

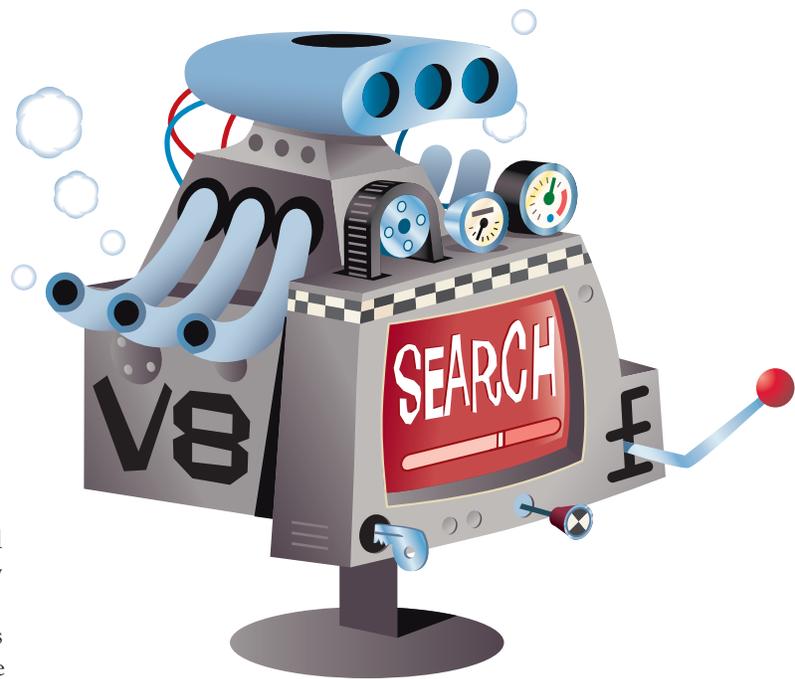
## Intellectual PROPERTY

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MONDAY, OCTOBER 16, 2006

# Keyword Advertising

*The elusive search  
for 'use in commerce'  
on the Internet.*



BY GIANNI P. SERVODIDIO

**T**HE INTERNET has brought about a fundamental change in the way we obtain and process information. Search engines such as Yahoo! and Google are doorways through which a universe of information is readily available and can be accessed at lightning speed. The meteoric rise of companies providing search engine functionality has confirmed that the ability to access information seamlessly over the Internet is part of the economic infrastructure of cyberspace.

Companies like Google leverage the value of their search engines as information location tools by selling advertising linked to search terms entered by the computer user. It works very simply. Google auctions specific search terms to the highest bidder. When a computer user searches for that term, the purchaser's Web page appears as a sponsored link next to the organic search results that would

otherwise be returned using the neutral criteria employed by the search engine.

At first blush, this practice appears to be innocuous and perhaps even beneficial to the computer user seeking information about products or services. If a consumer wishes to purchase a digital camera and she does not happen to know a specific brand name, a Google search for "digital camera" will offer a plethora of brands and stores to choose from appearing as sponsored links on a results page. In this scenario, one can argue that Google merely connects advertisers with potential consumers in a way that enhances the functionality of the Internet as a resource locator.

But keyword advertising is also susceptible to abuses. Companies devote enormous advertising dollars to establish consumer recognition and goodwill in their brand

names. A consumer seeking to purchase a digital camera is as likely as not to search for a popular brand name such as NIKON, CANON or KODAK as opposed to searching for the generic phrase "digital camera." In recognition of this marketplace reality, search engines do not merely sell generic identifiers such as "digital cameras" as keywords, but also well-known trademarks that can be purchased by any third-party advertiser in order to attract consumers to its Web site.

Not surprisingly, the purchasers of trademarks as keywords are not always the brand owners

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themselves, but also their competitors who wish to have their own products or services associated with a particular brand name. The motivations for this can be perfectly legitimate as in the case of a repair shop that wishes to advertise the fact that it performs repairs on certain brand name products. However, keyword advertising can also foster unfair competition by diverting Internet traffic to Web sites that are deceptive or that offer counterfeit and infringing products for sale.

The legality of keyword advertising has been and continues to be a difficult issue for both litigants and courts in part due to certain technical hurdles required to establish a Lanham Act violation. The Southern District of New York recently dismissed a trademark claim brought against a keyword advertiser holding that this practice does not constitute “use in commerce.”<sup>1</sup> Days earlier, the District of Minnesota reached the opposite conclusion.<sup>2</sup> Both courts denied motions for reconsideration where they acknowledged their conflicting decisions.<sup>3</sup> This article will explore in more detail why keyword advertising has resulted in such sharply divergent views about how traditional trademark principles should be applied to the use of trademarks as information location tools on the Internet.

## Basics

In order to prevail on a trademark infringement claim for registered trademarks, pursuant to 15 U.S.C. §1114, or unregistered trademarks, pursuant to 15 U.S.C. §1125(a)(1), a plaintiff must establish that (1) it has a valid mark that is entitled to protection; (2) the defendant used the mark, (3) in commerce, (4) in connection with the sale...or advertising of goods or services without the plaintiff’s consent, (5) in a manner that “is likely to cause confusion...as to the affiliation, connection, or association of [defendant] with [plaintiff], or as to the origin, sponsorship, or approval of [the defendant’s] goods, services, or commercial activities by [plaintiff].”<sup>4</sup>

The Lanham Act further defines “commerce” as “all commerce which may be regulated by Congress” and “use in commerce” as follows:

For purposes of this Chapter, a mark shall be deemed to be in use in commerce—

(1) on goods when—

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or

labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce....

15 U.S.C. §1127.

## The Ninth Circuit Approach

Applying these principles, the U.S. Court of Appeals for the Ninth Circuit was one of the first courts to address the interplay between search engine functionality, trademark use and infringement. In the seminal case of *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, the Ninth Circuit reversed the district court’s denial of a preliminary injunction and instructed that an injunction be entered against the defendant’s use of plaintiff’s “MovieBuff” trademark in the “meta tags” associated with defendant’s Web site. Although “meta tags” are invisible to the average consumer, certain search engines nonetheless read the meta data associated with a Web site and use it to generate relevant search results. The *Brookfield* court assumed that such use of meta tags, although not transparent to end user consumers, satisfied the Lanham Act’s “in commerce” requirement.<sup>5</sup>

The court also concluded that the use of plaintiff’s mark in meta data was likely to result in “initial interest confusion”—the kind of actionable confusion that occurs when a consumer mistakenly is drawn to the defendant’s products even if confusion as to source is quickly dispelled, or no actual sale is consummated. Using the “initial interest confusion” analysis, the court had little difficulty recognizing that the defendant’s use of meta tags incorporating plaintiff’s trademark was a means to divert consumers looking for the plaintiff’s Web site and thereby capitalizing on the goodwill associated with its mark.<sup>6</sup>

Several years later, the Ninth Circuit revisited the “initial interest confusion” doctrine in the context of keyword advertising in *Playboy Enterprises, Inc. v. Netscape Communications Corp.*<sup>7</sup> In *Playboy*, the search engine defendants allowed advertisers to

target a particular audience by linking banner advertisements to certain identified terms including plaintiff’s registered PLAYBOY and PLAYMATE trademarks. Again, as in *Brookfield*, the court summarily concluded that the defendants “used the marks in commerce” notwithstanding that the keyword linking of the advertisements was an internal use of the mark not perceptible to the end users.<sup>8</sup>

## The GEICO Case

One of the largest beneficiaries of keyword advertising is Google. In 2004, GEICO sued Google in the Eastern District of Virginia alleging direct, contributory and vicarious trademark infringement based on its sale of keyword advertising linked to GEICO’s registered trademarks. The case implicated at least three specific accused keyword advertising practices: (1) the mere sale by Google of GEICO’s registered trademark as a keyword; (2) the display and use of sponsored links that prominently featured the GEICO mark in the headers and text of the links themselves; (3) the act of displaying sponsored links for the keyword advertisers’ Web sites even though the headers or text of such links did not reference the GEICO mark.<sup>9</sup>

Google filed a motion to dismiss alleging that these practices do not violate the Lanham Act as a matter of law. According to Google, GEICO could not establish an essential element of a trademark infringement claim, i.e., that its use of the GEICO mark was a “use in commerce” as defined by the act. Specifically, Google argued that it did not engage in actionable trademark use when it caused the computer algorithms of its search engine to deliver sponsored results triggered off by the GEICO search term because the offending mark was never placed on goods or used in any way that was perceptible to the end user.<sup>10</sup>

The court denied Google’s motion to dismiss in a decision dated Aug. 25, 2004. In holding that the complaint was addressed to more than the use of trademarks in internal computer coding, the court focused on the affirmative conduct of Google in allowing advertisers to bid on the plaintiff’s trademarks and to pay Google for the right to have their sites returned as sponsored links. The court reasoned that this kind of commercial activity satisfied the use in commerce requirement and could imply a business or licensing relationship between Google and the trademark owner.<sup>11</sup>

Although the court's ruling established that GEICO had set forth a threshold claim for relief, the end result was perhaps less than satisfactory from GEICO's perspective. After a bench trial on the merits, the court held that GEICO failed to produce evidence of a likelihood of confusion arising from "the mere use by Google of the GEICO trademark as a search term or keyword."<sup>12</sup> The court also concluded that the sponsored links which did not feature the GEICO marks in the headers or text did not create a sufficient likelihood of confusion to violate the Lanham Act notwithstanding GEICO's introduction of survey evidence. But with respect to those sponsored links that did openly feature the GEICO marks in their headers and text, the court held that such links violated the Lanham Act—based in part on Google's concession that it had no evidence to contest this allegation.<sup>13</sup>

### The Tide Turns: WhenU.Com Cases

The *Brookfield*, *Playboy* and *GEICO* cases established an early trend toward recognizing that keyword advertising can give rise to Lanham Act liability provided that infringement can be established. But these cases have been called into question by the U.S. Court of Appeals for the Second Circuit in *1-800 Contacts, Inc. v. WhenU.com* and several district courts in a series

of cases involving the same Internet pop-up advertiser—WhenU.com, Inc. (WhenU)—and its distribution of a software program called SaveNow. This program contains a directory of common search phrases, Web addresses and keyword algorithms. Once downloaded and installed, the program monitors a computer user's activities (i.e. search term usage and visits to Web pages) and determines if this data correlates with any information contained in the SaveNow directory. If so, the SaveNow program randomly selects advertisements from a WhenU client and delivers pop-up advertising to the computer user.<sup>14</sup>

In a watershed decision, the Second Circuit reversed a preliminary injunction against WhenU based on its inclusion of plaintiff's Web address [www.1800contacts.com](http://www.1800contacts.com) in the SaveNow directory and the resulting delivery of a competitor's pop-up advertisements to

Internet users accessing plaintiff's Web site. The court held that such activities failed to rise to the level of use in commerce in three respects. First, the court regarded the inclusion of plaintiff's Web address in the directory as an internal, non-trademark use that was "analogous to an individual's private thoughts about a trademark." Second, the court did not consider a pop-up advertisement for a competitor's products superimposed over the plaintiff's Web site to constitute a "display" or use of the plaintiff's trademark. Finally, the court noted that the SaveNow directory triggered pop-up ads based on access to the Web address [www.1800contacts.com](http://www.1800contacts.com) as opposed to the trademark 1800CONTACTS alone.<sup>15</sup>

The *1-800 Contacts* opinion is careful to distinguish the conduct of WhenU from the sale of keyword advertising by search engines such as Google and Yahoo! and their

Relying heavily on the *1-800 Contacts* case, the court held that the use of Merck's ZOCOR mark as a keyword to trigger the display of sponsored links by competitors was not use of the mark in a trademark sense.<sup>17</sup> In denying a motion for reconsideration, the court again opined that the defendants do not "place the ZOCOR marks on goods, containers, displays or associated documents." The court further analogized keyword advertising to "the product placement marketing strategy employed in retail stores, where...a drug store places its generic products alongside similar national brand products to capitalize on the latter's name recognition."<sup>18</sup>

Ten days prior to the *Merck* decision, the District of Minnesota reached the opposite conclusion in *Edina Realty v. TheMLSOnline.com*. In that case, the defendant was a competing real estate broker firm known as TheMLSOnline.com. Exemplifying

how keyword advertising practices can be abused, the defendant not only purchased plaintiff's registered trademark EDINAREALTY as a keyword from Google and Yahoo!, but the headers for the defendant's sponsored links also contained phrases such as "Edina Realty listings" or "Find Edina Realty." On these facts, the court broadly held that keyword advertising was actionable use in commerce.<sup>19</sup>

Recently, the District of New Jersey weighed in on the issue of keyword advertising in *800-JR Cigar, Inc. v. GOTO.COM, Inc.* In an extensive opinion on the parties' cross motions for summary judgment, the court found as a matter of law that keyword advertising was a "use in commerce" under the Lanham Act that could be enjoined. The court reasoned that the defendant traded on the value of plaintiff's marks by accepting bids on them and steered potential customers of the plaintiff to other competitors by ranking paid-search listings more prominently than organic results.<sup>20</sup>

### Commercial Use?

As the foregoing cases demonstrate, there continues to be erratic and often conflicting decisions with respect to the legality of keyword advertising practices—a state of affairs that

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customers. The court also distinguished the *Playboy* and *Brookfield* cases and the "initial interest" confusion theory by noting that WhenU's activities do not divert or misdirect Web traffic away from plaintiff's Web site. However, in distinguishing these cases, the Second Circuit made clear that it does not necessarily endorse their holdings.<sup>16</sup>

### Recent Developments

The Southern District of New York recently accepted the Second Circuit's invitation to move away from the *Brookfield* and *Playboy* cases in the context of keyword advertising. In *Merck & Co. v. Mediplan Health Consulting, Inc.*, the court granted the defendants' motion to dismiss those trademark infringement claims directed toward keyword advertising using Merck's well known ZOCOR mark.

invites uncertainty and forum shopping with respect to these kinds of claims. One possible explanation for these contradictory results is that courts are taking an overly restrictive view as to the kinds of activities that meet the threshold for potentially infringing use of a mark under the Lanham Act.

Congress amended the Lanham Act in 1988 as part of the Trademark Law Revision Act (TLRA).<sup>21</sup> One major effect of the TLRA was to implement an intent-to-use filing system wherein an entity could file a federal trademark application based on a bona fide intent to use a mark in commerce. With this change in mind, Congress amended the definition of “use in commerce” in order to eliminate “token use” as the basis for establishing trademark rights, and also liberalized the rules governing the affixation of marks on goods for the purpose of submitting specimens of the use to the Trademark Office in support of a federal registration.<sup>22</sup>

The legislative history of the TLRA suggests that the definition of “use in commerce” was intended to set forth the kinds of activities that create trademark rights—not to limit the reach of the act as it relates to infringement. The Senate Report for the TLRA distinguishes between a “registration use” of a mark and an infringing use as follows: “the revised definition is intended to apply to all aspects of the trademark registration process.... Clearly, however, use of any type will continue to be considered in an infringement action.”<sup>23</sup> Confirming this distinction, the court in *Playboy v. Netscape* also noted that the definition of “use in commerce” only “applies to the required use a plaintiff must make in order to have rights in a mark, as defined by 15 U.S.C. §1051.”<sup>24</sup> As such, it may be argued that the “use in commerce” language in the sections of the Lanham Act that address infringement is jurisdictional in nature and should be interpreted broadly to cover all commercial activities within the scope of Congress’ power under the Commerce Clause of the Constitution.<sup>25</sup>

The question of whether keyword advertising must rise to the level of “use in commerce” or merely effect “commerce” is a critical one. Outside of the Ninth Circuit, virtually all courts have assumed that the more stringent definition of technical “use in commerce” is the appropriate standard and therefore have focused on whether the use of a keyword constitutes a “display” or “placement” of a mark as required by the statutory definition.

The resulting analysis has been strained (such as the Second Circuit’s distinction between the Web address [www.1800CONTACTS.com](http://www.1800CONTACTS.com) and the trademark 1800CONTACTS) and often conflates the notion of “use in commerce” with the question of likelihood of confusion or defenses to infringement such



as fair use or nominal use of a mark. A more straightforward approach would be simply to acknowledge that the sale of trademarks as keywords by commercial enterprises such as Google and Yahoo! and the use of these keywords by their customers has an effect on commerce that falls within the jurisdictional reach of the Lanham Act.

This is not to say that all keyword advertising practices are illegal or otherwise rise to the level of a Lanham Act violation. Even conduct that is commercial in nature cannot be enjoined absent a showing that the accused designation is used in connection with the sale, offering for sale, distribution or advertising of any goods or services in such a way that is likely to result in confusion. In this respect, it may become increasingly difficult to demonstrate such confusion as consumers become more sophisticated and aware that brand owners are not necessarily the source of the sponsored links or banner advertising that appears on the search engine results page. Careful pre-litigation analysis should take into account factors such as whether or not the defendant’s sponsored links use the trademark in the headers or text and whether the accused Web site itself references the plaintiff’s mark or is otherwise deceptive. With the stakes higher than ever before, the litigation and debate over keyword advertising is likely to continue as long as consumers still use search engines to navigate the Internet.

1. *Merck & Co., Inc. v. Mediplan Health Consulting, Inc. et al.*, 425 F.Supp.2d 404 (S.D.N.Y. 2006).

2. *Edina Realty v. TheMLSOnline.com*, No. CIV. 04-4371, 2006 WL 737064, \*3 (D. Minn. March 20, 2006).

3. *Merck & Co.*, 2006 WL 1418616, \*2 (S.D.N.Y. May 24, 2006); *Edina Realty*, Civ. No. 04-4371 (JRT/FLN), 2006 WL 1314303, at \*1 (D. Minn. May 11, 2006).

4. See *Time, Inc. v. Petersen Publ'g Co.*, 173 F.3d 113, 117 (2d Cir.1999); *Genesee Brewing Co., Inc. v. Stroh Brewing Co.*, 124 F.3d 137, 142 (2d Cir. 1997).

5. 174 F.3d 1036, 1045 (9th Cir. 1999).

6. *Id.* at 1064-66.

7. 354 F.3d 1020 (9th Cir. 2004).

8. *Id.* at 1024.

9. *Government Employees Insurance Company v. Google, Inc. et al.*, 330 F.Supp.2d 700, 703-04 (E.D. Va. 2004).

10. *Id.* at 702-04.

11. *Id.*

12. No. 1:04 CV507, 2005 WL 1903128 at \*1 (E.D. Va. Aug. 8, 2005).

13. *Id.* at \* 7.

14. *1-800 Contacts, Inc. v. WhenU.com, Inc. et al.*, 414 F.3d 400, 404-06 (2d Cir. 2005). In 2003, two separate district courts looked at this same issue, and concluded that the SaveNow program did not violate the Lanham Act. *Wells Fargo & Co. v. WhenU.com*, 293 F.Supp.2d 734, 763 (E.D. Mich. 2003); *U-Haul Intern., Inc. v. WhenU.com, Inc.*, 279 F.Supp.2d 723, 728 (E.D. Va. 2003).

15. *1-800 Contacts*, 414 F.3d at 409-12.

16. *Id.* at 411, fn. 15.

17. *Merck*, 425 F.Supp.2d at 415.

18. *Merck*, 2006 WL 1418616, \*8. See also *Rescue Corp. v. Google, Inc.*, 5:04-CV-1055, 2006 WL 2811711 (Sept. 28, 2006) (dismissing trademark infringement claims against Google based on the *1-800 Contacts* and *Merck* cases).

19. 2006 WL 737064, \*3.

20. CV 00-3179, 2006 WL 1971659, \*6-9 (D. N.J. July 13, 2006).

21. Trademark Law Revision Act of 1988, Pub. L. 100-667, 102 Stat. 3935.

22. See generally 3 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition §19:110 (4th ed. 2006).

23. Senate Judiciary Committee Report on S. 1883, S. Rep. No. 100-515 (Sept. 15, 1988).

24. *Playboy*, 354 F.3d at 1024, fn. 11.

25. See Trade-Mark Cases, 100 U.S. 82 (1879).