



TIP SHEET™

an informational newsletter on intellectual property matters

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Using trademarks as advertising keywords

STILL WAITING FOR THE DUST TO CLEAR



BY ANDY PETERSON
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Companies with an Internet marketing presence face the recurring questions of: (1) whether to use a competitor's trademarks as advertising keywords and (2) whether to pursue an infringement action against a competitor using the company's trademarks as advertising keywords. In general, keywords refer to index terms used to retrieve information in a search. In the context of this discussion, keywords refer to index terms that may be purchased through various search engines to include or

enhance a website's presence or prominence in search results. Unfortunately, there is no clear demarcation as to what use of a competitor's trademark as a keyword is permissible and what is not. Court decisions continue to stir the dust of confusion. Risk accompanies any use of a competitor's trademark as an advertising keyword. On the other hand, there is still no assurance that a court will find that mere use of a trademark as a keyword amounts to trademark infringement.

The law concerning use of a trademark as a keyword has been jurisdictionally dependent and has evolved over time. For example, the Second Circuit had previously held that use of a trademark as a keyword or adword was not use in commerce and, therefore, was not a basis for a trademark infringement claim. See e.g., *S&L Vitamins, Inc. v. Australian Gold, Inc.*¹ In *S&L Vitamins* the dispute involved various actions related to trademark and copyright claims. One of the specific issues involved the use of trademarks as meta tags or sponsored keywords. The court determined that use of a trademark as a keyword (or meta tag) was not use in commerce and thus could not be the basis for an infringement claim. Therefore, until recently, a complaint of this nature could readily be dismissed in the Second Circuit. This changed recently when the Second Circuit Court of Appeals held in *Rescuecom Corp. v. Google Inc.* that Google's sale of trademarks as keywords is use in commerce to support a claim for trademark infringement.²

Use of a mark as a keyword does not necessarily mean infringement has occurred. Similar to the decision in *Rescuecom*, other jurisdictions had allowed cases to proceed, but still required plaintiffs to show a likelihood of confusion. The *Rescuecom* decision does not establish that the mere purchase of a competitor's mark as an adword or keyword is an infringing use of the competitor's mark, but it does increase the risk that if suits are filed in the Second Circuit, they will not likely be easily dismissed or resolved at preliminary stages.

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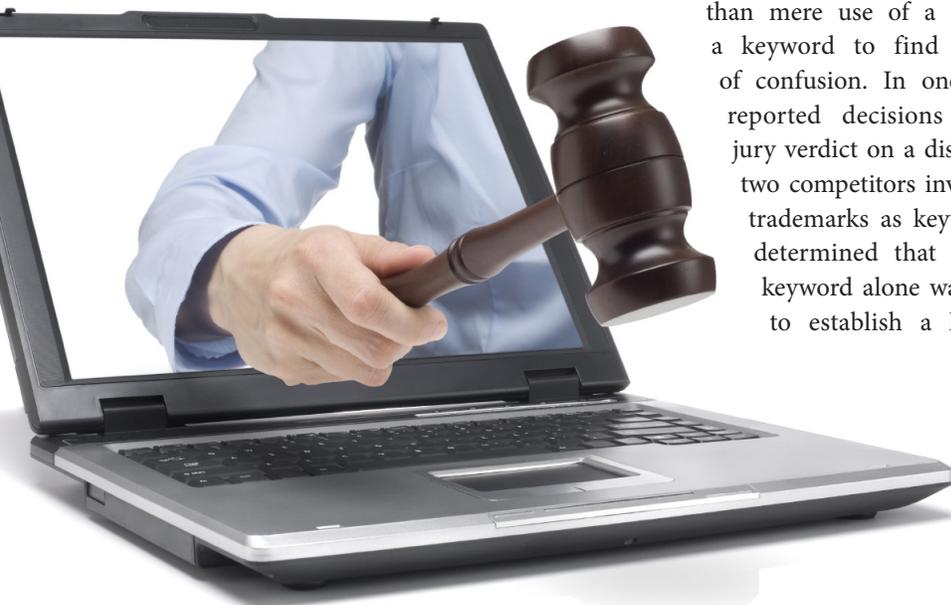
Other decisions leave open the possibility that use of a trademark alone as a keyword may be sufficient to establish liability. In one Tenth Circuit Court of Appeals decision, the court determined that purchasing a company's trademarks for preferential placement in search results, together with use of the trademark in meta tags and other locations on its website were sufficient to establish initial-interest confusion. *Australian Gold, Inc. v. Hatfield*.³ This decision involved significantly more, however, than the mere purchase of another company's trademark from a search engine. In *Australian Gold*, the defendants were accused of reselling the plaintiff's products on the Internet without authorization and as part of that activity the defendants incorporated the plaintiff's trademarks on its website, in meta tags and as paid-for keywords.

At least one subsequent decision has recently interpreted the *Australian Gold* decision as finding that purchasing a keyword alone is impermissible, stating: "[m]oreover, the Tenth Circuit has held that the purchase of another's trademark through a search engine for the purpose of diverting Internet traffic and using goodwill associated with that trademark, as alleged here, violates the Lanham Act." *1-800 Contacts, Inc. v. Memorial Eye, P.A.*⁴ Because the *Memorial Eye* decision was in response to an early motion, it is still not clear whether the court will ultimately find that purchasing keywords alone impermissible. This decision does, however, indicate that risk exists even when a competitor's trademark is used only as a keyword.

Similarly, in an opinion granting a plaintiff's motion for a preliminary injunction, the District Court for the Central District of California summarily determined that use of a competitor's trademark as a keyword is likely to cause confusion and granted relief in the form of a preliminary injunction, but did so only after considering numerous other ways in which the defendant had been using plaintiff's marks to promote the defendant's products on the Internet. *Partners for Health and Home, L.P., v. Seung Wee Yang*.⁵ Some courts indicate that use of a trademark as a keyword alone is insufficient, but when combined in heading or text of an advertisement, a likelihood of confusion may exist. See e.g. *Government Employees Insurance Co. v. Google, Inc.*⁶

The Eastern District of Virginia recently determined that Google's actions in allowing third parties to purchase terms trademarked by Rosetta Stone did not subject Google to liability for trademark infringement. *Rosetta Stone Ltd. v. Google, Inc.*⁷ The court made this determination after reviewing the likelihood of confusion factors and determining that consumers of the Rosetta Stone products were not likely to be confused. The court also looked to what it described as the "functionality doctrine," which generally prevents trademark law from being used to inhibit legitimate competition, to justify Google's use of its keywords. Rosetta Stone has appealed the district court's decision and that appeal is pending.

A jury also may require more than mere use of a trademark as a keyword to find a likelihood of confusion. In one of the few reported decisions involving a jury verdict on a dispute between two competitors involving use of trademarks as keywords, a jury determined that purchasing a keyword alone was insufficient to establish a likelihood of



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confusion. *College Network, Inc. v. Moore Educational Publishers, Inc.*⁸ In *College Network*, the jury assumed the mark had been used in commerce when it was purchased as a keyword, but found no likelihood of confusion.

In a case decided January 25, 2011, the United States District Court for the Central District of California determined that defendants were liable for trademark infringement based on the defendants' purchase of the plaintiff's trademarks as keywords. *Binder v. Disability Group, Inc.*⁹ Not only was there a finding of infringement, but the court also awarded damages of lost profits in the amount of \$146,117.60. The court then awarded enhanced damages finding that the infringement was willful. In considering the issue of willfulness, the court relied on testimony showing that the defendants selected use of the plaintiff's trademarks as keywords because the defendants had done studies of the volume of calls for the services at issue and determined that plaintiff's volume was the largest. This decision departs from others that require a finding of something more than solely using a trademark as a keyword.

In another recent case in the Central District of California, *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, the Ninth Circuit Court of Appeals reversed a district court's grant of a preliminary injunction, sending the case back for further review to determine whether use of a competitor's trademarks as AdWords is likely to cause confusion.¹⁰ The district court had granted a preliminary injunction after focusing on a limited number of factors. In this case, both parties sold scheduling and management software and were direct competitors. The defendant purchased terms such as "Active Batch", which was the plaintiff's registered mark. The Ninth Circuit rejected reliance on a limited number of factors and emphasized the need to consider all likelihood of confusion factors in the trademark infringement analysis, even in Internet keyword cases. The Ninth Circuit also noted that additional factors may be considered such as the appearance of advertisements and the surrounding context. The district court will now have the opportunity to do a more exhaustive analysis than was done during the first round to determine whether the use of the AdWords creates a likelihood of confusion. The one point of clarity amidst the general confusion involving trademarks as keywords is that there is always a risk that accompanies use of a competitor's trademark as a purchased keyword or adword. An infringement action based on mere use of a company's trademark as a keyword may survive a motion to dismiss, but ultimately more may be required to establish a likelihood of confusion, although that something more may be very little in some jurisdictions.

¹ 521 F. Supp.2d 188, 199-202 (E.D.N.Y. 2007) (relying upon decision in *1-800 Contacts, Inc. v. WhenU. Com, Inc.*, 414 F.3d 400 (2d Cir.2005))

² 562 F. 3d 123 (2nd Cir. 2009)

³ 436 F. 3d 1228 (10th Cir. 2006)

⁴ 2010 WL 988524 (D. Utah, Mar 15, 2010) (also relying on the recent decision in *Rescuecom* in allowing claims to proceed)

⁵ CV 09-07849 CBM, Doc. 45 (C.D. Cal. Sept. 13, 2010) (other previous uses of the mark included use of similar terms for competing products, use of similar terms in its domain names, meta tags and video tags, and included similar terms in text on its website and in photograph tags)

⁶ Case No. 1:04cv507, Doc. 148 (E.D. Va. 2005)

⁷ Case no. 1:09cv736 (E.D. Va. 2010)

⁸ 378 Fed. Appx. 403 (5th Cir. 2010)

⁹ 97 USPQ2d 1629 (C.D. Cal. 2011)

¹⁰ No. 10-55840 (9th Cir. March 8, 2011)

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