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# Dunner Law Dicta



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## Dunner Law

Small IP Practice specializing in trademark and copyright law; IP counseling, domestic and international protection of IP portfolios; internet-issues; IP audits and strategies relating to IP portfolios; drafting and negotiating IP and IT-related agreements

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## *Keyword Advertising – Powerful Tool, Legal Quagmire*

Every business or organization recognizes the value that a prominent Internet presence can add in today's competitive marketplace. One of the ways in which companies enhance their Internet visibility is through keyword advertising—the purchase of commonly searched words on the Internet to drive consumers to the business's site. A majority of the popular search engines like Google and Yahoo! offer a paid placement advertising program in which businesses can purchase search terms that either trigger the business's site to appear at the top of a search results page; highlight a link to the site as a sponsored or featured ad; or display the business's banner ad.

### *Trademark Infringement*

Utilizing generic or merely descriptive words in keyword advertising – such as the words “computer” or “printer” for an online computer retailer – presents no readily apparent legal concerns. However, purchasing words that happen to be trademarks owned by others – such as the words “Apple” or “Dell” by the same online computer retailer – introduces the possibility of legal liability based on trademark infringement. Trademark infringement occurs when Company X uses a trademark that is confusingly similar to the trademark of

Company Y for related goods or services, and such use is likely to cause consumer confusion as to the source or sponsorship of those goods or services.

### *Use in Commerce*

Most keyword advertising lawsuits rise or fall on the issue of “trademark use.” “Use” in the typical trademark sense refers to placing the trademark on the goods (or their containers, tags, or labels) that are sold in commerce or displaying the trademark in the sale or advertising of services that are rendered in commerce. The Internet has muddied the definition of trademark use, because, with keyword advertising, it is often the case that many keyword ads do not display the purchased keywords (or trademarks). In the absence of actual visual use of the keyword in the ad, courts are split on the issue of





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***“The temptation to purchase keywords of other’s trademarks may be great...”***

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whether this constitutes “use” in the traditional trademark sense. Some Circuits, such as the Second Circuit, have consistently held that keywords that are not visible to the public in advertisements do not constitute “use;” but other Circuits, such as the 3<sup>rd</sup>, 4<sup>th</sup>, 9<sup>th</sup>, 10<sup>th</sup> and 11<sup>th</sup>, have held that purchase of the keyword, regardless of whether the keyword appears in the ultimate ad, does constitute use.

#### *Likelihood of Confusion*

The analysis does not stop at demonstrable “use.” In order to be held liable for infringement, the use of keywords must create “likelihood of confusion” as to the source of the goods or services.

Likelihood of confusion is the legal standard for infringement under trademark law, and most courts have held that likelihood of confusion is not present when the keyword does not visibly appear in the text of the ad. However, in this situation, plaintiffs have successfully demonstrated “initial interest confusion” a form of likelihood of confusion, by showing

that a consumer searching for Company X’s goods instead finds Company Y’s goods thinking that the two companies are related. The consumer ultimately purchases Company Y’s goods even though at the time of purchase, the consumer realizes that the companies are unrelated.

When the keyword appears in the text of the ad, courts have been more willing to find likelihood of confusion. However, not all uses of a keyword create a liability. Ads for the purpose of comparative advertising (e.g., “Company X’s toys are safer than Company Y’s”), authorized resale of the trademark owner’s goods (e.g., “Authorized Apple iPod Retailer”) or providing information about the trademark owner or its goods (“Latest safety test on Goodyear tires”) can all be permissible fair uses of the trademark, and liability will depend on the particular facts of each situation.

#### *Conclusion and Recommendation*

The temptation to purchase keywords of other’s trademarks may be great, especially if your competitors are doing it to you. There is no sweeping legal rule on the issues addressed above, and to better assess the legal risks involved one would have to review the current legal precedent in the geographic area in which your company conducts business. Nevertheless, the safest approach to avoid potential legal liability is to refrain from purchasing any trademarks or brands that are owned by others and instead focus on keywords derived from your own company’s brands and trademarks, in addition to descriptive or generic terms to which no company can claim exclusive rights.