

## **Intellectual Property Committee**

### **Have You Talked to Your Clients about Google Adwords®?**

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Most businesses recognize the value of using Google's "Adwords®" service (or similar services offered by Bing, Yahoo and others) to elevate traffic to their website by targeting customers seeking particular goods or services.<sup>1</sup> For a fee, businesses can purchase various Google Adwords® that trigger sponsored links when an Internet user enters a particular search term. By way of example, an automobile tire manufacturer might purchase the Google Adwords® "new tires." When a user enters "new tires" into Google's search engine, a link to the tire manufacturer's website would then appear in an advertising or "sponsored link" section near the search results. This is a common and legitimate technique for any company that uses web advertising. But what if the same tire manufacturer also buys Google Adwords® that include the trademarks of its competitors?

Trademark infringement traditionally considers using the trademarks of another to promote one's own products or services in a manner which is likely to confuse consumers. A classic example is *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979), where the Ninth Circuit held that the defendant's sale of boats under the name "Sleekcraft" infringed the "Slickcraft" trademark owned by the plaintiff for use on its boats.<sup>2</sup> In contrast, when an Internet user enters a trademark into a search engine, the trademark may trigger search results or a sponsored ad, but the trademark itself may never be visually displayed to the user in the competitor's sponsored results

or ads. To better address trademark infringement in Internet advertising, courts initially considered whether the use of another's trademark, where the use was invisible to the consumer, was "use in commerce" as defined by the Lanham Act. Most jurisdictions to consider the issue have determined that using another's trademarks as a keyword in Internet searches is actionable. However, even if a court determines that such "invisible" uses of another's trademarks are actionable, the trademark owner must still prove that the competitor's use of the trademark is likely to confuse consumers. If your client uses Internet advertising, you should have an understanding of how the courts are currently addressing these issues. This article considers how the courts have addressed Google Adwords® (and similar products) as a "use in commerce" in the context of the Lanham Act, and whether that use is likely to cause consumer confusion.

### **Initial Decisions Create a Perceived Split in Authority**

Initial decisions regarding non-traditional uses of a trademark to generate website traffic focused primarily on the use of metatags, which are embedded words or phrases that can be used by Internet search engines for a variety of purposes, including page rankings and descriptions. In the landmark case of *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1065 (9th Cir. 1999), the Ninth Circuit held that the use of a metatag containing "any term confusingly similar with" another's trademark is actionable under the Lanham Act. In contrast, the Second Circuit's decision in *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400 (2d Cir. 2005), which considered the use of website addresses, distinguished its holding from those decisions directed towards metatags. The *1-800 Contacts* decision was one of several cases involving the same defendant, WhenU.com, Inc., and its software application "SaveNow."

The SaveNow software used a proprietary internal database that included numerous website addresses, some of which incorporated trademarks (or terms that were nearly identical to trademarks) owned by other entities.<sup>3</sup> Based on a user's entries into a web browser or Internet search engine, the SaveNow software referenced its internal database and generated pop-up ads related to the computer user's entries.<sup>4</sup> Importantly, WhenU.com's advertising clients only purchased ads in general categories; they were not able to select and purchase specific keywords or specific competitor's trademarks.<sup>5</sup> The Second Circuit held that WhenU.com's use of website addresses (which may or may not contain another entity's trademark) was not a use in commerce.<sup>6</sup> The Second Circuit distinguished the SaveNow software from cases related to "metatags" (e.g., *Brookfield Communications*) on the grounds that the use of pop-up ads does not divert or misdirect consumers.<sup>7</sup>

The Second Circuit in *1-800 Contacts* cited two other cases where district courts applied similar logic in the context of WhenU.com's software: *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734 (E.D. Mich. 2003) and *U-Haul Int'l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723 (E.D. Va. 2003). Like the *1-800 Contacts* decision, the court in *Wells Fargo* found that using plaintiff's trademark in a proprietary directory of keywords was not "use in commerce" for purposes of the Lanham Act.<sup>8</sup> Of particular importance to the *Wells Fargo* Court was the fact that the plaintiff's trademark was not visible (or known) to a consumer.<sup>9</sup> Similarly, in *U-Haul Int'l*, the court concluded that defendant's use of the plaintiff's trademark in its software database was a "pure machine-linking function," i.e. a mechanism for cataloging Internet addresses, and therefore was not "use in commerce" under the Lanham Act.<sup>10</sup>

## **The Second Circuit Clarifies its Prior Holding**

Several courts subsequently interpreted the *WhenU.com* line of cases as holding that the use of Google's Adwords® program was not actionable. For example, several district courts in the Second Circuit held that including a trademark in an internal computer directory cannot constitute trademark use.<sup>11</sup> However, these decisions appear to have read the *1-800 Contacts* decision as suggesting that a website could never be a trademark—an interpretation that the Second Circuit sought to correct in its subsequent decision relating specifically to Google's Adwords® program.

In *Rescuecom Corp. v. Google, Inc.*, 562 F.3d 123 (2d Cir. 2009), the Second Circuit reversed the dismissal of an action brought against Google based on its Adwords® program.<sup>12</sup> The Second Circuit noted that allowing advertisers to pay to appear at the top of the search results based on a competitor's trademark “would be highly likely to cause consumer confusion.”<sup>13</sup> The facts were distinguishable from the *WhenU.com* decisions, “where the defendant did not ‘use or display,’ much less sell, trademarks as search terms to its advertisers.”<sup>14</sup> The Second Circuit also provided a lengthy appendix discussing its *1-800 Contacts* decision and a historical analysis of “use in commerce” under the Lanham Act.<sup>15</sup> Ultimately, the Second Circuit held that a Google Adwords® program does make use of trademarks in commerce, as the service allows trademarks to be purchased for use in Internet advertising.<sup>16</sup>

The *Rescuecom* decision brought the Second Circuit in line with several other circuits that have addressed the use of Google Adwords® in the context of the Lanham Act. For example, in *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1233 (10th Cir. 2006), the court considered the use of a program similar to Google’s Adwords®, where defendants paid for “premium placement” in an Internet search if the plaintiffs’ trademark was entered. The Tenth Circuit held that purchasing the plaintiffs’ trademarks for Internet searches was an “attempt[] to divert traffic” to defendants’ websites, and was actionable under the Lanham Act.<sup>17</sup> Recently, the Ninth Circuit echoed the Second Circuit’s holding that use of a search engine keyword is a use in commerce under the Lanham Act in *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, 638 F.3d 1137, 1145 (9th Cir. 2011). Similarly, in *800-JR Cigar, Inc. v. GoTo.com, Inc.*, 437 F. Supp. 2d 273, 278 (D.N.J. 2006), the district court concluded that the sale of competitors’ trademarks by “pay-for-priority” search engines was actionable under the Lanham Act.<sup>18</sup> In *Edina Realty, Inc. v. TheMLSonline.com*, 2006 U.S. Dist. LEXIS 13775, \*10 (D. Minn. Mar. 20, 2006), the district court held that the purchase of search terms with a competitor’s trademark is a use in commerce.<sup>19</sup>

The Eleventh Circuit has not specifically addressed whether Google Adwords® are a use in commerce. However, in *North American Medical Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211, 1220 (11th Cir. 2008), the Eleventh Circuit held that the use of metatags constitutes a use in commerce. In this decision (which predated the *Rescuecom* decision from the Second Circuit), the Eleventh Circuit specifically distinguished the facts present in *Axiom* from those of *1-800 Contacts*, and took exception to the notion that there must be a “display” of the plaintiff’s

trademark to constitute use in commerce.<sup>20</sup> The Eleventh Circuit held that it was “absolutely clear” that using plaintiff’s “two trademarks as meta tags as part of its effort to promote and advertise its products on the Internet” was use in commerce.<sup>21</sup> Under analogous reasoning, the use of Google Adwords® would likewise be a use in commerce.<sup>22</sup>

### **Are “Sponsored” Ads Likely to Confuse Consumers?**

Although most courts appear to consider the use of Google Adwords® (and similar services) to be a use in commerce under the Lanham Act, the traditional “likelihood of confusion” analysis must still be undertaken to determine a user’s liability under the Lanham Act. In the context of enforcing a permanent injunction, the Massachusetts District Court found that the use of “sponsored linking” -- which displays a sponsored ad set apart from search results -- was not likely to confuse consumers, and therefore not a violation of the injunction against use of the plaintiff’s trademark.<sup>23</sup> Similarly, both the Eleventh Circuit and the Second Circuit have cast doubt on whether the use of a “sponsored link” would be sufficient to cause confusion. For example, in *Rescuecom*, the court suggested that a “separate ‘sponsored links’ or paid advertising section” may not be highly likely to cause confusion.<sup>24</sup> The *Axiom* decision suggested a similar notion; the Eleventh Circuit distinguished the facts before it from an instance where “use of plaintiff’s trademark as a meta tag causes in the search result merely a listing of the defendant’s website along with other legitimate websites, without any misleading descriptions.”<sup>25</sup> The Eleventh Circuit went on to note that legitimate reasons may exist “to use a competitor’s trademark as a meta tag...,” such as in the context of comparative advertising, thus reducing the

likelihood of confusion.<sup>26</sup> Moreover, there is no case in the Eleventh Circuit adopting the doctrine of initial interest confusion<sup>27</sup>, and at least one district court has rejected the doctrine.<sup>28</sup>

### **How to Advise Clients in the Eleventh Circuit**

The viability of claims based on Google Adwords® is unsettled within the Eleventh Circuit. But in light of the case law from other circuits, and the Eleventh Circuit's recent holding on metatags, it appears likely that the use of Google Adwords® which include a competitor's trademark will generally support a Lanham Act claim. However, one could infer from the dicta in the *Axiom* case that simply using a competitor's trademark as a Google Adword® may not be sufficient to establish a likelihood of confusion.<sup>29</sup> For example, triggering a sponsored ad (without displaying a competitor's trademark in the ad itself) may be less likely to confuse consumers because the section is segregated from other search results and obviously contains paid advertisements. This may be especially true if the Eleventh Circuit does not recognize initial interest confusion. So can you tell your clients they are clear to buy Google Adwords® containing a competitor's trademark? Probably not.

Consider the nature of Internet advertising—it is, after all, the *Worldwide Web*. There is no guarantee that your client will be sued in the Eleventh Circuit if it uses another's trademarks in Google Adwords®. If your client is subject to personal jurisdiction elsewhere, it could be sued in a jurisdiction where the initial interest confusion doctrine is more strongly enforced, or in a circuit that has definitively determined that the use of Google Adwords® containing a competitor's trademark violates the Lanham Act. Either way, whether sued in the Eleventh

Circuit or elsewhere, the nature of the use will be critical because the likelihood of confusion analysis will likely be determinative. On one hand, it is still highly questionable that use of a trademark to trigger a sponsored link, without more, would satisfy the likelihood of confusion standard.<sup>30</sup> On the other hand, at least one court found the use of Google Adwords® to weigh in favor of liability.<sup>31</sup> If your client decides to purchase a competitor's trademark for Google Adwords®, it is critical that the triggered advertisement avoid creating any confusion. For example, the competitor's trademark should *not* be displayed in the text of the advertisement itself, such as in *Axiom and Storus Corp. v. Aroa Marketing, Inc.*, 2008 U.S. Dist. LEXIS 11698, \*13 (N.D. Cal. Feb. 15, 2008).<sup>32</sup> You can also counsel your client to make efforts to use the trademark in a manner which is consistent with “nominative fair use.” However, given the uncertainty that remains in this area of the law, the best course is to err on the side of caution—clients should avoid use of another's trademark with Google Adwords® or similar services.

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<sup>1</sup> See, for example, <http://www.google.com/adwords>.

<sup>2</sup> See *Sleekcraft*, 599 F.2d at 354.

<sup>3</sup> *I-800 Contacts*, 414 F.3d at 404.

<sup>4</sup> See *id.*

<sup>5</sup> See *id.* at 409.

<sup>6</sup> See *id.* at 409.

<sup>7</sup> See *I-800 Contacts*, 414 F.3d at 411-412.

<sup>8</sup> See *Wells Fargo*, 293 F. Supp. 2d at 757-64.

<sup>9</sup> *Id.* at 759-761.

<sup>10</sup> *U-Haul Int'l*, 279 F. Supp. 2d at 728 (internal quotation marks omitted).

<sup>11</sup> See, e.g., *S&L Vitamins, Inc. v. Australian Gold, Inc.*, 521 F. Supp. 2d 188, 199-202 (E.D.N.Y. 2007); *Merck & Co. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 415 (S.D.N.Y. 2006).

<sup>12</sup> See *Rescuecom*, 562 F.3d at 124.

<sup>13</sup> See *id.* at 130, n. 4.

<sup>14</sup> See *id.* at 129.

<sup>15</sup> See *id.* 131-141.

<sup>16</sup> See *id.* at 129.

<sup>17</sup> See *id.* at 1239; see also *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1025-26 (9th Cir. 2004).

<sup>18</sup> See also *Buying for the Home, LLC v. Humble Abode, LLC*, 459 F. Supp. 2d 310, 323 (D.N.J. 2006)(the purchase of a competitor's mark is use in commerce, as the competitor's trademark is used for "the promotion of Defendants' goods and retail services...").

<sup>19</sup> See also *Transamerica Corp. v. Moniker Online Services, LLC*, 672 F. Supp. 2d 1353, 1362 (S.D. Fla. 2009); *Hysitron Inc. v. MTS Systems Corp.*, 2008 U.S. Dist. LEXIS 58378, \*7-8 (D. Minn. Aug. 1, 2008); *Google Inc. v. American Blind & Wallpaper Factory, Inc.*, 2007 U.S. Dist. LEXIS 32450, \*21 (N.D. Cal. Apr. 18, 2007); *Government Employees Insurance Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 703 (E.D. Va. 2004); but see *Rosetta Stone Ltd. v. Google, Inc.*, 730 F. Supp. 2d 531, 545-546 (E.D. Va. 2010)(finding that the functionality doctrine barred Google's liability, as keywords serve "an essential indexing function.").

<sup>20</sup> See *Axiom*, 522 F.3d at 1219-20.

<sup>21</sup> See *id.* at 1219.

<sup>22</sup> But see *Southern Grouts & Mortars, Inc. v. 3M Co.*, 2008 U.S. Dist. LEXIS 70222, \*32, n. 11 (S.D. Fla. Sept. 17, 2008)(metatags qualifying as use in commerce "is not the same as saying that the purchase of ad words which result in sponsored links will necessarily constitute 'use in commerce'"), *aff'd*, *Southern Grouts & Mortars, Inc. v. 3M Co.*, 575 F.3d 1235, 1251 (11th Cir. 2009)(the court chose not to address whether Adwords® were a use in commerce because the issue was not properly before the court).

<sup>23</sup> *Boston Duck Tours, LP v. Super Duck Tours, LLC*, 527 F. Supp. 2d 205, 208 (D. Mass. 2007).

<sup>24</sup> See *Rescuecom*, 562 F.3d at 130, n. 4; see also *Google Inc. v. American Blind & Wallpaper Factory, Inc.*, 2007 U.S. Dist. LEXIS 32450 at \*36 (finding that a fact question existed as to whether a “sponsored link” was likely to cause confusion).

<sup>25</sup> See *Axiom*, 522 F.3d at 1224, n. 10.

<sup>26</sup> See *id.*

<sup>27</sup> “Initial interest confusion” is defined as “consumer confusion that creates initial interest in a competitor’s product. Although dispelled before the actual sale occurs, initial interest confusion impermissibly capitalizes on the goodwill associated with a mark...” See *Playboy*, 354 F.3d at 1025. Initial interest confusion is commonly relied on in metatag and Adword® decisions. See, e.g., *Australian Gold*, 436 F.3d at 1244; *Brooksfeld*, 174 F.3d at 1062.

<sup>28</sup> See *Vital Pharmaceuticals, Inc. v. American Body Building Products, LLC*, 511 F. Supp. 2d 1303, 1318 (S.D. Fla. 2007).

<sup>29</sup> See *Axiom*, 522 F.3d at 1224, n. 10.

<sup>30</sup> See *Rescuecom*, 562 F.3d at 130, n. 4; *Axiom*, 522 F.3d at 1224, n. 10.

<sup>31</sup> *Binder*, 2011 U.S. Dist. LEXIS 7037, \*38,

<sup>32</sup> See *Axiom*, 522 F.3d at 1222.