

## The Intersection between Keyword Advertising and Trade Mark Rights in Malaysia

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The Internet, which began in the late 1960s as a project of the United States Department of Defence to establish a decentralised computer network to connect the military, university and the defence sectors, has today transformed into a virtual place where all kinds of human activities take place. Businessmen were quick to realise the potential significance of the Internet as a medium to facilitate the establishment of international linkages between buyers and sellers who were thousands of miles apart. With the rise of e-commerce, new marketing strategies were developed to reach out to all groups of consumers. Numerous websites were created by sellers to advertise their products and search engines were developed to enable Internet users to navigate the vast cyberspace for information they were interested in. The usefulness of search engines to advertisers and Internet users soon turned the business activity of Internet advertising into an important revenue stream for Internet search engine providers. Although initially, such advertising was mainly untargeted, the trend in recent years is to adopt an approach which is more targeted to the individual Internet user. Today, Internet search companies offer targeted advertising programmes through paid advertisements. These advertising programmes, also known as keyword advertising, provide a huge revenue for Internet search companies.<sup>2</sup>

In recent years, the practice of keyword advertising has been the subject of trademark litigation in a number of countries because the keywords sold by Internet search providers to trigger advertisements in response to specific search terms are at times identical or similar to the trade marks belonging to third parties. Legal actions involving keyword advertising often allege issues of trade mark infringement or passing off. The purpose of this paper is to examine how Malaysian courts might respond to legal issues arising from Internet keyword advertising under trade mark law. In doing so, this paper reviews some leading cases on keyword advertising in the United States and the United Kingdom which involved the intersection between keyword advertising and trade mark law<sup>3</sup> in order to glean the approach of courts in those jurisdictions to keyword advertising. The paper, then examines how the Malaysian courts might respond to the legal issues posed by the practice of Internet keyword advertising in the light of developments in the U.S. and the U.K.

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<sup>2</sup> For instance, Google's revenue for the first quarter of 2007 was US\$3.66 billion, with 99% of the revenue coming from online advertising. On this, see 'Google Dominates Q1 with \$3.66B in Revenue' at <<http://blogs.salesforce.com/adwords/2007/04/index.html>> (last visited on 12 October 2007).

<sup>3</sup> There have been court cases on keyword advertising in other countries as well, such as in France and, more recently, in Australia. On 12 July 2007, the Australian Competition and Consumer Commission instituted legal proceedings in the Australian Federal Court against the search engine provider, Google. The Commission alleged misleading and deceptive conduct in relation to sponsored links that appeared on the Google website. This action is the first keyword advertising litigation in Australia.



## Keyword Advertising - Some Background Facts

During the early years of the World Wide Web, search engines were developed to assist Internet users to locate specific websites by returning search result listings which were based on the search terms typed in by the Internet users. Search engines operate by indexing Internet content and ranking websites using varying criteria. Many search engines use automated means, which are programmes called web crawlers, web robots or web spiders to continually visit web pages in a methodical manner for inclusion in their databases. The search engine will index the downloaded pages to provide fast searches. In indexing websites, some search engines look for search words in the website's metatags that contain keyword information about the website's contents.<sup>4</sup> The consequence of this is that every time a search engine user types in a search term, the search results will display a list of sites which use that term, either in visible or metatag form. Search engines also rank websites in order to determine which websites will be returned at the top of the search results list. The order in which search results appear in the search results page is a matter for the particular search engine's secret system. Some search engines index and rank sites based on the popularity of the sites, such as the number and quality of links from other sources.

When search engine providers began conducting Internet advertising as a form of business with monetary returns, display advertisements and banner advertisements<sup>5</sup> on all kinds of trading activities appeared on the search results pages. Initially, Internet advertising was largely untargeted to any specific group of Internet users. Banner advertisements were programmed to appear on the search results pages in a random manner or on a rotation basis and the advertisements could be unrelated to the search query typed by the user.

In recent years, search engine providers have tailored such advertising to the needs or interests of groups of consumers. This is done through selling advertisements which are linked to the electronic auctioning or sale of keywords by search engine providers. The keywords allow advertisers to target individual users with certain interests by linking advertisements to keywords. The advertiser chooses certain keywords which he wishes his advertisement to be linked to when a search engine user conducts a search using any of those keywords. Sometimes the keywords are chosen with the assistance of the search engine provider. The triggered advertisements usually appear on the top or the right side of the search results pages and the keywords will appear in bold. When the search engine user clicks on the advertisement, he will be taken to the advertiser's webpage. In return for the advertising services offered by the search engine provider, the keyword purchaser, who is also the advertiser, nominates a maximum amount which he is willing to pay when a search engine user clicks on his advertisement. This amount is also one of the factors which will determine the ranking of the advertisement. The ranking is important because the higher a website is on the search results page, the more likely it is that users will actually visit those web pages. Common search engines which adopt keyword advertising include Google, Yahoo! and MSN.

<sup>4</sup> Metatags are HTML codes written by the website developer but are not visibly displayed on the website.

<sup>5</sup> Banner advertisements are advertisements, either in graphic and/or text, that are displayed on web pages. When the search engine user clicks on the advertisement, he is sent to the advertiser's home page or a target page created by the advertiser. It is often the case that banner advertisements stretch across the top portion of the search results page.



Google's pay-per-click advertising programme, AdWords, offers featured listing service, under the heading 'Sponsored Links'. Featured listings are paid listings where the advertiser has agreed to pay on a per-click basis for traffic leads to his website. For instance, a search for the keyword 'travel' using the Google search engine produces sponsored links to discounted hotels, flights, cruise and even study abroad because the advertisers have paid a fee to have their advertisements appear on the page listing the search result of 'travel'. Yahoo! Search Marketing (formerly Overture Services, Inc) offers featured listing service under the designation 'Sponsor Results'. As with Google, the featured listings sometimes appear as boxed pastel-shaded textual advertisements that are at the right side of the screen or at the top or bottom of the search results page.

As a result of litigation involving keyword advertising, search engine providers have adopted various policies to reduce possible conflicts with trademarks and to handle trademark complaints. For instance, Google AdWords has a trademark complaint procedure in place to help trade mark owners monitor the use of their trade marks by AdWords advertisers.<sup>6</sup> However, does not arbitrate trademark disputes between advertisers and trademark owners.<sup>6</sup> However, Google's policy is that it will perform a limited investigation of complaints. If the complaint is in relation to a trade marked term in a jurisdiction outside the United States or Canada, Google will review the complaint and the review is limited to ensuring that the advertisements at issue are not using a term corresponding to the trademark in the advertisement text or as a keyword trigger. If it is, Google will require the advertiser to remove the trademark from the advertisement text or keyword list and will prevent the advertiser from using the trademark in the future.<sup>7</sup>

Similarly, Yahoo! Search Marketing requires advertisers to agree that their search terms, their listing titles and descriptions, and the content of their websites do not violate the trademark rights of others. In cases in which an advertiser has bid on a term that is the trademark of another, Yahoo! Search Marketing will allow the bids only if the advertiser presents content on its website that (a) refers to the trade mark or its owner in a manner which does not create a likelihood of consumer confusion (for example, sale of a product bearing the trademark, or commentary, criticism or other permissible information about the trade mark owner or its product) or (b) uses the term in a generic or merely descriptive manner.<sup>8</sup>

## **The Two Main Issues Discussed**

This paper examines the conflict between the practice of keyword advertising and trademark rights under Malaysian law. In doing so, it examines two main issues posed by keyword advertising. *Firstly*, do advertisements which are triggered by the use of a trade mark as keyword create a likelihood of confusion in the minds of the public that the advertised goods or services originate from the trade mark owner? *Secondly*, does the sale of keywords which are trademarks belonging to third parties amount to 'use of the trademarks' by the search engine providers or the advertiser? An examination of the above issues requires a survey of

<sup>6</sup> See 'Trademark Complaint Procedure' at <[http://www.google.com/tm\\_complaint\\_adwords.html](http://www.google.com/tm_complaint_adwords.html)> (last visited on 11 October 2007).

<sup>7</sup> See 'How do I file a trademark complaint outside the U.S. and Canada?' at <<http://adwords.google.com/support/bin/answer.py?answer=50007&topic=26>> (last visited on 11 October 2007).

<sup>8</sup> See 'Trademarks: Raising concerns about domains in the domain match program' at <[http://searchmarketing.yahoo.com/en\\_HK/legal/trademarks.php](http://searchmarketing.yahoo.com/en_HK/legal/trademarks.php)> (last visited on 11 October 2007).



the approaches of the courts in other jurisdictions with regard to this aspect. As mentioned earlier, the paper will look at the developments in the US and the UK.

## Keyword advertising in the US and the UK

### I. The United States of America

Legal uncertainty exists over whether the practice of keyword advertising amounts to trade mark infringement under US trademark law. The courts dealing with keyword advertising often have to address the issues of whether there was a 'likelihood of confusion', which is the touchstone of trademark infringement under US law, and whether the use of the keyword amounts to a use of the trademark in commerce.

#### *Is There Likelihood of Confusion?*

In the United States, a number of keyword advertising cases have arisen in the courts in different circuits. Some of the leading reported cases involved actions brought by trademark owners against search engine providers for trademark infringement. There were also a few cases where the actions were brought against the keyword purchasers, who were the advertisers. Some of the arguments in the cases were based on the controversial doctrine of initial interest confusion. The doctrine of initial interest confusion was first applied to the Internet by the US Court of Appeals for the Ninth Circuit in *Brookfield Communications, Inc v West Coast Entertainment Corp.*<sup>9</sup> Initial interest confusion arises when a customer is initially confused and this confusion leads to an interest in a competitor's product.<sup>10</sup> Although the confusion is dispelled before an actual sales occurs, initial interest confusion impermissibly capitalises on the goodwill associated with a mark. This doctrine is controversial in the US and some courts have not looked at it favourably.<sup>11</sup> In *Brookfield Communications* case, the Court of Appeals for the Ninth Circuit illustrated the application of the doctrine as follows:<sup>12</sup>

Suppose West Coast's competitor (*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 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. (*italics mine*)

<sup>9</sup> 174 F 3d 1036 (9<sup>th</sup> Cir 1999).

<sup>10</sup> Ibid at 1062-1063.

<sup>11</sup> See, for instance, the judgment of Judge Berzon, who is the concurring Circuit Judge, in *Playboy Enterprises, Inc v Netscape Communications Corporation* 354 F 3d 1020 (9<sup>th</sup> Cir 2004).

<sup>12</sup> Ibid at 1025.

<sup>13</sup> Supra n8 at 1064.



The first reported keyword advertising case in the United States is *Playboy Enterprises, Inc v Netscape Communications Corporation*.<sup>13</sup> In that case, the US Court of Appeals for the Ninth Circuit had to decide whether search engine providers were liable for trademark infringement by selling to advertisers the trademarks which belonged to third parties which were not related in any way to the advertisers. The defendants, who were Netscape and Excite, had various lists of terms to which they linked advertisers' banner advertisements. Advertisers who wished to purchase keyword banner advertisements from Netscape and Excite had to choose from a list of terms. One of the lists dealt with adult-oriented entertainment. That list had a package of more than 400 terms but two of them became the subject of the litigation. They were 'playboy' and 'playmate'. The defendants required adult-oriented companies to link their advertisements to the words in the list. None of the terms could be deleted from the packaged list. When a search engine user types in 'playboy' or 'playmate' or one of the terms in the list, the advertiser's banner advertisements will appear on the search results page. The plaintiff, Playboy Enterprises, Inc, claimed that the defendants were using their 'Playboy' and 'Playmate' trademarks in a manner that infringed upon their marks. The United States District Court for the Central District of California awarded summary judgement to the defendants in the year 2000 on the basis that 'playboy' and 'playmate' were words in common use in the English language. An appeal was brought by the plaintiff to the United States Court of Appeals for the Ninth Circuit against the grant of the summary judgment in favour of the defendants.

At the appeal, the main issue for consideration was whether the defendants' action resulted in a likelihood of confusion. *A fortiori*, the court examined whether there was a triable issue in a case where a trademark was sold to third parties as a keyword by a search engine provider and the keyword, if typed in by a search engine user, would trigger banner advertisements which were in actual fact not related to the trademark owner. The plaintiff argued strongly that keyword advertising was likely to create initial interest confusion. According to the plaintiff, some consumers, initially seeking the plaintiff's sites, might initially believe that unlabelled banner advertisements were links to the plaintiff's sites or to sites affiliated with the plaintiff. The plaintiff asserted that, by keying adult-oriented advertisements to the plaintiff's trademarks, the defendants actively created initial interest confusion. Such confusion arose because banner advertisements appeared immediately after users typed in the plaintiff's trademarks. The plaintiff asserted that users were likely to be confused regarding the sponsorship of unlabelled banner advertisements. The plaintiff also argued that because of the users' confusion, they might follow the instruction, believing they would be connected to the plaintiff's website. Even if they realised immediately upon accessing the competitor's site that they had reached a site wholly unrelated to the plaintiff's, the damage would have been done at that point because the search engine user, as a potential customer, would have been introduced to the advertiser. The plaintiff claimed that the defendants, in conjunction with the advertisers, had misappropriated the goodwill of the plaintiff's marks by leading Internet users to the plaintiff's competitors' websites. The court agreed that the theory of initial interest confusion applied in the context of keyword advertising. However, one of the concurring judges, Judge Marsha S Berzon, was not receptive of the initial interest confusion theory because he thought that it might inhibit the practice of presenting choices to consumers. Judge Berzon suggested that the court should consider whether the doctrine should be allowed to continue to apply.

<sup>13</sup> Supra n10.



In determining whether the plaintiff's argument on the basis of initial interest confusion satisfied the likelihood of confusion test, the Ninth Circuit court applied the eight-factor test used in traditional US trade mark infringement actions. Those eight factors were as follows:

- i) strength of the mark,
- ii) proximity of the goods,
- iii) similarity of the marks,
- iv) evidence of actual confusion,
- v) marketing channels used,
- vi) type of goods and the degree of care likely to be exercised by the purchaser,
- vii) defendant's intent in selecting the mark, and
- viii) likelihood of expansion of the product lines.

Looking first at factor (iv), which the court considered to be the most important determining factor in the case, the court examined an expert study conducted for the plaintiff which suggested a strong likelihood of initial interest confusion among consumers. The court the results of the study as evidence of confusion.

Apart from factor (iv), the court also took into account the other factors in the test. The court emphasised that they were considering a situation in which the defendants displayed competitors' unlabelled banner advertisements, with no label or overt comparison to the plaintiff, after Internet users typed in the plaintiff's trademarks. The court said that if a banner advertisement clearly identified its source, no confusion would occur.<sup>14</sup> However, in this case, there was no label on the advertisement. That in itself would dismiss the summary judgment in favour of the defendants. However, the court proceeded to look at other factors. The court found that factor 2 favoured the plaintiff because the proximity between the plaintiff's and its competitor's goods provided the reason the defendants keyed the plaintiff's marks to the competitor's banner advertisements in the first place. Factor 3, dealing with the similarity of the marks, was not at all in issue since the marks were identical. Factor 5 also favoured the plaintiff since the marketing channels were the same, that is, the Internet. Factor 6 favoured the plaintiff as well because the consumer's care for inexpensive products was expected to be quite low which would, in turn, increase the likelihood of confusion. Also, the average searcher seeking adult-oriented materials on the Internet would be easily diverted from a specific product he is seeking if other options, particularly graphic ones, appeared more quickly. With regard to factor 7, the court accepted evidence that the defendants did not do anything to prevent click-throughs that resulted from confusion. The court thought that a way of reducing confusion was to label the banner advertisements but the defendants had failed to do so because they did not require that the advertisers identify themselves on their banner advertisements. Moreover, the defendants profited from such click-throughs. Although the defendants controlled the content of the advertisements, they did not require the advertisers to identify themselves on their banner advertisements. Moreover, they did not label the advertisements themselves. In addition, the defendants refused to remove the highly-rated terms 'playboy' and 'playmate' from their list of keywords, even when the advertisers requested that they did so. The court found that factor 8, which dealt with the likelihood of expansion of product lines, was irrelevant because the advertiser's goods and the plaintiff's were related.

<sup>14</sup> Ibid at 1024 n16.



Based on the above findings, the United States Court of Appeals for the Ninth Circuit found that genuine issues of material fact existed as to the plaintiff's trademark infringement claim and reversed the district court's earlier grant of summary judgement in favour of the defendants. The Court of Appeals then sent the case back to the district court to be tried on its merits. However, before a final resolution of the infringement issues could be reached by the district court, the parties settled the case on undisclosed terms.

Clearly, the Court of Appeals in *Playboy Enterprises* case thought that it was important to make a distinction between the situation where a banner advertisement clearly identified its source and the situation in which the defendants displayed competitors' triggered advertisements which had no label or did not identify its source. In the former situation, the court opined that there would be no confusion. In the latter situation, the court held that the sale of a keyword which was also the trademark of another entity was likely to cause confusion and was actionable as trademark infringement.

While *Playboy Enterprises* case was the first reported keyword advertising case in the US, the first US keyword advertising case that went to trial was *Government Employees Insurance Company v Google, Inc.*<sup>15</sup> It was a decision of the US District Court for the Eastern District of Virginia released in August 2005. The plaintiff was the Government Employees Insurance Company (GEICO), which was a large US insurance company. The plaintiff brought an eight-count complaint against the defendants, Google, Inc and Overture Services, Inc for, *inter alia*, trade mark infringement. The defendants sold the 'GEICO' trademark to advertisers such that when a search user typed in the keyword 'GEICO' using the defendants' search engines, the search results page would produce sponsored links from the defendants' keyword offering. The plaintiff alleged that the defendants had unlawfully used its trademark by allowing advertisers to bid on the trade mark and pay defendants to be linked to that trademark. The plaintiff therefore alleged that the defendants were liable for trade mark infringement. The defendants applied to dismiss the action arguing that there was no infringement.

The key issue before the court was whether Internet users who conducted a search on 'GEICO' were confused or misled by the advertisements that Google generated for its paid advertisers. Judge Brinkema, considered the case under two situations. The first situation was where the defendants followed their stated trade mark policy and did not permit advertisements keyed to the 'GEICO' trademark to display 'GEICO' marks in the heading or text. In that situation, the court held that the plaintiff had failed to produce sufficient evidence of consumer confusion. The second situation is where the defendants did not follow their stated trademark policy and advertisements triggered by a search using 'GEICO' trademark displayed 'GEICO' mark in the headings or text. In that situation, the defendants could not disprove confusion, as evident from the survey which the plaintiff had earlier conducted. The court was of the view that the defendants' offer of the plaintiff's trademark for use in advertising could falsely identify a business relationship or licensing agreement between the defendants and the plaintiff. When the defendants sold the rights to link advertising to the plaintiff's trademark, the defendants were using the trade mark in commerce in a way that might imply that the defendants had permission from the trade mark owner to do so. The plaintiff's claim for trade mark infringement was allowed.

<sup>15</sup> 330 F Supp 2d 700.



## Does Keyword Advertising Constitute Use of the Trademarks in Commerce?

Recent decisions involving actions against keyword purchasers, instead of search engine providers, demonstrate the difference in approach of the courts to keyword advertising. In *Edina Realty, Inc v TheMLSOnline.com*,<sup>16</sup> the plaintiff, Edina Realty, was a well-known real estate agency. The defendant, TheMLSOnline.com, was an online realty agency. The defendant purchased keywords at Google and Yahoo! comprising variations of the term 'Edina' that displayed sponsored links to the defendant's website. The plaintiff sued the defendant for *inter alia* trade mark infringement.

The court held that keyword purchases could constitute the commercial use of a trademark for the purpose of trademark infringement. The court stated that:

While not a conventional 'use in commerce', defendant nevertheless uses the Edina Realty mark commercially. Defendant purchases search terms that include the Edina Realty mark to generate its sponsored link advertisement. ... Based on the plain meaning of the Lanham Act, the purchase of search terms is a use in commerce.

The court also found that there was a likelihood of confusion. Thus, the court refused a motion by the defendant to dismiss the plaintiff's claim for trade mark infringement. In contrast, in *Merck & Co, Inc v Mediplan Health Consulting*,<sup>17</sup> which was decided ten days later on 30 March 2006, the US District Court for the Southern District of New York concluded that the sale of trademarks as keywords for sponsored links did not constitute use for the purpose of a trademark infringement action. The case involved a number of Canadian Internet pharmacies and manufacturers of a generic version of the drug Zocor. Zocor is manufactured by Merck, who is the plaintiff in the case. The defendants, who were the Internet pharmacies and manufacturers of the generic version of Zocor paid Google and Yahoo! to have advertisements displayed when a search engine user searched the keyword 'Zocor'. The plaintiff brought the action for *inter alia* trademark infringement. The defendants argued that the purchase of the keyword 'Zocor' did not constitute trademark infringement and applied to dismiss the infringement claim. The court concluded that the 'internal use of the mark. 'Zocor' as a keyword to trigger the display of sponsored links is not use of the mark in a trademark sense.<sup>18</sup> The court, therefore, dismissed the plaintiff's trade mark infringement claim.

A conclusion similar to that of the *Mediplan* case was reached in the subsequent case *Rescuecom Corp v Google, Inc*.<sup>19</sup> In that case, the plaintiff alleged that Google sold the trade mark 'Rescuecom' to the plaintiff's competitors as a keyword that triggered the competitors sponsored links to appear on the search results page when an Internet user entered 'Rescuecom' as a search term. The court held that Google's internal use of the plaintiff's trademark to trigger sponsored links was not a use of a trademark within the context of trademark infringement because there was no allegation that Google placed the plaintiff's trademark on any goods, containers, displays or advertisements or that its internal use was

<sup>16</sup> 2006 WL 737064 (D. Minn. Mar. 20, 2006).

<sup>17</sup> 425 F Supp 2d 402.

<sup>18</sup> *Ibid* at 415.

<sup>19</sup> 456 F Supp. 2d 393 (NDNY 2006).



visible to the public. The court concluded that such conduct did not amount to trademark infringement.

In *Google, Inc v American Blind & Wallpaper Factory, Inc*,<sup>20</sup> which was decided recently, Google sold keywords comprising trademarks belonging to American Blind & Wallpaper Factory, Inc so that those keywords would trigger sponsored links on Google's search results pages. The issue was whether Google had infringed the plaintiff's trademarks by its keyword advertising practice. Google filed action for declaratory relief of non-infringement of trademarks. After reviewing a number of keyword advertising cases including the conflicting decisions in *Edina Realty*, *Mediplan* and *Rescuecom*, Judge Fogel of the District Court for the Northern District of California took the view that he 'necessarily must be guided by the holding of the leading Ninth Circuit case in this area, *Playboy Enterprises v Netscape Communications Corp.*' The judge stated that in *Playboy Enterprises* case, the Ninth Circuit Court made an implicit finding of trademark use in commerce. The court concluded that the sale of trademarked terms in the Google AdWords programme amounted to use of a trademark in commerce. The judge then considered whether there was a likelihood of confusion. The plaintiff argued that there was a likelihood of confusion based on the initial interest confusion doctrine. The plaintiff tendered as evidence an expert survey report which showed confusion among respondents, after being shown a Google search results page for the entry 'American Blind Factory' and 'American Blind Wallpaper Factory'. The court accepted the study as relevant to the extent that the plaintiff's claims were based upon the marks 'American Blind Factory' and 'American Blind Wallpaper Factory'. Fogel J examined the eight-factor test, discussed in *Playboy Enterprises* case, to determine whether a 'likelihood of confusion' existed. *Firstly*, the goods offered by the defendants linked to by sponsored links as a result of the purchase of trademarks as keywords were in close proximity with those offered by the plaintiff. *Secondly*, the terms 'American Blind Factory' and 'American Blind Wallpaper Factory', which were sold by Google in the AdWords programme, were the trademarks of the plaintiff and were similar to the keywords at issue. *Thirdly*, the plaintiff had introduced evidence that a low degree of consumer care should be expected of Internet consumers and that many did not identify which results were sponsored. *Fourthly*, the evidence suggested that Google used the mark with the intent to maximize its own profit, so the intent factor favoured the plaintiff. The court concluded that those factors supported a finding that there was sufficient evidence to create a triable issue of fact regarding the likelihood of confusion. Therefore, Google failed in its application for summary judgment to dismiss the plaintiff's claim. However, before the matter proceeded to trial, the plaintiff withdrew its suit against Google pursuant to a settlement agreement.

Although the opportunity for a further examination of the legality of keyword advertising in the United States did not materialise in *American Blind & Wallpaper Factory* case, a new suit was filed in August 2007 by American Airlines against Google in the US District Court for the Northern District of Texas, Fort Worth. In that action, American Airlines alleged that Google had infringed on the airline's trademarks by using those marks for keyword-triggered advertisements paid by other companies. American Airlines, being a more financially able company may see this case through to trial and, hopefully, clarify some legal aspects of keyword advertising practice.

<sup>20</sup> 2007 US Dist LEXIS 32450.



## II. The United Kingdom

In the year 2004, the English Court of Appeal in *Reed Executive plc & Anor v Reed Business Information Ltd & Ors*<sup>21</sup> had occasion to consider whether keyword advertising was an infringement of trademarks as well as passing off. The respondents, Reed Executive plc, owned a nationwide employment agency that advertised job vacancies. The respondents also registered the trademark 'Reed' in relation to employment agency services. In 1995, the respondents started using the Internet as a business tool and advertised job vacancies on its website <www.reed.co.uk>. The appellants were Reed Business Information Ltd, Reed Elsevier (UK) Ltd and totaljobs.com Ltd. They were companies within the large multinational publishing group, commonly referred to as 'Reed Elsevier'. For many years, the appellants had published a wide range of magazines and journals which carried, among others, large sections devoted to job advertisements. Eventually, the appellants also started using the Internet and placed on-line versions of its magazines which included job advertisements at the website <www.totaljobs.com>. The appellants paid Yahoo! for a 'totaljobs' banner advertisements linked to the search term 'recruitment', 'job' and 'Reed'. The respondents alleged that the appellants' websites which contained the word 'Reed' constituted passing off and infringement of registered trademarks. At the hearing of the trial, the trial judge found that there had been both passing off and infringement of trademarks.

On appeal to the Court of Appeal, Pumfrey J dealt with both the infringement of trademarks and passing off issues. As regards infringement of trademarks, the judge laid down the provision relevant to the case, which was Article 5(1) of the First Council Directive 89/104/EEC to approximate the laws of the Member States relating to trademarks:

The registered trademark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

- a) Any sign which is identical with the trademark in relation to goods or services which are identical with those for which the trademark is registered;
- b) Any sign where, because of its identity with, or similarity to, the trademark and the identity or similarity of the goods or services covered by the trademark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trademark.

Pumfrey J considered whether or not the respondents' and appellants' marks were identical or similar. The appellants had never used the mark 'Reed' alone but in their logos and either as part of the composite 'Reed Elsevier' mark or as part of the composite 'Reed Business Information' mark. After reviewing earlier decisions of the European Court of Justice on the determination of whether two or more marks were similar, the judge concluded that the parties' marks were not identical. According to the judge, 'Reed' was a common surname. The average consumer would recognise the additional words as serving to differentiate the appellants trademark from the respondents. The judge stated that he did not think the additional words 'Business Information' would go unnoticed by the average consumer as

<sup>21</sup> [2004] EWCA Civ 159.



these words were as prominent as the word 'Reed'. This conclusion therefore ruled out the application of Article 10(1)(a) of the Directive in that case.

The court also held that both parties' services were not identical, but were similar in that they were closely related, because they dealt with the sort of service that a jobseeker or employer might use. The respondents' business was in relation to 'employment agency services'. The appellants argued that their 'totaljobs' website had never offered such services. The appellants stated that their site was a searchable jobs advertisement site and merely provided job information, with no responsibility for it in law or as a matter of commerce. According to the appellant, an employer would not blame 'totaljobs' if an employee who was found through the site proved unsuitable. The judge agreed with this and concluded that this fact further supported his view that Article 10(1)(a) did not apply in the case.

Pumfrey J then considered whether Article 10(1)(b) applied in the case. Pumfrey J held that there was no trademark infringement under the likelihood of confusion standard, as required by Article 5(1)(b), because the triggered advertisements did not contain the term 'Reed'. However, he stated that there might be infringement based on the likelihood of confusion test if a search engine user clicked on the banner, and was confused by the contents of the underlying website. However, such confusion did not arise from the banner advertisement per se. The judge stated as follows:<sup>22</sup>

The banner itself referred only to totaljobs – there was no visible appearance of the word Reed at all. ... 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 Art. 5.1(b) 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 totaljobs banner making no reference to the word 'Reed' and Reed Employment is fanciful. No likelihood of confusion was established.

With regard to the issue of passing off, Pumfrey J held that the use by the appellants of the term 'Reed' to trigger 'totaljobs' banner advertisement did not amount to passing off. In this regard, Pumfrey J disagreed with the trial judge's decision that there had been passing off by substitution.<sup>23</sup> Briefly, passing off by substitution occurs where a trader having accepted an order for brand X supplies brand Y in such circumstances that the customer is unlikely to notice the substitution and is thus misled.<sup>24</sup> According to Pumfrey J, passing off by substitution 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'.<sup>25</sup> However, Pumfrey J acknowledged that if a search engine user clicked through and found misleading material on the site, there could be passing off which arose as a result of the content of the website linked to the banner advertisement and not the Yahoo! use.

<sup>22</sup> Ibid at para [140], [141].

<sup>23</sup> Ibid at para [143].

<sup>24</sup> Ibid.

<sup>25</sup> Ibid.



## Keyword Advertising in Malaysia: A Legal Commercial Activity?

The question as to whether keyword advertising is legal in Malaysia has not been tested by the courts as yet. As with other countries, the conflict between keyword advertising and trademark rights entails an examination of the trademark infringement provision under the Malaysian Trade Marks Act 1976. In addition, being a which is based on English common law traditions, the law of passing off is also relevant.

### 1) Registered Trademark Infringement Under Malaysian Trademarks Act 1976

Under Malaysian trademark law, the registration of a trademark confers on the registered proprietor the exclusive right to the use of the trademark in relation to those goods or services for which it is registered. This is provided in section 35 of the Trade Marks Act 1976, which is the federal statute dealing with trademarks in Malaysia. The infringement provision in section 38(1)(a) of the Act states that a registered trademark is infringed by an unauthorised person who uses, in the course of trade, an identical or similar trademark as is likely to deceive or cause confusion and in relation to goods or services within the scope of the registration in such a manner as to render the use of the mark likely to be taken as being use as a trademark. In an action for infringement of a registered trade mark under section 38(1)(a), the onus is on the plaintiff, who may either be the registered proprietor or the registered user, to establish the following elements:<sup>26</sup>

- (i) the defendant's mark is identical with or nearly resembling the registered trade mark as is likely to deceive or cause confusion,
- (ii) the defendant is not the registered proprietor nor the registered user of the trade mark,
- (iii) the use was in the course of trade,
- (iv) the use was in relation to goods or services within the scope of registration, and
- (v) the use was likely to be taken as a trade mark use

The determination of elements (i) and (ii) depends on the application of traditional trademark law principles and is not controversial.<sup>27</sup> With regard to element (iv), the infringement provision under the Trade Marks Act 1976 is confined to the situation where the defendant uses the trademark for goods or services which are within the registered proprietor's scope of registration. This differs from the trademark infringement provision in many other countries where infringement may take place even if the registered trademark is used on similar goods or services. In keyword advertising, the advertiser purchases the keyword which is also the trademark of others so that his advertisements would be triggered in the search results page. The advertiser need not be conducting trade in the same goods or services as that of the trademark owner. Indeed, it is not uncommon that the advertiser's business is merely tenuously similar to that of the trade mark owner. As a result of the different types of business between the trademark owner and the advertiser, an action for trademark infringement may be difficult to sustain.

<sup>26</sup> *Fabrique Ebel Societe Anonyme v Syarikat Perniagaan Tukang Jam City Port & Ors* [1988] 1 MLJ 188.

<sup>27</sup> For a summary of the principles applied in determining the existence or otherwise of these elements, see Tay, PS, *Protection of Well-Known Trade Marks in Malaysia* (Kuala Lumpur, Sweet & Maxwell Asia, 2007) at 86-91.



Insofar as element (iii) is concerned, namely, that the trademark must be used in the course of trade, section 3(2) of the Trade Marks Act 1976 provides that references to the use of a mark are to be construed as reference to the use of a printed or other visual representation of the mark. The requirement of 'printed or visual representation' may be difficult to satisfy because the keywords are often embodied in the metatags of the web pages, which are not visible on the computer screen. Another issue arises from the fact that many trademarks are registered in stylized forms or as part of composite marks. The infringement provision requires that the use of the trademark should be a use of an identical or a similar mark as that of the defendant. However, in keyword advertising, the advertiser purchases and the search engine provider sells the trademark in text form without all the remaining aspects of the trademark. In the absence of the advertiser or search engine provider using the trademark in its registered form, it may be contended that the defendant had not used an identical or similar trademark.

Pursuant to element (v), the defendant must have used the mark as a trademark, that is, to indicate the origin of the goods or services in relation to which the trademark is used. This is linked to the existence of a likelihood of confusion in the minds of the public as to the origin of the goods or services. As pointed out in the *Playboy Enterprises* case, triggered advertisements may be categorised into two groups. The first category of advertisements is those that clearly identify the advertiser as the source of the advertisement or contain other words that do not associate the advertisements with the trademark owner. Where triggered advertisements are labeled, it can hardly be said that search engine users would be confused that the advertisements originate from the trademark owner. The second category of advertisements is those which are unlabelled or those which display the trademarked keywords. Search engine users may be confused at that point in time and might click on the advertisements. In doing so, the search engine user will be brought to the advertiser's site and would realise that it is not the trademark owner's goods or services. The American doctrine of initial interest confusion has not been tested in Malaysia and is unlikely to find favour with local courts. Infringement cases in Malaysia have so far involved direct infringement situations. Contributory infringement is not a facet of Malaysian trademark law. It is, therefore, submitted that keyword advertisements are unlikely to constitute infringement of trademarks.

## 2) The Law of passing Off

The law of passing off is concerned with misrepresentations made by one trader which damage the goodwill of another.<sup>28</sup> The theoretical basis for an action in passing off is the protection of a property right which the plaintiff has in the goodwill of his business.<sup>29</sup> In *Erven Warnink BV v J Townend & Sons (Hull) Ltd*,<sup>30</sup> Lord Diplock in the House of Lords laid down five minimum requirements which must be established by the plaintiff in a passing off action. These five requirements are as follows:

- (i) misrepresentation
- (ii) made by a trader in the course of trade
- (iii) to prospective customers of his or ultimate consumers of goods or services supplied by him

<sup>28</sup> *Spalding (AG) & Bros v AW Gamage Ltd* (1915) 32 RPC 273.

<sup>29</sup> *Ibid.*

<sup>30</sup> [1980] RPC 31 at 93.







