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Attorney Insight

Trademarks
Courts Split Over Whether Sale of Keyword Ads Infringes Trademark Rights

TRADEMARKS

Advertising

Whether selling trademarked keywords to trigger advertising online constitutes infringement is the source of a split between the circuits that could be headed for the U.S. Supreme Court, a trademark practitioner told BNA in a recent interview.

Advertising practices used by Google Inc., Netscape Communications Corp., Yahoo! Inc, and other online search engines have been the subject of litigation involving Playboy Enterprises Inc., 1-800-Contacts Inc., Rescuecom Corp, and Rosetta Stone Ltd., Jamie Nafziger of Dorsey & Whitney, Minneapolis, noted in an interview with BNA. The search engines sell generic and trademarked terms to purchasers of sponsored advertisements. When an Internet user enters a trademarked term into Google's search engine, a sponsored advertisement may appear on the right column of the page, or before the other search results, potentially causing initial interest confusion, she said.

Questions of 'Use' and 'Initial Confusion.'

The Second Circuit and Ninth Circuit have produced contrary rulings on whether sale of a trademark constitutes "use" and whether it creates initial interest confusion.

The Ninth Circuit in *Playboy Enterprises v. Netscape Communications Corp.*, 354 F.3d 1020, 69 USPQ2d 1417 (9th Cir. 2004) (67 PTCJ 237, 1/23/04), held that users who enter the term "playboy" into a search engine may be initially confused into thinking that unlabeled banner advertisements triggered by the search terms are connected to the publisher of *Playboy* magazine.

However, in *1-800 Contacts Inc. v. WhenU.com,* 414 F.3d 400, 75 USPQ2d 1161 (2d Cir. 2005) (70 PTCJ 262, 7/1/05), the Second Circuit found the practice of triggering a pop-up ad when a user enters plaintiff's domain name is not trademark infringement because WhenU.com was not "using" the plaintiff's trademarks within the meaning of the Lanham Act, 15 U.S.C. § 1127.

Pending Cases Could Resolve Issues

No federal appeals court has directly ruled on whether the sale itself of trademarked keywords is illegal. However, a consensus on some of the unsettled keyword advertising issues could emerge as two pending cases are resolved.

The Second Circuit heard oral arguments in April in the appeal of a 2006 ruling by the U.S. District Court for the Northern District of New York, that Google's use of the plaintiff's trademark to trigger sponsored links was not "a use of a trademark ... because there is no allegation that defendant places plaintiff's trademarks on any goods, containers, displays, or advertisements, or that its internal use is visible to the public." *Rescuecom Corp. v. Google Inc.*, 456 F. Supp. 2d 393, 83 USPQ2d 1208 (N.D.N.Y. 2006) (72 PTCJ 642, 10/13/06). The Second Circuit could affirm the ruling based on the *1-800 Contacts*rationale, or it could reevaluate the case based on initial interest confusion.

A similar lawsuit was filed in July by the language-software producer Rosetta Stone against competitor Rocket Languages in the U.S. District Court for the Central District of California. *Rosetta Stone Ltd. v. Rocket Languages Ltd.,* No. 08-cv-04402 (C.D. Cal., *complaint filed* 7/1/08). The complaint alleges that:

- Rocket Languages purchased and used the Rosetta Stone trademark as a keyword in several keyword advertising programs;
- Rocket Languages runs advertisements that tarnish Rosetta Stone's mark and reputation;
- Rocket Languages posts biased comparison reviews that fail to disclose that the sources of the reviews are paid by Rocket Languages;
- the Rocket Languages Web site portrays false and misleading information about Rosetta Stone products; and
- hyperlinks available on the Rocket Languages Web site purportedly directs consumers to the official Rosetta Stone Web site, but consumers are actually directed to an advertisement for Rocket Languages products.

Clients, Consumers Need Clarity

Commenting on the past and pending keyword advertising cases, Nafziger told BNA that the circuit split makes it "tricky" for lawyers to advise clients on how to proceed.

"The courts and Google all agree that the sponsored results can't use the trademark in the advertising text. What's unclear is whether it's illegal for a competitor to buy a keyword," she said.

Nafziger noted that the Second Circuit might justify its approval of sponsored ads appearing next to search results in the *1-800 Contacts* case as similar to a drug store's accepted practice of placing a generic product next to a brand name product. However, the Ninth Circuit would view the sponsored ads differently, she suggested, because that court assumes that typing in another's trademark is a "use" of the mark for infringement purposes.

The ongoing circuit split over whether keyword searches constitute trademark use could send the Second Circuit's *Rescuecom* or the Ninth Circuit's *Rosetta Stone* case to the Supreme Court, Nafziger acknowledged.

In Nafziger's view, however, the courts should focus on initial interest confusion instead of emphasizing whether the mark has been "used." For example, if a West Coast Video store

places an advertisement on a highway that says, "Blockbuster Video next exit," and a consumer who exits finds there is no Blockbuster, but instead West Coast Video, the consumer is initially confused--and deceived--even if she purchases from West Coast Video consciously knowing she is not at Blockbuster.

The practice of selling trademarks as keywords leads to consumer confusion and should be illegal, Nafziger said. "There must be a clear way to clarify" for consumers that sponsored ads and regular listings are not the same, she added.

By Marlynne Bidos

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