

LITIGATION

INTELLECTUAL PROPERTY >> ALERT

NINTH CIRCUIT CONFIRMS THAT KEYWORD ADVERTISING CAN BE TRADEMARK INFRINGEMENT, BUT RAISES THE BAR TO PROVE INFRINGEMENT

Many advertisers use keyword advertising programs with search engines, such as Google's AdWords, as part of their internet marketing campaigns. These programs often allow a keyword advertiser to select the trademarked name of a competitor as a keyword.

Consequently, when someone runs an internet search for the competitor whose name was purchased as a keyword, the search results include not just the results concerning the competitor, but also an ad or sponsored link from the keyword advertiser. It is a practice that can be appealing to the keyword advertiser, but can also raise the ire of the company that owns the trademark that was used as a keyword. The question that courts have been grappling with since this practice became available is whether such use of a competitor's name is trademark infringement. On March 8, 2011, in *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, the U.S. Court of Appeals for the Ninth Circuit, which covers the West Coast, including California, joined a number of courts in several other circuits that have held that using a competitor's trademarked name in

a search engine's keyword advertising program constitutes use of another's trademark in commerce and falls within the ambit of the Lanham Act's prohibition against trademark infringement. The Ninth Circuit also provided the framework for the next step in the trademark infringement analysis, which is to determine whether this use is likely to cause confusion among consumers who see the ad.

WHAT IS KEYWORD ADVERTISING?

Many internet search engines, such as Google, Yahoo! and Bing, generate revenue by selling advertising space on their web pages, and charging advertisers based on the number of times users click on an ad to travel from the search results page to the advertiser's website. Search engines typically allow advertisers to target their advertisements by allowing the advertiser to purchase "keywords" or search terms that trigger the display

THE BOTTOM LINE

The Second and the Ninth Circuits seem to have settled the legal issue that the purchase and use of keywords in Internet advertising is a "use in commerce" and can constitute trademark infringement under the Lanham Act. As the *Network Automation* decision illustrates, the focus in keyword advertising cases now will be whether there is a likelihood of confusion, rather than whether the use was "use in commerce."

of the advertisement. Typically, search engines set apart this advertising from the "organic" results that are generated based on the search engine's proprietary algorithms, by using headings, such as "Sponsored Links" or "Ads," different colors, fonts

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or shading, and display the advertising in a separate section on the top or side of their search results page.

EARLY CASES – “USE IN COMMERCE” INQUIRY

Several owners of trademarks that have been purchased as keywords in keyword advertising programs have sued search engines that ran the programs and/or the advertisers that purchased the keywords, claiming that the sale and/or purchase of their trademarks as keywords constitutes trademark infringement and/or unfair competition under the Lanham Act.

In the early wave of cases, courts examined the preliminary issue of whether the sale and purchase of keywords as part of search engine advertising programs constitutes a “use in commerce,” which is required to establish liability for trademark infringement under the Lanham Act. There were conflicting results in many of these cases.

In 2009, the U. S. Court of Appeals for the Second Circuit, which covers New York, Connecticut and Vermont, in *Rescuecom v. Google*, held that the sale of trademarked terms as part of a keyword advertising program

does constitute a “use in commerce” and thus is subject to the prohibitions in the Lanham Act against trademark infringement and unfair competition.

The *Rescuecom* decision appears to have stemmed the tide of decisions finding that use of a trademark in keyword advertising did not give rise to a claim for trademark infringement. Since then, courts that have examined this issue have generally agreed with the conclusion reached by the *Rescuecom* court and allowed keyword cases to move forward.

However, few circuit courts have ruled definitively on the issue. For example, in May 2010, in *The College Network v. Moore Educational Publishers, Inc.*, the U. S. Court of Appeals for the Fifth Circuit (which covers Texas, Louisiana and Mississippi) declined to rule on the district court’s judgment as a matter of law, following a jury verdict, that buying a competitor’s trademark keyword was not a use in commerce. On the other hand, in the just issued *Network Automation* decision, the Ninth Circuit did explicitly hold that buying a trademark as a keyword is a “use in commerce,” and implicitly also stated, without exploring the differences, that sale of a keyword by search engines was also a “use in commerce.”

NINTH CIRCUIT – LIKELIHOOD OF CONFUSION INQUIRY

In *Network Automation*, the Ninth Circuit also provided some guidance on the likelihood of confusion analysis required to determine trademark infringement once “use in commerce” is established. Prior court decisions had focused on only three factors in assessing the likelihood of confusion in keyword advertising cases. In *Network Automation*, the Ninth Circuit rejected that approach, and examined all of the factors normally considered in a trademark infringement action (eight factors in total). The Court also stressed that flexibility and an evolving approach was key in determining trademark infringement on the Internet, for example by:

- >> adding a ninth factor to consider in keyword advertising cases – the labeling and appearance of the ad itself and the surrounding context of the search results page,
- >> noting that one of the factors that previously favored plaintiffs in keyword advertising cases – the Internet as a shared marketing channel – was less important given that almost all retailers now advertise online, and

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>> finding that the sophistication of Internet consumers, another factor to consider, has increased with their familiarity with online media, and thus this factor weighs against a finding of infringement in keyword advertising matters.

Although the Ninth Circuit sent the case back to the trial court to determine whether there was a likelihood of consumer confusion, requiring courts to now consider up to nine factors rather than just three in keyword advertising cases will likely make it more difficult for plaintiffs seeking to establish trademark infringement based on keyword advertising.

FOURTH CIRCUIT – NEXT WAVE

Recently, in a case titled *Rosetta Stone, Ltd. v. Google, Inc.*, a Virginia district court dismissed a keyword case against Google brought by the language company Rosetta Stone, finding that Google was not directly or contributorily liable for its sale of Rosetta Stone's trademark as keywords, and reached several novel conclusions on keyword advertising law that are being hotly contested

before the U. S. Court of Appeals for the Fourth Circuit (which covers Virginia, West Virginia, North Carolina and South Carolina). Over 30 *amici* or "friends of the court" have weighed in to address their concerns – trademark owners in support of Rosetta Stone, and internet service providers in support of Google. A decision is expected in this case later this year.

CONCLUSION

Based on these recent decisions, it will be more difficult, if not impossible, for defendants to dismiss allegations of infringement solely on the defense that the Lanham Act does not apply to keyword advertising. On the other hand, the application of the nine factors that the Ninth Circuit analyzed in its likelihood of confusion analysis in *Network Automation* will likely make it more difficult for plaintiffs to establish infringement for the use of their trademarks as keywords in search engine advertising. The pending decision by the Fourth Circuit in *Rosetta Stone* expected later this year may provide further guidance on the shifting tides of keyword advertising litigation.

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