

Intellectual Property Advisory: Keyword Advertising: When Your Trademark Becomes the Key to Your Competitor's Internet Ad

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Internet advertising is a multi-billion-dollar industry in the United States. This form of advertising has become an essential component of advertising and marketing programs for businesses as web-savvy consumers rely more often on search engines to find and purchase products. Advertising programs offered by search engines, such as Google's Adwords[®] and Keyword Suggestion Tool, Yahoo!'s Sponsored Search service, and Microsoft Bing's Search Advertising, allow businesses to purchase keywords to display web advertisements on the search engine results page along with relevant non-sponsored search results.

How does keyword advertising work? Keyword advertising enables advertisers to purchase or bid on keywords that trigger the display of their ads in search engine results. An advertiser may purchase keywords, such as single words, phrases, or even another's trademark, from a search engine and thereby sponsor specific search terms to ensure their ads appear in the search results. When Internet users search the keywords, the search engine's computer algorithms link the advertiser's keyword ad to the search results page. Keyword ads appear along the top and right side of the results page along with regular or "natural" search results. A keyword ad or "sponsored" link typically includes a link to the advertiser's website. When Internet users click on the advertiser's keyword ad, the link "clicks-through" from the results page directly to the advertiser's website. Each time a user clicks on the advertiser's keyword ad, the advertiser pays a fee to the sponsoring search engine. Thus, keyword advertising generates substantial revenue for search engines. Google has claimed that about 97% of its revenue comes from advertising services sold through its Adwords[®] program.¹

Advertisers purchase or bid on keywords to direct their web ads to consumers that may have an interest in their products, thereby targeting consumers and increasing the effectiveness of their Internet advertising. An advertiser may choose to purchase its competitor's trademark or trade name as a keyword to target consumers seeking the competitor's website or product, and to increase the probability that the advertiser's keyword ad displays in the search results page along with the competitor's web address and link. Use of trademarked keywords may help to increase the chances that consumers seeking the competitor's product will "click-through" to the advertiser's/competitor's website.

Unauthorized use of third-party trademarks and trade names as keywords to trigger keyword advertising and sponsored links is a growing problem for brand owners. Many brand owners believe that business is lost when Internet users visit a competitor's website via the competitor's keyword ad rather than accessing the brand owner's website.

But is this practice trademark infringement? U.S. courts continue to struggle with this issue. In order to establish trademark infringement, a brand owner must show an alleged infringer uses its trademark without its consent in connection with advertising or selling goods or services in a

manner that is likely to cause consumer confusion as to the source of the goods or services or the affiliation or association of the alleged infringer with the brand owner.² Courts have struggled with two main issues: (1) whether unauthorized use of a trademark as a keyword constitutes trademark “use in commerce,” and (2) whether such use creates a likelihood of confusion.

Courts have debated, as a threshold question, whether a defendant’s use of trademarked keywords to trigger web ads constitutes trademark “use in commerce” as defined under U.S. trademark law. The consensus emerging from the recent case law is that the purchase, sale and/or use of trademarked keywords, while not traditional trademark use, is a commercial transaction that trades on the value of a plaintiff’s trademark and constitutes “use in commerce.” In particular, where the triggered ad displays the plaintiff’s trademark, courts have found trademark “use.”

Most courts have also determined that search engines selling trademarked keywords are engaged in trademark “use.” Most notably, in April 2009, the Second Circuit addressed this issue in *Rescuecom Corp. v. Google, Inc.*³ In reversing the district court’s dismissal of the trademark infringement complaint, the Second Circuit rejected Google’s assertion that its “inclusion of a trademark in an internal computer directory” was not “use in commerce” under the Lanham Act. Thus, the Court determined that the plaintiff sufficiently alleged use in commerce based on Google’s recommendation and sale of Rescuecom’s registered trademark as keywords for its paid advertising program. Interestingly, the Court attached an appendix to its decision in which it noted the tension between two conflicting Lanham Act sections containing the “use in commerce” requirements (15 U.S.C. § 1127 and 15 U.S.C. § 1125(a)). Many have predicted that *Rescuecom* may make it more difficult for search engines, like Google, to defend their sale and use of trademarked keywords. Others have predicted that Congress may take up the issue of what acts constitute “use in commerce” for purposes of the Lanham Act. For the time being, it appears that the *Rescuecom* decision has added one more voice to the chorus of courts struggling with defining trademark use in the context of Internet advertising.

The second prong of the trademark infringement inquiry, the likelihood of confusion, is similarly unsettled in the keyword advertising context. If consumers are likely to be confused or mistaken as to the source or sponsorship of a product or service because of the unauthorized use of a trademark owner’s mark, then a “likelihood of confusion” exists and the owner’s mark is infringed. A traditional likelihood of confusion analysis typically involves a Circuit-specific multi-factor test that, in many cases, does not apply easily to the Internet context. Plaintiffs, therefore, often rely on the concept of initial interest confusion. Initial interest confusion occurs where the infringing mark causes initial customer interest in a product or service, even if that initial confusion is corrected by the time of purchase. In the Internet advertising context, a potential consumer might be initially confused into visiting a website based on a competitor’s keyword ad. Once on the advertiser’s website, however, the consumer may realize that the site is not the website of the trademark owner; yet, the consumer may stay with the advertiser’s website and may purchase the advertiser’s similar product without any confusion as to the source of the product. The advertiser thereby captures the trademark owner’s potential customer through its unauthorized use of the owner’s trademark and associated goodwill.

Courts have not uniformly applied the initial interest confusion theory to keyword advertising cases. No clear and consistent criteria or factors have emerged to help plaintiffs prove trademark infringement in this context. While some courts require the plaintiff to show that the defendant intentionally used the plaintiff's trademark as a keyword to deceive consumers, other courts have not required deceptive conduct. Compare *Designer Skin LLC v. S&L Vitamins, Inc.*⁴ (characterizing initial interest confusion as a "bait and switch" scheme that lures consumers away from the plaintiff's website and trademarked product to the defendant's website and product through the defendant's deceptive use of the plaintiff's mark as a keyword) and *Soilworks, LLC v. Midwest Industrial Supply, Inc.*⁵ (no requirement of deceptive conduct to find initial interest confusion).

Recently, in 2009, the district court in *Hearts on Fire Company, LLC v. Blue Nile, Inc.*, though not reaching the issue of likely confusion, determined that plaintiff's claims of initial interest confusion were supported.⁶ The defendant purchased the plaintiff's "Hearts on Fire" trademark as a keyword to trigger its ads, which did not display the plaintiff's trademark. The court, however, found the surrounding context in which the keyword ads were displayed in the search results page supported allegations of consumer confusion because consumers who are presented with the defendant's ads may believe erroneously that the defendant was a retailer authorized to sell the plaintiff's products.⁷

Brand Owner Considerations and Protective Measures

Because the majority of keyword advertising cases before U.S. courts have not proceeded to trial, many unanswered questions remain as to whether the sale/purchase and use of a trademark as a search engine keyword to trigger Internet advertising constitutes trademark infringement. Court decisions to date suggest that plaintiffs will need evidence, such as survey evidence, derived from observations and/or experiments of how Internet consumers perceive and interact with keyword ads, to show a likelihood of confusion. While courts attempt to apply trademark law to keyword advertising cases, protective measures and practical steps are available to brand owners to protect their brands on the Internet.

Brand Owners Should Consider Using Search Engine Complaint Procedures

Google, Yahoo! and Microsoft Bing have trademark policies that outline complaint procedures through which a brand owner can submit a trademark complaint to the search engine. Where an advertiser appears to be using a brand owner's trademark or confusingly similar variations and misspellings of the mark in keyword ads, the brand owner should consider filing a complaint with the sponsoring search engine. Below is an overview of trademark policies and complaint procedures of both Yahoo! and Google.

Google's Advertising and Trademark Policies

In May 2009, Google announced that its Adwords[®] program⁸ would allow, in the U.S., the visual display of a third-party trademark in a keyword ad or sponsored link without the knowledge or consent of the trademark owner if:

1. the ad uses the trademark in a descriptive manner or generic way, and not in reference to the trademark owner or the goods or services corresponding to the trademark
2. the ad uses the trademark in a nominative manner to refer to the trademark or the trademark owner and promotes:
 - a. the resale of the trademarked goods or services, or
 - b. the sale of components, replacement parts or compatible products corresponding to the trademark.

In either case, the primary purpose of the advertiser's website must be to provide non-competitive and informative details about the goods or services corresponding to the trademark. The advertiser also may not sell, or facilitate the sale of, the goods or services of the trademark owner's competitor.

If keyword ads include third-party trademarks and do not fall within the above categories, Google will respond to a trademark complaint submitted in accordance with its policy. Google's trademark complaint form is available at <http://www.google.com/tmcomplaint.html> and may be submitted electronically or by mail. Google indicates that its trademark policy does not apply to regular or natural search results, and it confines its investigation of a trademark complaint to the specific keyword ads identified in the complaint form. Google also indicates that it will not disable keywords in response to a trademark complaint.

Yahoo!'s Advertising and Trademark Policies

Yahoo! Sponsored Search service² permits advertisers to purchase or bid for trademarks as keyword search terms, but it does not allow advertisers to display third-party trademarks in the content of their keyword ads. Yahoo! allows advertisers to purchase or bid on trademarks only under certain conditions, including if the advertiser presents content on its website that:

1. uses the trademark in a generic or merely descriptive manner, or
2. refers to the trademark, the trademark owner, or trademarked product in a "permissible nominative manner" without creating a likelihood of confusion, such as sale of a trademarked product or commentary, criticism or other permissible information related to the trademark or its product.

For those advertisers using a trademark in a "permissible nominative manner," Yahoo! requires the advertiser meet one of the following conditions:

1.
 - a. Advertiser must be a reseller and its website must sell or clearly facilitate the sale of the product or service bearing the trademark. The title and description of the advertiser website listing must disclose that the product or service can be purchased, and should not be written in such a way that conveys the impression

that the advertiser is an authorized reseller unless the trademark owner has designated the advertiser as an authorized reseller, or

b. The primary purpose of Advertiser's website is to provide substantial information about a trademark owner's product or service bearing the trademark and is a non-competitive, information website—Advertiser does not sell or promote, and is not affiliated with or a partner of an entity that sells or promotes, a product or service that directly or indirectly competes with the trademark owner's product or service. For example, the advertiser's site can provide information from unbiased sources presented as product reviews or comparisons. The advertiser's website listing title and description must identify the information that is provided on the site.

Upon the receipt of a trademark complaint, Yahoo! will investigate concerns that an advertiser is using a trademark improperly as a search term associated with the advertiser's website listing. Though it does not provide a complaint form through its website, if a trademark owner takes issue with a third-party keyword advertisement, it must submit the following information to Yahoo!:

1. the search term that causes the Advertiser's listing to appear
2. the trademark on which the claim is based
3. proof of current U.S. federal registration
4. evidence of consumer confusion of the advertiser's bid on the search term and a description of the evidence
5. if applicable, documentation that the complainant has contacted the Advertiser about the concerns and what the status is of such communications.

Notably, both Google's and Yahoo!'s policies may permit use of a trademark in a descriptive or generic manner, and not in reference to the trademark owner or the goods or services offered in connection with the trademark. As a result, the trademark may be weakened if the trademark owner does not take necessary corrective action against the Advertiser directly.

Brand Owners Should Purchase or Bid for Their Own Trademarks

Brand owners also should consider purchasing their own trademarks from search engines as keywords to trigger defensive keyword advertising that would help to inoculate brand owners against their competitors' advertising. For example, a brand owner can become the highest bidder of its own trademark as a keyword to ensure that its keyword ads and website address achieve a prominent position in the search engine's results page. Keyword ads and sponsored links that appear along the top of the search results page are typically more expensive than ads displayed along the right-hand margin; however, these ads are displayed above the natural search results and are visually prominent.

Brand Owners Should Monitor and Track Third-Party Use of Their Marks

Brand owners should monitor use of their trademarks in keyword advertising by searching their own trademarks, as well as confusing variations and misspellings of their trademarks, and track competitor keyword ads triggered by such search queries. Brand owners can rely on search results that include competitor keyword ads to formulate a trademark complaint with a search engine. Search engines do not require copies of search results, but such evidence may accompany the complaint submission. Search results, however, are dynamic and different queries of the same search terms may not retrieve the same results over time. Brand owners, therefore, should print and save their search queries and search results to maintain a tracking record of competitor keyword advertising.

Brand Owners Should Contact Third-Party Users of Their Marks

In addition to filing a trademark complaint with a search engine, brand owners also should consider contacting competing advertisers directly when they discover infringing trademark use.

U.S. trademark law requires that brand owners protect their trademark rights or risk losing those rights. While brand owners wait for courts or legislation to clarify this confused area of trademark law, brand owners should scrutinize use of their trademarks in keyword advertising and attempt to police infringing uses of their marks through the measures and steps noted above.

Endnotes

¹ Rescuecom Corp. v. Google, Inc., 562 F.3d 123, 126 (2d Cir. 2009).

² See 15 U.S.C. §§ 114(1)(a) and 1127(a)(1).

³ Rescuecom Corp. v. Google, Inc., 562 F.3d at 125-126.

⁴ Designer Skin, LLC v. S&L Vitamins, Inc., 560 F.Supp. 811, 816-819 (D.Ariz. May 20, 2008).

⁵ Soilworks, LLC v. Midwest Industrial Supply, Inc., 575 F.Supp.2d 1118, 1131 (D. Ariz. 2008).

⁶ Hearts on Fire Company, LLC v. Blue Nile, Inc., 603 F.Supp.2d 274 (D. Mass. 2009).

⁷ Id. at 288.

⁸ See <http://adwords.google.com/support>

⁹ See <http://searchmarketing.yahoo.com/legal/trademarks.php>

For assistance in this area please contact one of the attorneys listed below or any member of your Mintz Levin client service team.

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