

# Internet and E-Commerce Law in Canada

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## • TRADE-MARKS IN SEARCH ENGINE ADVERTISING •

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### INTRODUCTION TO KEYWORD ADVERTISING

Search engines do not only collect information about the content available on the Internet, they also capture data about the terms, ideas, and concepts for which users are searching. Recognizing that this information is incredibly valuable to companies, all of the major search engines engage in some practice of selling “keywords” to advertisers — that is, when a user inputs selected keywords into the search engine, advertisements are displayed amongst the search results. Typically, these paid advertisements appear

separate from the actual search results, though often in a prominent location. Certain practices adopted by search engines and advertisers, however, may run afoul of the rights held by trade-mark owners, and recent developments in the industry and in law may significantly alter this practice going forward.

All major search engines permit advertisers to purchase advertisements triggered by keywords consisting of their own trade-marks, or generic and descriptive terms in their industry. This allows a company (“SmallCo”), to buy prominent space on search engine result pages when users search for “SmallCo” or its goods and services. For example, if SmallCo sells printer cartridges, it might buy the keyword “printer”, “cartridge” or “ink” so that a SmallCo advertisement appears when users search for those terms. This is fairly uncontroversial, and is akin to listing oneself under the “Yellow Pages” of a phone book in a certain service area, or in the “White Pages” under one’s own name.

### GOOGLE’S ADWORDS PROGRAM — COMPETITIVE KEYWORDS

Since late 2004, Google Inc., through its search engine advertising platform known as “AdWords” has controversially allowed advertisers in the United States and Canada to purchase keywords consisting of third-party trade-marks. In our example, SmallCo, struggling to capture some market share from a dominant company (“BigCo”), could purchase the keyword “BigCo” or a keyword consisting of

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BigCo's trade-marks so that when Google users search for "BigCo" or a BigCo product by its name, an advertisement for SmallCo is displayed. The analogy in phone book terms is this: someone looking in the white pages for a business is presented with several options, including the sought-after business and, prominently, competing businesses. Google's pricing model depends upon the popularity of the search term. Google even has a service that suggests popular search words for purchase in a particular industry, some of which may be trade-marked terms. The more popular a trade-mark as a search term, the more expensive the keyword (and, presumably, the more traffic benefiting the advertiser). However, because the cost is quite low — and also because everybody else seems to be doing it — companies increasingly purchase the keywords of their competitors under the AdWords program. Unsurprisingly, most trade-mark owners take the position that this is an unauthorized use of their trade-marks.

Legally, this activity may be risky both for the search engine (in offering competitive keywords) and for the advertiser (in purchasing competitive keywords), as it potentially infringes the trademark rights of the owner. Google's position on this is simple: it just sells advertising space, the advertisers themselves are responsible for their own choices in advertisements and keywords, and the trade-mark owners and advertisers should fight it out amongst themselves. In fact, as of the time of writing, s. 8 of Google's AdWords Terms and Conditions states that the advertisers will indemnify Google for any third-party claim or liability arising out of the use of its AdWords program.

The potential liability for competitive keyword advertising has yet to be tested in Canadian courts, but an analysis can be made using the language of the *Trade-Marks Act*, R.S.C. 1985, c. T-13, which gives a trade-mark owner the following rights:

- (a) **Exclusive Use.** If the trade-mark is registered, the owner has the "exclusive right to the use throughout Canada of the trade-mark in respect of [its] wares or services" (s. 19), meaning the right to prevent others from "selling, distributing or advertising wares or services in association with a confusing trade-mark or trade-name" (s. 20). Trade-mark "use" is legislatively defined in two contexts (s. 4): for goods, it means that the trade-mark is marked on or associated with the goods in

a manner that notice of such association is given to the consumer in the course of normal trade; and for services, it means that the trade-mark is used or displayed in the performance or advertising of those services. Competitive keyword advertising could meet this definition of “use” (particularly for services).

**(b) Protection of Goodwill.** If the trade-mark is registered, the owner has the right to prevent others from using its trade-marks “in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto”(s. 22). This protection is generally viewed as giving a cause of action to owners of well-known trade-marks even where there is no likelihood of confusion. A trade-mark owner could argue that a competitive keyword advertisement diminishes the value of the goodwill in the trademark — if others are allowed to advertise using the mark, the owner would argue that the value of it has decreased. For example, if BigCo is a luxury brand and is only offered at high-end retailers, the use of the BigCo trade-marks in a non-luxury setting could diminish the value of the goodwill.

**(c) Passing Off.** Whether a trade-mark is registered or unregistered, the owner has the right to prevent others from holding out their goods or services as having some association or connection with those of another in a manner that causes or is likely to cause confusion (s. 7(b)). This is an already difficult allegation to prove even ignoring the specifics of competitive keyword advertising. Given that keyword advertisements are usually clearly indicated as paid advertising, it is unlikely that consumers would be confused unless the content of the advertisement (or the website to which it resolved) somehow created the confusion.

Though neglected in Canadian case law, there is an emerging body of law in the United States on the topic of keyword advertising. U.S. federal district courts have issued decisions of varying results on whether competitive keyword advertising consists of “use in commerce” (as required under American law to find trade-mark infringement) of a trade-mark, but a recent decision of the Federal Court of Appeals Second Circuit may have shifted the balance in favour of trademark owners. In *Rescuecom Corp. v.*

*Google Inc.*, 562 F.3d 123; 2009 U.S. App. LEXIS 7160, decided April 3, 2009, the court reversed a lower court decision and held that there was a triable issue in whether Google used Rescuecom’s trade-marks in commerce when selling “Rescuecom” keywords, and when offering a keyword suggestion tool that suggested the purchase of Rescuecom’s trade-marks to advertisers trying to target the computer repair market. The case has now been sent back to trial court for consideration, the ultimate decision of which will no doubt be watched closely by search engines, advertisers and trade-mark owners.

The inevitable wave of follow-up lawsuits have already commenced: on May 11, 2009, a class action suit was filed by FPX, LLC (doing business as Firepond) on behalf of itself and all other trade-mark holders in Texas against Google, YouTube, AOL, Turner Broadcasting System, MySpace and IAC/InterActiveCorp (owners of the “ask.com” search engine) for the use of competitive keyword advertising in Google’s AdWords program (of which all defendants are participants). Another class action suit was launched on May 15, 2009, by John Beck, a California-based real estate investment advisor, purporting to represent all trade-mark owners across the United States.

Google isn’t known to shy away, though, and it expanded the practice of permitting competitive keyword purchases to the U.K. and Ireland in 2008 (after a fairly favourable decision was rendered in the U.K.), and to 190 more countries on May 5, 2009.

#### GOOGLE’S ADWORDS PROGRAM — COMPETITIVE ADVERTISING TEXT

Despite a growing tension between trademark owners and Google, Google continues to push the boundaries of trade-mark law with its policies. On May 15, 2009, Google announced that it would be changing its strict policy against using third-party trade-marks in the text of the advertisement itself. A blog entry posted by the developers states, “Under certain criteria, you can use trademark terms in your ad text in the U.S. even if you don’t own that trademark or have explicit approval from the trademark owner to use it”. It is unknown whether this policy will expand to other jurisdictions, but, for now, Canada is excluded.

The new policy went into effect on June 15, 2009, and allows a U.S. advertiser to use third-party trade-marks in an advertisement’s text if it resells the

trade-marked goods or services, sells compatible components or replacement parts for trade-marked products, provides non-competitive information or informative details of the trade-marked goods and services, or uses the term in a descriptive or generic way (*i.e.*, outside of the realm of the trade-mark, such as using the term “Bigfoot” when referring to sasquatches, and not Bigfoot-branded goods or services).

The position, which has also been adopted by Microsoft and Yahoo! search engines, may be viewed as aggressive because U.S. courts have previously held that using another’s trade-marks in advertisements sprinkled amongst search engine results infringes trade-mark rights through something called “initial interest confusion”. Initial interest confusion occurs when the use of a trade-mark is done in a manner calculated to capture initial consumer attention, regardless of whether or not there is any confusion at the completion of the ultimate sale.

The new policy also compounds the liability Google (and the advertiser) faces under its AdWords program. Consider our example of a printer manufacturer, BigCo, which has a trade-mark for high-quality, BigCo-brand printers. SmallCo makes cartridges that are compatible with those printers. Under Google’s new AdWords policy, SmallCo could purchase the keyword “BigCo” or “BigCo cartridge” so that people searching for those terms will receive an advertisement for SmallCo. In Canada (and elsewhere in the world), Google’s policy stipulates that the advertisement cannot contain the trade-mark. So when a user searches for “BigCo cartridges”, he or she might receive an advertisement that says “SmallCo: Cartridges available for less”. But under Google’s new U.S. trade-mark policy, SmallCo could purchase an advertisement that said “SmallCo offers BigCo cartridges for less” or “Purchase BigCo Cartridges Here”. That could be viewed as creating initial interest confusion and infringing on BigCo’s trade-marks.

The initial interest confusion doctrine has not been accepted in Canadian courts, but an analysis of traditional trade-mark infringement reveals issues facing Canadian advertisers who use third-party trademarks in their online advertisements. While legal advice should always be sought when using another person’s trade-marks, the general rule is that the use should be accurate, correct and compliant with the owner’s reasonable trade-mark policies and rights. As such, advertisers must not infringe on the

owner’s exclusive use in connection with its goods and services, and be careful not to depreciate the value of the goodwill of the trade-mark in question. And, of course, the text of the advertisement (or the resultant page to which it links) should never confuse consumers about the origin of the goods and services being offered by the advertiser.

#### RISK FOR ADVERTISERS AND COMPETITORS

An advertiser’s decision to competitively use trade-marks on search engines will often involve a mix of a business and legal analysis. The advertisement “SmallCo offers BigCo cartridges for less” returned from the result of searching for “BigCo cartridge” is more risky than “SmallCo sells cartridges compatible with BigCo™-brand printers” returned from the result of searching for “printer cartridges”, but it’s fairly obvious which one is more marketing-friendly.

But if Google and other search engines face some risk when selling competitive keywords or using another person’s trade-marks in an online advertisement, it necessarily follows that advertisers themselves take on potential liability by purchasing competitive keywords or competitively using trade-marks in advertising text. Not only could a trade-mark owner pursue the advertiser for trade-mark infringement, but the advertising program’s terms and conditions typically contain indemnities through which the advertiser may have to pay for the search engine’s legal bills and damages to the extent it is dragged into the battle. Cases like *Rescuecom* (or any cases in this area in Canada) will eventually help guide search engines, advertisers and trade-mark owners in the future as they compete for online eyeballs, but for now all parties should be cautious about how they approach the hotly competitive practice of keyword advertising, particularly as the law slowly catches up.

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**• STATE-RUN ONLINE GAMING MAKING HEADWAY IN CANADA •**

Michael D. Lipton, Q.C. and Kevin J. Weber  
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The government of British Columbia has commenced the legal and technical process to enable it to enhance the online gaming services offered by the British Columbia Lottery Corporation ("BCLC"). On September 15, 2009, the B.C. Gaming Policy and Enforcement Branch enacted standards to be used for the approval of Internet Gaming Systems in the province, with the goal of blackjack, roulette and pai gow poker being offered online by the BCLC.

No firm timetable has been set for the launch of these online services, and there remain considerable obstacles, both technical and from a customer liquidity standpoint, due to the limitations placed upon the potential customer base. Acting on its own, the BCLC would likely feel constrained by the *Criminal Code*, R.S.C. 1985, c. C-46, to only offer online gaming to customers within the territorial boundaries of British Columbia.

However, in the aftermath of the British Columbia announcement, the Atlantic Lottery Corporation ("ALC") was widely believed to be planning to join with the BCLC in this project. The ALC is the only other provincial governmental entity presently offering limited online gaming in Canada. It is the entity responsible for conducting and managing gaming for the four Atlantic provinces (New Brunswick, Nova Scotia, Newfoundland & Labrador and Prince Edward Island).

This belief was very recently confirmed by a public announcement from Loto-Quebec, the governmental entity responsible for conducting and managing gaming in Quebec. Loto-Quebec does not presently offer online gaming. According to an article that appeared in the *Montreal Gazette* newspaper on November 18, 2009, Loto-Quebec has submitted a proposal to the Quebec government for an online wagering initiative in partnership with the BCLC and the ALC, with an eye to commencing offering online gaming in the summer of 2010. Initially, the online services are expected to comprise sports betting and poker. Certain amendments will need to be made to Quebec provincial gaming laws to allow this to occur, and these are expected to be enacted by that time.

The provincial governments may enter into reciprocal agreements pursuant to which the residents of each of these provinces could play on the online

gaming services offered by all participating provinces. This would assist all of the provinces in alleviating the liquidity obstacles referred to earlier, while putting pressure upon the remaining provinces (Ontario, Manitoba, Saskatchewan and Alberta) to join in offering online gaming to their residents, in conjunction with Quebec, British Columbia, Nova Scotia, New Brunswick, Newfoundland & Labrador and Prince Edward Island.

As the provincial governments become increasingly involved in online gaming, it may develop that they will seek to preserve their local markets as monopolies by increasing law enforcement efforts against online gaming that is currently being offered to Canadian residents by online gaming entities based outside Canada. This could take the form of prosecutions under the *Criminal Code*, as well as enforcement of any federal or provincial laws that may be brought to bear against offshore online gaming.

Alternatively, if all ten Canadian provinces enter into reciprocal agreements that result in their jointly conducting and managing a pan-Canadian online gaming operation, they could determine to turn their sights on international markets. They would likely seek express authority from the federal government before embarking upon this course of action. This more ambitious course of action could result in the provincial governments forgoing law enforcement actions against persons involved in offshore online gaming.

*[Editor's note: Michael D. Lipton, Q.C. has served as senior counsel on numerous gaming law matters for the past 20 years. He is a founding member and Past President of the International Masters of Gaming Law. In 2009 and 2010, he was designated by his peers as an expert in gaming law in both "Best Lawyers in Canada" and "Chambers Global".*

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## • CRTC IMPOSES SUPER-PIPEDA PRIVACY PROTECTIONS FOR PERSONAL INFORMATION COLLECTED BY ISPs •

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In Canada's landmark "net neutrality" policy released on October 21, 2009, the Canadian Radio and Telecommunications Commission ("CRTC") imposed "a higher standard than that available under the Personal Information Protection and Electronic Documents Act (PIPEDA) in order to provide a higher degree of privacy protection for customers of telecommunications services".<sup>1</sup> This article briefly reviews the privacy issues addressed in the CRTC policy. For a review of the other issues addressed in the policy, please see the following Fasken Martineau bulletin: *CRTC Issues Internet Traffic Management Policy*.

*CRTC Policy 2009-657* principally addresses the use of Internet Traffic Management Practices ("ITMPs") by Internet Service Providers ("ISPs"). The CRTC described its objective in the policy as one of balancing "the freedom of Canadians to use the Internet for various purposes with the legitimate interests of ISPs to manage the traffic thus generated on their networks, consistent with legislation, including privacy legislation".<sup>2</sup>

The CRTC policy allows ISPs to manage internet traffic, even if that management means discriminating between the types of applications being used by an internet user. For example, an ISP might decide to discriminate against (*i.e.* "throttle", or slow down) internet traffic involving the use of peer-to-peer file sharing software. The new framework requires that ISPs give preference to ITMPs based on economic measures, disclose their use to customers in advance, and ensure that they are discriminating "as little as reasonably possible".<sup>3</sup> The policy stands in contrast to rules being contemplated by the U.S. Federal Communications Commission ("FCC"), that would require that ISPs treat applications in a nondiscriminatory manner.

In CRTC Policy 2009-657, the CRTC acknowledged that certain ITMPs can have privacy implications: "certain technologies have the capacity to collect and use personal information as part of an ITMP and that information obtained in this manner can be derived from the flow of network traffic,

without the knowledge or consent of the consumer".<sup>4</sup> Privacy was among the issues raised in the roughly 15,000 submissions received by the CRTC during an extensive public consultation process that preceded the decision. The Office of the Privacy Commissioner of Canada *made a submission* that touched specifically on privacy concerns.

In response to the privacy concerns raised, the CRTC directed "all primary ISPs, as a condition of providing retail Internet services, not to use for other purposes personal information collected for the purposes of traffic management and not to disclose such information".<sup>5</sup> Under the policy, primary ISPs are also required "to include, in their service contracts or other arrangements with secondary ISPs, the requirement that the latter not use for other purposes personal information collected for the purposes of traffic management and not disclose such information".<sup>6</sup>

Since the current stated practice of ISPs is to use aggregate (*i.e.* non-personal) information for ITMP, the privacy protection in the policy may not impact ISPs' current practices. Under the policy, ISPs may continue to use aggregate information to manage traffic on their networks.

The CRTC policy may close the door, at least for the time being, on "behavioural advertising" practices that rely upon the use and disclosure of personal information collected by ISPs for ITMP purposes. Nevertheless, it is arguable that the decision may leave open the use and disclosure of personal information for "behavioural advertising" purposes where personal information is not collected solely or primarily for the purpose of traffic management.

The blanket prohibitions against certain uses and disclosures of personal information by ISPs in the CRTC policy are stronger than the privacy protections found in *PIPEDA*, S.C. 2000, c. 5. Under *PIPEDA*, such uses and disclosures would be permitted with consent, or pursuant to any number of exceptions to the consent requirement (*e.g.* court orders, disclosures that are required by law). This difference between the CRTC policy and *PIPEDA* may generate questions about whether the CRTC

policy may adversely interfere with, for example, the ability of civil litigants and law enforcement to obtain disclosure of information from ISPs in some cases (e.g. gathering evidence regarding defamation or suspected criminal activity). Such questions would likely arise, however, only if ISPs collect personal information for ITMP, as opposed to their current stated practice of relying upon aggregate information. It is also often the case that all a litigant or law enforcement requires from an ISP is the identity of the subscriber assigned a particular IP address at a particular time.

*CRTC Policy 2009-657* is significant in its recognition of privacy interests and in its super-*PIPEDA* protection of such interests. Although the policy applies to a relatively narrow category of organization, ISPs, it may have broader privacy/business-related implications as discussed in this article. The policy

raises a number of privacy issues that remain to be determined in practice.

[*Editor's note:* Alex Cameron is a member of the Privacy and Information Protection Group at Fasken Martineau DuMoulin LLP <www.fasken.com>. Mr. Cameron can be reached at <acameron@fasken.com> or at (416) 865-4505.]

<sup>1</sup> Canadian Radio and Telecommunications Commission (CRTC) *Review of the Internet Traffic Management Practices of Internet Service Providers*, Telecom Public Notice 2008-19, October 21, 2009 at para. 102.

<sup>2</sup> *Ibid.* at para. 7.

<sup>3</sup> *Ibid.* at para. 43.

<sup>4</sup> *Ibid.* at para. 100.

<sup>5</sup> *Ibid.* at para. 103.

<sup>6</sup> *Ibid.* at para. 104.

#### INVITATION TO OUR READERS

**Do you have an article that you think would be appropriate for *Internet and E-Commerce Law in Canada* and that you would like to submit?**

**AND/OR**

**Do you have any suggestions for topics you would like to see featured in future issues of *Internet and E-Commerce Law in Canada*?**

**If so, please feel free to contact Michael A. Geist**

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