

## IP monitor

### The key to keyword advertising: British Columbia Court of Appeal overturns passing-off decision

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Intellectual property

The BC Court of Appeal has unanimously reversed what was the leading Canadian trial judgment to address Internet keyword advertising, clarifying the law of trademarks on the Internet. In *Vancouver Community College v Vancouver Career College*, 2017 BCCA 41, the court confirmed that trademark confusion must be assessed when a consumer first encounters the trademark online, including in Google search results and not merely when the user reaches the target website. The court also reconciled competing decisions regarding the use of trademarks in domain names.

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#### Background

The plaintiff and appellant, Vancouver Community College, recorded “VCC” and “Vancouver Community College” as official marks in 1999 and 2005, respectively. In 2009, the defendant and respondent, Vancouver Career College, adopted VCCollege as a new trade-mark, adopted VCCollege.ca as a new domain name, and launched a new website using that domain name. The defendant also bid on keywords, including “VCC” and “Vancouver Community College,” for advertising by a search engine.

At trial, the appellant alleged passing-off by the respondent through its use of the appellant’s official mark “VCC” in its Internet advertising and domain name. The BCSC dismissed the appellant’s claim, having found that none of the three components of passing-off – goodwill, confusion, and damage – were established. On appeal, the BCCA found that there was passing-off.

#### Confusion arises on first impression—even online

Most importantly, the court found that consumer confusion must be assessed when a consumer first encounters a trademark online, whether in a domain name or advertisement. The court overturned the trial judge’s finding that the “first impression” cannot arise on a Google search until the searcher has visited the advertiser’s website. The court also disagreed with an earlier Federal Court decision that touched on this issue in the context of metatags: see *Red Label Vacations Inc. v 411 Travel Buys Limited*, 2015 FC 18 at para. 115, aff’d 2015 FCA 290.

Here, the defendant’s advertisements using the domain name VCCollege.ca, displayed by search engines alongside search results for VCC, were found to create confusion and amount to passing off.

This finding requires that advertisers will need to pay the same attention in preparing online advertisements—including sponsored links—as other advertising content, to ensure that such advertising does not create a likelihood of confusion.

### Domain names can create confusion

The Court of Appeal also reconciled two existing lines of authority regarding domain names. The court confirmed that the use of a trademark in a domain name is unlawful unless a portion of the domain allows consumers to distinguish between the owner of the trademark and the owner of the domain name, without reference to the underlying website.

By doing so, the court reconciled three earlier decisions. The first two, *BCAA v Office and Professional Employees' Int. Union*, 2001 BCSC 156, addressing “bcaaconstrike.com,” and *Insurance Corporation of British Columbia v Stainton Ventures Ltd.*, 2014 BCCA 296, addressing “icbcadvice.com,” involved passing off claims that were both dismissed. In those cases the additional domain suffix—“onstrike” and “advice” respectively—permitted consumers to distinguish those websites from the websites of the owners of the BCAA and ICBC marks. Moreover, the *CBC* decision suggested that users must visit an underlying website before confusion can arise.

The third decision, *Law Society of B.C. v Canada Domain Name Exchange Corp.*, 2005 BCCA 535, involved a finding that confusion arose from the use of “lawsocietyofbc.ca” and “lsbc.org, even though the domain names led to an adult website clearly not affiliated with the law society.

Applying this law to the respondent’s conduct, the court concluded that the addition of “ollege” in VCCollege.ca did not disclaim affiliation with the trademark holder, and was insufficient to avoid the likelihood of confusion. The court noted that as a suffix it is “equally reminiscent of the appellant as the respondent.”

### Keyword advertising

With respect to bidding on a competitor’s trademark in keyword advertising, the court has brought Canadian law closer to the current state of UK, European and US jurisprudence. The trend internationally is that bidding on a keyword “would not in and of itself be sufficient to establish infringement because ... it must also be shown that the advertisements did not enable the average consumer to ascertain whether the goods or services referred to originated from ... [the trademark owner] or from [the advertiser]”: see *Interflora v Marks and Spencer plc*, [2014] EWCA Civ. 1403 at paras. 69-70 and 192; *Google France SARL v Louis Vuitton Malletier SA* [2010] ECR I-0000; and *Network Automation, Inc. v Advanced Systems Concepts, Inc.*, 638 F.3d 1137 (9th Cir. 2011) at p. 8.

Though the BC Court of Appeal’s reasons do not address the international jurisprudence directly, the court concluded similarly that merely bidding on a keyword, by itself, is not delivery of a message, and that, “The critical factor in the confusion component is the message communicated by the defendant.”: para. 72. The court’s judgment finds that bidding on keywords, combined with a confusing advertising message, can amount to passing off. In the result, the court granted a permanent injunction restraining the defendant from use of “VCC” and “VCCollege” in respect of its Internet presence, with damages and costs to be determined by the trial court.

### Official marks

The court also reversed the trial judgment dismissing the claims relating to the defendant’s adoption and use of the plaintiff’s official marks, VCC and Vancouver Community College, as keywords. The court held that there were insufficient facts for it to make determinations of law in this respect, and remitted the issues to the trial court, leaving open the possibility that bidding on an official mark amounts to “use as a trademark or otherwise,” in violation of the official marks regime of the *Trade-marks Act*.

**Links to judgments:**

British Columbia Court of Appeal judgment: [2017 BCCA 41](#)

Supreme Court of British Columbia judgment: [2015 BCSC 1470](#)

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