like a public key to 1-800's website."⁵⁴²

The Court also stated that it was obvious, as the address was inaccessible to the Computer-user and general public, that WhenU only used the address because it was an address, not because it bore any resemblance to the trade mark. The Court also found important that the WhenU pop up could not be triggered by the input of the trade mark. WhenU does not allow customers to request or purchase specific keywords to add to the directory, distinguishing it from "keyword" advertising.

(vi) *Rescuecom Corporation v Google Inc*

Rescuecom, is a computer services franchising business, and owns the trade mark Rescuecom. Google operates, a keyword advertising programme. "Rescuecom" was one such AdWord, so when "Rescuecom" was entered as Google search term, websites owned by the plaintiff's competitors came up within Sponsored Results.⁵⁴³ It was held that:⁵⁴⁴

Even if plaintiff proved, as it alleges, that defendant is capitalizing on the good will of plaintiff's trademark by marketing it to plaintiff's competitors as a keyword in order to generate defendant's own advertising revenues, that plaintiff's competitors believed defendant is authorized to sell its trademark, or that Internet users viewing the competitors' sponsored links are confused as to whether the sponsored links belong to or emanate from plaintiff, none of these facts, alone or together, establish trademark use.

...

538 Ibid, 762.

539 Ibid, 762.

540 *1-800 Contacts Inc v WhenU.com Inc*, above n 510, 402-403.

541 Ibid, 403.

542 Ibid.

543 *Rescuecom Corp v Google Inc*, above n 510, 396-397.

544 Ibid, 400-401 and 403.

Defendant's internal use of plaintiff's trademark to trigger sponsored links is not a use of a trademark within the meaning of the Lanham Act, either, because there is no allegation that defendant places plaintiff's trademark on any goods, containers, displays, or advertisements, or that its internal use is visible to the public.

G Closing Discussion on US Cases

Much can be and has been written on the diverging views espoused by these and other US cases on the subject of invisible use of trade marks, primarily metatags and keyword advertising. I suggest, that US courts are split on two main issues. One issue is the role, if any, to be played by initial interest confusion. Is it a prong within the *Sleekcraft* test, or within the MultiFactor Likelihood of Confusion Test, as has been discussed, above? Or have well-intentioned though misguided precedents such as *Brookfield* given initial interest confusion too much weight? I note that the Ninth and Tenth Circuits have embraced it more than the others, however the Second Circuit has outright rejected it.

The second issue is the whole concept of trade mark use being a gatekeeper issue, and whether or not that issue should serve as a litmus test for deciding whether or not an infringement case should move forward, or be dismissed. Again, courts and scholars alike are split. As this paper is primarily concerned with New Zealand jurisprudence, and the jurisprudence of other legal systems within the Anglo-American tradition, I do not attempt to work out these conflicts, but offer them for what they are worth as the subject of possible consideration should a keyword advertising case be brought here.

X CONCLUSION

In his concurring opinion in *Neumegen*, discussed above, Thomas J cautioned against the careless and overextended use of the Fair Trading Act in protecting consumers when he wrote that "[p]rotecting consumers who are unlikely to want or ask for that protection is to risk exposing the Court to the charge of judicial paternalism."

In closing, we are asked a number of questions. Just how far *should* New Zealand courts go to protect consumers, and how many consumers merit protection of the Fair Trading Act? Similar, how much protection and exclusivity *should* be afforded to trade marks; should their owners enjoy a monopoly over their use as keywords? Should the FTA be interpreted to protect *all* consumers? Does it extend to "a significant proportion", as was case in the *Bonz Group* case?⁵⁴⁵ Should it protect "the astute and the gullible, the intelligent and the not so intelligent, the well educated as well as the poorly educated, men and women of various ages pursuing a variety of vocations"?⁵⁴⁶

⁵⁴⁵ *Bonz Group (Pty) Ltd v Cooke*, above n 323, 230 (HC).

⁵⁴⁶ *Taco Company of Australia Inc v Taco Bell Pty Ltd*, above n 334, 202.

Not because I am writing this paper in New Zealand, I am reminded of the Parable of the Lost Sheep, from the New Testament:⁵⁴⁷

What do you think? If a man has a hundred sheep, and one of them goes astray, does he not leave the ninety-nine and go to the mountains to seek the one that is straying? And if he should find it, assuredly, I say to you, he rejoices more over that sheep than over the ninety-nine that did not go astray. Even so it is not the will of your Father who is in heaven that one of these little ones should perish.

⁵⁴⁷ The Gospel According to Matthew 18:12-14, The New Testament, New King James Version.