Legal Backgrounder

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KEYWORD ADVERTISING USERS SEARCH FOR LEGAL ANTIDOTE

by

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In early April, the escape of a snake belonging to a Google employee at Google's New York office ("the Googleplex") sparked a brief reptile-induced panic.[1] Unfortunately for the search engine community, pet jailbreaks are not the only cause of concern dogging, or slithering after, the medium. Just as the novel opportunities Internet companies have offered to their employees have created new challenges ripe for resolution by a heroic Samuel L. Jackson,[2] new business models engendered by the Internet have created new battle lines. Perhaps the most significant of these challenges relates to search engine marketing and, more specifically, to the sale of trademarks as keywords triggering advertisements.

Applying law developed in the brick-and-mortar universe to the Internet has often proved difficult. No one would dispute that Burger King might place an advertising message on a billboard across the street from a McDonald's restaurant in hopes of increasing its market share. Similarly, any court in the land would agree that setting up your own set of golden arches and associated McDonald's signage outside a fast food restaurant unaffiliated with McDonald's would comprise trademark infringement. The grey space between these extremes is broad, and becomes murkier still when the Internet is involved. Determining whether advertisers who purchase the trademarks of others as "keywords" are performing the virtual equivalent of the billboard model, or are more closely following the counterfeit McDonald's restaurant model, has proved a challenging inquiry for courts the nation over.

Search Engine Advertising. Search engine providers (such as Yahoo!, Microsoft, and market leader Google) offer Internet advertisers exceptional targeting capabilities through the sale of advertising space linked to "keywords." An advertiser that purchases keyword-linked ad space gets to display its advertisements adjacent to the results the search engine generates when a consumer searches for a particular keyword. For example, an auto manufacturer might purchase advertising space linked to the keyword "car" in the hope that consumers looking for information about cars will be influenced by the advertising, or click on a link provided in the advertisement rather than one of the "organic results" the search engine culls from the Internet. While this circumstance is not

[1]Thankfully for all involved, the snake escape was resolved quickly and peacefully. *See* http://www.boston.com/news/odd/articles/2007/04/03/google_search_for_missing_snake_in_nyc/.

[2]The authors are sincerely hoping that Mr. Jackson will follow his hit *Snakes on a Plane* with the warranted sequel *Snakes in an Office*.

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particularly objectionable, what happens when a rival auto manufacturer purchases the keyword "Chevrolet," and arranges to display advertisements for competitive products (or links to competitive businesses) to users searching for "Chevrolet?" Whether such action comprises trademark infringement is the $10,000 question (or more accurately, $10 billion dollar question) facing search engine providers.

Search engine advertising is big business – published reports indicate that advertisers in North America spent close to $10 billion on search engine advertising in 2006, a 62% increase in spending over 2005.[3] The business model is fluid and varies from company to company and deal to deal; some advertisers pay flat fees, others pay each time their advertisement is displayed or clicked on by a consumer. Some search companies display "sponsored links," (keyword-triggered advertisements) in a different area of the screen, segregated from the "organic results" returned by their engines; others include the advertisements adjacent to the organic results with disclaimer text of various sizes to indicate that the provided link or content is an advertisement. Google has recently considered "pay per action" ads, a new pricing model that allows advertisers to limit payments to those circumstances in which a defined goal is achieved via the advertisement (such as a sale being consummated with a consumer who arrived at the advertiser's site via the search engine's link).[4]

Trademark Infringement on the Internet. At its most basic level, trademark law seeks to guard against consumer confusion. By insuring that consumers can readily determine the source of goods and services, the government has long reasoned, we can minimize consumer search costs and increase quality assurance by "assuring a producer that it will reap the financial, reputation related rewards associated with a desirable product."[5] A plaintiff alleging trademark infringement must prove two main elements: use of a mark[6] by the defendant "in commerce" that is "likely to cause confusion, or to cause mistake, or to deceive."[7]

The explosion of the Internet raised novel questions about whether certain actions comprised a "use in commerce" from a trademark infringement perspective. In groundbreaking cases, the U.S. Court of Appeals for the Ninth Circuit sought to analogize Internet-related trademark conflicts to "real world" cases and to apply existing precedent to those conflicts. In *Brookfield Communications, Inc. v. W. Coast Entertainment Corp.*, the court held that using a competitor's trademark in a website's metatags (the data which search engines review when searching for relevant hits) comprised an actionable and illegal "use in commerce."[8]

In *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, the Ninth Circuit again considered a circumstance unique to the Internet (and similar to the one present in many keyword advertising related trademark disputes) – does the sale of a party's trademark as a keyword for use in triggering pop-up advertisements comprise trademark infringement. Once more, the court acknowledged that sale of a keyword was a "use in commerce" and could comprise trademark infringement.[9] The court stated "[s]ome consumers

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[3] Mike Shields, "Survey: $10 Billion Spent on Search Ads," BRANDWEEK.COM, Feb. 8, 2007.

[4] "Google Launches Test of Pay-Per-Action Ads," TECHWEB, Mar. 24, 2007.

[5] *Qualitex Co. v. Jacobsen Prods. Co.*, 514 U.S. 159, 163-64 (1995).

[6] Congress defines a mark as "[A]ny word, name, symbol, or device, or any combination thereof…[used in commerce to] identify and distinguish his or her goods." 15 U.S.C. § 1127.

[7] 15 U.S.C. § 1114.

[8] *See Brookfield Communications, Inc. v. W. Coast Entertainment Corp.*, 174 F.3d 1036, 1064 (9th Cir, 1999): "Suppose West Coast's competitor [Blockbuster] put 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 stop there."

[9] *See Playboy Enters. Inc. v. Netscape Communications Corp.*, 354 F. 3d 1020, 1025-26).

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initially seeking [Playboy's] sites may, initially believe that unlabeled banner advertisements are links to [Playboy's] sites or to sites affiliated with [Playboy.] Once they follow the instructions to "click here," and they access the site, they may well realize that they are not at a [Playboy] sponsored site. However, they may be perfectly happy to remain on the competitor's site, just as the *Brookfield* court surmised that some searchers initially seeking Brookfield's site would happily remain on West Coast's site. The Internet user will have reached the site because of defendants' use of [Playboy's] mark. Such use is actionable."[10]

Sale of Trademarks as Keywords and Resulting Fallout. With *Brookfield* and *Playboy* as background, and businesses swarming to take advantage of search marketing, the battle lines had been drawn. Microsoft and Yahoo! have sought to steer clear of possible issues arising from sale of keywords; both have policies which forbid the purchase of keywords which violate the trademark rights of others. Market leader Google, however, allowed advertisers to bid on and purchase trademarks as keywords, and litigation swiftly followed. In *Government Employees Insurance Co. v. Google, Inc.*, 330 F. Supp. 2d 700 (E.D. Va. 2004), GEICO alleged that Google violated the Lanham Act by selling advertising space triggered when users entered the GEICO trademark into Google's engine. The Eastern District of Virginia denied a Motion to Dismiss by Google, premised on the contention that sale of advertising "triggered" through the use of GEICO's mark did not comprise a "use in commerce" under the Lanham Act. In a further proceeding, despite finding that GEICO had failed to sufficiently prove a likelihood of confusion with regard to "sponsored links" which did not reference or include the GEICO mark (but were simply triggered when users searched for "GEICO,") the court found that some of the sponsored links were likely to cause confusion.[11] Thereafter the parties settled the litigation.

In the wake of *GEICO*, numerous courts have considered trademark infringement suits relating to search engine companies' sale of trademarks as keywords. In the past year, the U.S. District Court for the District of New Jersey has twice refused to dismiss on summary judgment suits alleging trademark infringement as a result of sale of a company's trademark as a keyword.[12] The District Court for the Northern District of Illinois recently granted a temporary restraining order barring a company from "using terms trademarked by [their competitor], as keywords for any internet advertising service, including services run by Google or Yahoo!."[13]

Though a significant number of decisions have cut against their business model, Google has continued to vigorously defend trademark infringement suits relating to its sale of trademarks as keywords, and has refused to curtail the practice.[14] Rather than outlaw sale of trademarks as keywords, the company has instead barred advertisers from using the trademarks themselves in the text of sponsored links. So, a used car dealership not affiliated with Chevrolet may purchase the keyword "Chevrolet" and display advertising for its business along with search results for that trademark, so long as the advertisement itself does not include the Chevrolet trademark. Google's strategy is premised on the idea that even if a mark is used in commerce, infringement does not result absent a likelihood of confusion.

In this vein, Google successfully won a motion to dismiss a trademark infringement suit in the Northern District of New York last fall. The court in that case found that the "use" of the trademark to trigger the complained-of advertisements did not comprise an unlawful "trademark use in commerce," and that the advertisements themselves did not feature plaintiff's trademarks and were unlikely to cause confusion.[15]

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[10]*Id.*

[11]*See Government Employees Insurance Co. v. Google, Inc.*, 77 U.S.P.Q.2d 1841 (E.D. Va. 2005).

[12]*800-JR Cigar, Inc. v. Goto.com*, 437 F. Supp. 2d 273 (D.N.J. July 17, 2006); *Buying for the Home, LLC v. Humble Abode, LLC*, 459 F. Supp. 2d 310 (Dist. N.J. Oct. 19, 2006).

[13]*International Profit Associates, Inc. v. Robert Paisola*, 461 F. Supp. 2d 672, 680 (N.D. Ill. Nov. 14, 2006).

[14]At least in the United States. Following defeats in Europe, Google has ceased sale of registered trademarks as keywords in Europe.

[15]*Rescuecom Corp. v. Google, Inc.*, 456 F. Supp. 2d 393 (N.D.N.Y. Sept. 28, 2006).

Similarly, in dismissing a trademark infringement suit premised on purchase of a competitor's trademark as a keyword trigger for search engine advertising, the Eastern District of Pennsylvania recently found that despite "use" of plaintiff's mark, no likelihood of confusion could be shown.[16]

The law continues to evolve with regard to sale of trademarks as keywords by search engine advertising companies. The dollars and players involved are substantial and the stakes are high, and neither side seems apt to blink in the near term. In an interesting development, the State of Utah recently introduced a bill which would establish a new property called an "electronic registration mark."[17] The bill became law on April 20, 2007, and has been the subject of significant debate in Utah and the rest of the United States.[18] Critics have alleged that the bill and law are designed simply to create a cottage industry for Utah centered on the $250 fee associated with registering an electronic registration mark. Others (including search engine advertisers) have suggested that the Utah bill may violate the "dormant commerce clause" of the Constitution, in that it unduly burdens interstate commerce. It will be interesting to see how Utah's law shakes out. How (and if) Google and other search engine companies will comply with this law remains to be seen. Google has already announced its intention to strongly contest the Utah law.

Practical Advice. In light of recent decisions, and pending state legislation, purchase of a trademark as a keyword to trigger search engine advertising is a risky proposition. Though courts have not agreed in all cases as to whether such registration must always comprise trademark infringement, the practice obviously subjects the buyer (and search engine company) to a risk of claim for trademark infringement. Companies making such purchases must be aware of this risk and prepared to face such challenges. Only those with the steely nerves required to navigate an office (or plane) full of snakes are likely to be comfortable bearing the risk of suit which accompanies the purchase of the trademark of another as a keyword.

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[16] *J.G. Wentworth S.S.C. L.P. v. Settlement Funding LLC*, 2007 U.S. Dist. LEXIS 288 (E.D.P.A. Jan. 4, 2007).

[17] *See* 2007 Utah Trademark Protection Act bill, http://le.utah.gov/~2007/bills/sbillamd/sb0236.htm.

[18] "*Internet Freedom Group Wants Delay in Utah Law*", SALT LAKE TRIBUNE, Apr. 17, 2007. (http://www.sltrib.com/search/ci_5684545).

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