

Keyword Advertising Remains Unsettled

By David S. Fleming

The Second Circuit is poised to decide an important keyword advertising case, *Rescuecom v. Google*,¹ which will address whether the act of keying a sponsored search advertisement to a trademark owned by someone other than the advertiser constitutes use of that trademark. The court's decision in *Rescuecom* probably will resolve the trademark use issue within the Second Circuit, but it will not end the keyword advertising debate.

Trademark owners complain that online advertisements keyed to their trademarks confuse consumers into believing the advertisements come from or are sponsored by the trademark owners and that they divert consumers to competing websites. Trademark owners argue that, even if consumers realize as soon as they reach a website that it is not the trademark owner's site, that they were initially confused when they clicked on the advertisement and this "initial interest confusion" leads them to consider goods and services offered by the advertiser. Advertisers, and the search engines that offer sponsored search advertising services, respond that confusion is unlikely and that trademark keywords often are permissible uses of those trademarks for such legitimate purposes as comparative advertising, resale, and criticism.

What Is Keyword Advertising?

Keyword advertisements are text advertisements appearing on search results pages, placed above, to the right, and sometimes below the algorithmic or "natural" search results. Advertisers pay search engines to deliver these advertisements when consumers enter certain terms, or keywords, in the search box in their browser. Whether and where an advertisement will appear in the results may depend in part on the price paid by the advertiser and possibly on other factors that may vary from one search engine to another. Search engines usually earn revenue from the advertisements only when the consumer clicks on the advertisement and is redirected to a landing page on the advertiser's website.

A few hypotheticals illustrate the types of advertisements that may be involved in keyword cases. In each of these examples, assume that the trademark owner is the maker of hiking boots sold under the brand name RUGGED ROAD.

Resale of Products Bearing the Trademark

A sporting goods store called Outdoor World sells hiking boots over the Web and at its retail stores. Outdoor World buys this advertisement that appears when a consumer enters the term "rugged road":

WE STOCK RUGGED ROAD BOOTS

Find an extensive line of Rugged Road and other hiking boots in our camping superstores.
www.outdoorworld.com

In a variation of this example, Outdoor World omits the RUGGED ROAD trademark from the text of its advertisement:

HIKING BOOTS AT OUTDOOR WORLD

Find an extensive line of Outdoor World from many suppliers
www.outdoorworld.com

Several factors could influence a court's analysis of these advertisements. What if Outdoor World does not sell RUGGED ROAD boots? What if the advertisement creates the incorrect impression that Outdoor World is an authorized reseller? What if the store is selling gray market RUGGED ROAD boots that are not intended for sale in the United States? What if the boots are counterfeit? What if Outdoor World sells genuine RUGGED ROAD boots but at a price significantly below prices charged at RUGGED ROAD's own retail locations?

Information About the Trademark Owner or Its Products

In a second example, a sporting goods magazine that does not itself sell hiking boots provides reviews of boots available on the market:

REVIEWS OF POPULAR HIKING BOOTS

Guide to leading hiking boots: Rugged Road, Slippery Slope, and others.
www.outdoorsports.com

An advertisement also could be placed by an advertiser that is critical of the trademark owner:

RUGGED ROAD LABOR VIOLATIONS

Reports of child labor abuse by Rugged Road hiking boots
www.childprotection.org

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Variations of these facts also could be relevant. For example, what if the review site sells boots that compete with RUGGED ROAD boots? Would it matter, from a trademark standpoint, if the critical site makes defamatory statements about the trademark owner? Will the nature of the information provided implicate First Amendment free speech issues?

Comparative Advertising

A third set of examples relates to advertisements placed by the trademark owner's competitor. A comparative advertisement might look like this:

COMPARE SLIPPERY SLOPE TO RUGGED ROAD

Buy Slippery Slope boots for half the price of Rugged Road boots.
www.slipperslope.com

The competitor's advertisement might be less explicit in identifying the source of the advertisement and the fact that it is a comparison:

BUY SLIPPERY SLOPE BOOTS

Slippery Slope boots offer the highest quality!
www.slipperslope.com

In each of these cases, courts may consider facts such as whether the competitor's site in fact provides meaningful comparative information about the competing products and wheth-

er the advertisement confuses consumers into believing that the advertisement originates from or is endorsed by the trademark owner.

The Second Circuit and Trademark Use

These examples set the stage for the issue before the Second Circuit in *Rescuecom*: whether an advertisement that is keyed to another's trademark, but that does not include that trademark in its ad text, makes use of the trademark. The plaintiff in *Rescuecom* provided computer- and Internet-related services, conducting much of its business from a website located at www.rescuecom.com. Google allowed Rescuecom competitors to key their sponsored search advertisements to the term "rescuecom." The word "rescuecom" did not appear in the text of these advertisements. Unlike the hypotheticals, this was not a case where the advertisers were selling Rescuecom's products, providing information about Rescuecom, or making explicit comparisons between their own services and Rescuecom's. Moreover, because the Rescuecom mark did not appear in the text of the advertisements, the advertisements did not explain the relationship between the advertisers and Rescuecom. They did not, for example, compare a competitor's services with Rescuecom's.

Rescuecom alleged various trademark claims, including trademark infringement, false designation of origin, and dilution. With respect to its infringement claim, Rescuecom was required to prove, among other things, that the competitors' advertisements were likely to confuse consumers into believing that the ads came from or were sponsored by Rescuecom.

Google moved to dismiss, arguing that the district court need not reach likelihood of confusion because a threshold element—the use of plaintiff's mark as a trademark—was not present. Google relied on the Second Circuit's prior decision in a pop-up advertising case, *1-800 Contacts v. WhenU.com*,² in which the Second Circuit held that entirely internal database use of a URL containing plaintiff's trademark did not constitute use as a trademark.

The district court in *Rescuecom* agreed with Google's argument, noting that the RESCUECOM mark did not appear in the text of advertisements.³ The court described Google's use as internal and not visible to the public. Relying on *1-800 Contacts*, it concluded that such internal use for the purpose of triggering advertisements is not use in a trademark sense.⁴

Other district courts in the Second Circuit have reached the same conclusion.⁵ Even in cases where there was visible use of the trademark in the text of the advertisement, district courts in the Second Circuit have found for the advertiser. These typically are cases similar to the resale hypothetical in which the ad text properly discloses that the advertiser is selling the trademark owner's products. For example, in *S&L Vitamins v. Australian Gold*,⁶ the district court granted summary judgment to the advertiser where the plaintiff's mark was a keyword and it appeared in the ad text. The advertiser had in fact sold plaintiff's products on its website.⁷ Similarly, in *Tiffany (NJ) Inc. v. eBay, Inc.*,⁸ a case involving keyword ads placed by eBay for Tiffany products, the court held that there was trademark use but that eBay's use of the Tiffany marks had been permissible as nominative fair uses.⁹

Trademark Use Beyond the Second Circuit

Outside the Second Circuit, most courts have held that keying an advertisement to another's trademark does constitute use of that trademark. For example, in *Australian Gold v. Hatfield*,¹⁰ the Tenth Circuit affirmed a jury verdict that found trademark infringement and other violations. While not analyzing trademark use at length, the court found that the advertisers used plaintiff's mark on their websites and in meta tags, and by keying their advertisements to the mark.

In *North American Medical Corp. v. Axiom Worldwide, Inc.*,¹¹ a case involving meta tags rather than keywords,¹² the Eleventh Circuit questioned the Second Circuit's *1-800 Contacts* "no trademark use" analysis. The court concluded that the absence of a visible display might be relevant in deciding whether there is a likelihood of confusion, but the court challenged separating the likelihood of confusion from a use analysis.¹³

Several district courts also have rejected or distinguished the Second Circuit's "no trademark use" analysis, relying on differences between keyword advertising and the pop-up advertising at issue in the *1-800 Contacts* decision.¹⁴

Different Results Regarding Confusion

While courts outside the Second Circuit typically find trademark use, they have reached differing conclusions as to whether keyword ads create a likelihood of confusion.

Confusion Not Likely

In *GEICO v. Google*,¹⁵ the court concluded after a bench trial that plaintiff's survey evidence was insufficient to prove a likelihood of confusion where the trademark did not appear in the ad text.¹⁶ As noted below, however, the court reached the opposite conclusion concerning ads that included the trademark in the ad text. In *J.G. Wentworth v. Settlement Funding*,¹⁷ the court found trademark use but granted a motion to dismiss because defendant's advertisements were not likely to cause initial interest confusion.¹⁸ In *Boston Duck Tours, LP v. Super Duck Tours, LLC*,¹⁹ a case involving competing Boston "duck tours" services, the court found that the advertiser did not violate a preliminary injunction when it purchased ads keyed to the phrase "boston duck tours." The court noted that the advertiser's name and the content of its advertisement sufficiently distinguished it from the plaintiff.²⁰ Finally, in *Nautilus Group, Inc. v. Icon Health & Fitness, Inc.*,²¹ a suit involving dilution rather than likelihood of confusion and infringement, the court found that a clearly labeled comparative advertisement was excepted from the reach of the federal trademark dilution statute.²²

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Confusion Likely

In *GEICO*,²³ in contrast to its conclusion concerning advertisements that do not include the trademark in their text, the court found that advertisements containing the trademark did create a likelihood of confusion. However, the court reserved the question of whether the search engine was liable for such ads.²⁴ In *Storus Corp v. Aroa Marketing*,²⁵ the court granted summary judgment to the plaintiff who claimed that the advertiser's use of its mark as a keyword and in the text of the resulting advertisement caused initial interest confusion. The court found no triable issues with respect to key confusion factors (similarity of the marks, marketing channels, and goods), and the advertiser failed to show that other factors weighed strongly against a likelihood of confusion. In *International Profit Associates v. Paisola*,²⁶ the court granted an ex parte motion for a temporary restraining order, finding trademark use in the purchase of keywords and likelihood of success in proving infringement.

Fact Issues Concerning Likelihood of Confusion

Other courts have found fact issues precluding summary judgment or dismissal on the issue of likely confusion. For example, in *800-JR Cigar, Inc. v. GoTo.com, Inc.*,²⁷ in which the parties filed cross-motions for summary judgment, the court denied the motions based on fact issues as to several likelihood of confusion factors and the applicability of initial interest confusion.²⁸ The court also concluded that the defendant search engine's fair use defense was an issue for the trier of fact, noting that the search engine's use "is probably fair" to the extent it permits bids on plaintiff's marks "for purposes of comparative advertising, resale of [plaintiff's] products, or the provision of information about [plaintiff] or its products."²⁹ Similar fact issues and the uncertain state of the law prevented summary judgment or dismissal for plaintiff or defendant in several other cases.³⁰

Conclusion

While the Second Circuit's *Rescuecom* decision may answer the trademark use question within the Second Circuit, it will not bring clarity to the question of whether keyword advertisements are likely to create confusion. The nature and content of particular advertisements may continue to be the most important factor to courts as they determine whether confusion is likely. ■

Endnotes

1. No. 06-4881-cv (2d Cir., appeal filed Oct. 23, 2006).
2. *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400 (2d Cir.), cert. denied, 126 S.Ct. 749 (2005).
3. *Rescuecom Corp. v. Google, Inc.*, 456 F. Supp. 2d 393, 401 (N.D.N.Y. 2006).
4. *Id.* at 403.
5. *FragranceNet.com v. FragranceX.com*, 493 F. Supp. 2d 545, 551 (E.D.N.Y. 2007); *Site Pro-I, Inc. v. Better Metal, LLC*, 506 F. Supp. 2d 123, 127-28 (E.D.N.Y. 2007); *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 416, reh'g denied, 431 F. Supp. 2d 425, 427 (S.D.N.Y. 2006). See also *Hamzik v. Zale Corp.*, No. 3:06-cv-1300, 2007 WL 1174863, at *3 (N.D.N.Y. Apr. 19, 2007) (denying motion to dismiss, finding trademark use because trademark appeared in ad text).

6. *S&L Vitamins v. Australian Gold*, 521 F. Supp. 2d 188 (E.D.N.Y. 2007).
7. *Id.* at 201.
8. *Tiffany (NJ) Inc. v. eBay, Inc.*, No. 04 Civ.4607 (RJS), 2008 U.S. Dist. LEXIS 53359 (S.D.N.Y. July 14, 2008).
9. *Id.* at *94.
10. *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1239 (10th Cir. 2006).
11. *North American Medical Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211, 1219-1220 (11th Cir. 2008).
12. The term "meta tags" refers to generally html text that is present on website pages but is not visible to consumers. Depending upon the manner in which search engines index websites, meta tags may play a role in determining whether a listing for a website will be returned among algorithmic search results listings when a consumer searches for a term that appears in the websites meta tags. Use of trademarks as meta tags is analogous to use of trademarks as sponsored search keywords, because in both cases, a consumer's search for a term that includes the trademark may result in the return of a corresponding algorithmic listing or a sponsored search advertisement.
13. *North American Medical Corp.*, 522 F.3d at 1219-1220.
14. See, e.g., *Government Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700 (E.D. Va. 2004) (search engine's motion to dismiss denied); *Google, Inc. v. American Blind & Wallpaper Factory, Inc.*, No. C 03-5340 JF (RS), 2007 U.S. Dist. LEXIS 32450, at *8-*15, *21 (N.D. Cal. Apr. 18, 2007) (search engine's summary judgment motion denied); *1-800 JR Cigar, Inc. v. GoTo.com, Inc.*, 437 F. Supp. 2d 273, 285 (D.N.J. 2006) (search engine's motion for summary judgment denied).
15. *Government Employees Ins. Co. v. Google, Inc.*, 2005 U.S. Dist. LEXIS 18642 (E.D. Va. Aug. 8, 2005).
16. *Id.* at *25-*26.
17. *J.G. Wentworth, S.S.C. Ltd. v. Settlement Funding LLC*, No. 06-0597, 2007 WL 30115, at *5, *8 (E.D. Pa. Jan. 4, 2007).
18. *Id.*
19. *Boston Duck Tours, LP v. Super Duck Tours, LLC*, 527 F. Supp. 2d 205, 208 (D. Mass. 2007). On appeal, the First Circuit held the term "duck tours" to be generic and reversed the district court's grant of a preliminary injunction. 2008 WL 2444480 (1st Cir. June 18, 2008).
20. *Id.*
21. *Nautilus Group, Inc. v. Icon Health & Fitness, Inc.*, C02-2420RSM, 2006 WL 3761367, at *4 (W.D. Wash. Dec. 21, 2006).
22. *Id.* at *4.
23. *Government Employees Ins. Co. v. Google, Inc.*, 2005 U.S. Dist. LEXIS 18642 (E.D. Va. Aug. 8, 2005).
24. *Id.* at *26-*27.
25. *Storus Corp. v. Aroa Marketing, Inc.*, No. C-06-2454 MMC, 2008 WL 449835, at *4-*5 (N.D. Cal. Feb. 15, 2008).
26. *International Profit Associates, Inc. v. Paisola*, 461 F. Supp. 2d 672, 677 (N.D.Ill. 2006).
27. *800-JR Cigar, Inc. v. GoTo.com, Inc.*, 437 F. Supp. 2d 273, 296 (D.N.J. 2006).
28. *Id.* at 292.
29. *Id.* at 292-93.
30. *Google, Inc. v. American Blind & Wallpaper Factory, Inc.*, No. C 03-5340 JR (RS), 2007 U.S. Dist. LEXIS 32450, at *8-*15 (N.D. Cal. Apr. 18, 2007); *Edina Realty, Inc. v. TheMLSOnline.com*, 2006 WL 737064, at *5 (D. Minn. Mar. 20, 2006); *Kinetic Concepts, Inc. v. Bluesky Med. Group, Inc.*, 2005 U.S. Dist. LEXIS 32353, at *34 (W.D. Tex. Nov. 1, 2005); *T.D.I. International, Inc. v. Golf Preservations, Inc.*, No. 6:07-313-DCR, 2008 WL 294531, at *4 (E.D. Ky. Jan. 31, 2008).