Keyword Advertising and Trademark Infringement
Understanding Implications of Rosetta Stone, Protecting Brands, and Avoiding Liability in Online Advertising

THURSDAY, SEPTEMBER 27, 2012
1pm Eastern | 12pm Central | 11am Mountain | 10am Pacific

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Keyword Advertising and Trademark Infringement: Best Practices and the Current Legal Landscape

September 27, 2012
What is keyword advertising?

- Advertising that is linked to specific words or phrases – labeled “Sponsored Links” or “Ads”
- Examples (search for “Chicago restaurant” or “London hotel”)
Bing Search Results
Google Search Results
More Background - Keyword Advertising

- Early example: In 1996, Yahoo! placed targeted ad banners when users searched for “golf”
- More sophisticated approaches developed – targeted ads based on specific words searched and “contextual advertising”
- Search engines use complex algorithms to determine price of advertising for billions of impressions every day
- Multiple inputs – For example, Yahoo! offers “sophisticated modeling technology based on extensive online interactions that include searches, page views, and ad interactions.”
- Personalized “retargeting” – generates personalized ads with products or services a user recently viewed
Best Practices

- Keywords
- Proper Identification of Marks
- Use of Third Party Marks
- Policing Use
Keywords: Best Practices

- Purchase your own trademarks
- Use general terms to describe goods/services
  - Consider likely search terms used by customers
  - Utilize focus groups/online surveys for search terms
- Take advantage of search engine reporting features
  - Demographics
  - Geographic
  - Repeat visitors
Keywords: Best Practices

- Consider Keyword Tools (Google), Ad Optimization (Yahoo! and Bing) or similar products
  - Tool can suggest keywords based on website content
  - Find synonyms
  - Language/location
- Track statistics and update on a regular basis
Proper Identification of Marks

- Use appropriate symbols
- Consider list of terms owned by company in website terms/conditions or legal information page
Use of Third Party Marks

- Acknowledge use of third party marks with permission
- Acknowledge ownership of third party marks
- Use ® if appropriate
Use of Third Party Marks: Avoid False Affiliation

- The Lanham Act and state statutes prohibit any claim which is likely to cause confusion with respect to affiliation.
- Use of competitors’ names and/or logos in advertising can lead to a claim of false affiliation or sponsorship.
- Only use what is necessary to convey information (no need to use a logo when the word mark is sufficient).
Use of Third Party Marks: Comparative Advertising Claims

- Truthful, non-deceptive comparisons using factual information help purchasers and are legally acceptable if:
  - All representations are consistent with general rules and prohibitions against false and deceptive advertising;
  - They are not based on a selected or limited list of characteristics in which the advertiser excels while ignoring those in which the competitors excel;
  - The advertisement clearly discloses any material or significant limitation of the comparison; and
  - The advertiser can substantiate all claims made
Use of Third Party Marks: Compatibility

- Compatibility Claims
  - Objective statements that a product can be used in conjunction with another product or system offered by a third party
  - Permissible if they are true and can be substantiated
Policing Use

- Third Party Services
  - Marksmen – eBeagle
  - Google Alerts
  - Yahoo! Alerts
Policing Use

- Monitor directory websites
  - Search engines frequently pull results from online directories
  - Open Directory Project example
Policing Use

- Clarify permitted use of marks in written license agreements with vendors, customers, suppliers, sales force, etc.
  - Proper use of marks on web pages
  - Ability to use marks in domain names
  - Use of marks in keyword advertising or other web-based advertising
Keyword Advertising – Case Law

- Two major categories:
  - Keyword sellers/search engines
  - Keyword purchasers/competitors
“Sponsored Links” with Trademarks in Heading or Text May Create a Likelihood of Confusion

  - After a bench trial, the District Court found that plaintiff GEICO had established a likelihood of confusion, “and therefore a violation of the Lanham Act, solely with regard to those Sponsored Links that use GEICO’s trademarks in their headings or text.” GEICO, however, does not address “whether Google itself is liable for the Lanham Act violations resulting from an advertisers’ use of GEICO’s trademarks in the headings and text of their Sponsored Links, as accomplished through Google’s AdWords program.” (The opinion was limited to an evaluation of the likelihood of confusion factors as applied to keyword ads.)
  - Case was settled.
Google Practice of Selling Trademarks as Keywords is “Use in Commerce”

- *Rescuecom Corp. v. Google, Inc.*, 562 F.3d 123 (2d Cir 2009)
  - The Second Circuit vacated a judgment that dismissed Rescuecom’s complaint against Google for failure to state a claim. The U.S. District Court for the Northern District of California had dismissed Rescuecom’s complaint because it found that Google’s practice of selling the RESCUECOM trademark as a keyword did not constitute “use in commerce” and without “use in commerce” there is no trademark infringement.
Key Findings from *Rescuecom*

- Google uses trademarks in commerce: “Google displays, offers, and sells Rescuecom’s mark to Google’s advertising customers when selling advertising services. In addition, Google encourages the purchase of Rescuecom’s mark through its Keyword Suggestion Tool. Google’s utilization of Rescuecom’s mark fits literally within the terms specified by 15 U.S.C. § 1127.” 562 F.3d at 129.

- Google argued keyword ads were similar to the placement of competing products next to each other in retail settings, the Second Circuit stated that: “[I]f a retail seller were to be paid by an off-brand purveyor to arrange product display and delivery in such a way that customers seeking to purchase a famous brand would receive the off-brand, believing they had gotten the brand they were seeking, we see no reason to believe the practice would escape liability merely because it could claim the mantle of ‘product placement.’” *Id.* at 130.
Rescuecom (cont.)

- Rescuecom leaves open the question of whether the trademark owner could establish a likelihood of confusion: “We have no idea whether Rescuecom can prove that Google’s use of Rescuecom’s trademark in its AdWords program causes likelihood of confusion or mistake.” Id.
District Court Finds Google’s Use of Trademarks as Keywords is a Functional Use

  - Google obtains a very favorable decision.
  - The U.S. District Court for the Eastern District of Virginia granted summary judgment in Google’s favor on all counts, dismissing claims against Google for trademark infringement under federal law and Virginia common law, contributory trademark infringement under federal law, vicarious trademark infringement under federal law and trademark dilution under the federal law. In addition, the court found Google’s use of trademarks as keywords to be functional.
  - In reaching its decision, the court notes that 70% of U.S. internet searches use Google’s search engine.
Key Findings from District Court in *Rosetta Stone*

- Google had no intent to infringe: “Web users do not visit Google’s website to buy Google products because Google does not sell any products. Any argument that Google is trying to palm off its goods as those of Rosetta Stone’s is, therefore, unfounded.”

- If there is any confusion, Google is not causing the confusion: Witnesses testified that after clicking on Sponsored Links and purchasing items, the witnesses knew they were not purchasing the items directly from Rosetta Stone. “Thus, none of the Rosetta Stone witnesses were confused about the source of their purchase but only as to whether what they purchased was genuine or counterfeit. They were not confused by the Sponsored Links, but by the confusing nature of the websites from which they purchased.”
Key Findings from District Court in *Rosetta Stone* (cont.)

- The functionality doctrine protects Google’s use of Rosetta Stone’s trademarks as keyword triggers:
  - “If Google is deprived of the use of the Rosetta Stone Marks, consumers would lose the ability to rapidly locate potentially relevant websites that promote genuine Rosetta Stone products at competitive prices. Consequently, because the Court is persuaded that Google’s particular use of the trademark keywords as triggers for paid advertisements is functional, and no prohibition exists otherwise, the Court holds the functionality doctrine prevents a finding of infringement.”
Fourth Circuit Corrects District Court’s Mistakes

- *Rosetta Stone Ltd. v. Google Inc.*, 676 F.3d 144 (4th Cir. 2012)

- The Fourth Circuit revives the majority of Rosetta Stone’s suit.

- Affirmed summary judgment for vicarious infringement saying that there was no evidence Google acted jointly with advertisers to control counterfeit products.

- Vacated and remanded the direct infringement, contributory infringement and dilution claims.
Fourth Circuit on Direct Infringement

- District Court improperly discounted evidence that countered a summary judgment finding:
  - Testimony of five consumers who mistakenly bought counterfeit software was not *de minimis* evidence because Rosetta Stone presented evidence of more than 250 complaints and the District Court only allowed five consumers to testify;
  - Google’s amended AdWords policy permitting trademarks in the link itself coincided with an uptick of sponsored links to counterfeit sites;
  - Internal Google study showing consumer confusion remains high;
  - Google’s in-house attorney’s inability to identify legitimate sites
- Evidence existed to support an intent to confuse, actual confusion and the lack of sophistication of search engine users/purchasers.
- District Court looked at the evidence as it would during a bench trial.
- Potential that Google’s use is nominative fair use.
- Lacks clear concept of what constitutes “use in commerce.”
Fourth Circuit on Contributory Infringement

- Applicable standard: “…defendant must supply its product or service to ‘identified individual’ that it knows or has reason to know are engaging in trademark infringement.”

- Rosetta Stone’s spreadsheet with 200 listings for counterfeit products is enough to overcome summary judgment.
Fourth Circuit on Dilution

- Fame standard: fame must be established prior to the diluter’s first use of the mark.

- District Court truncated the dilution analysis—once Rosetta Stone establishes a prima facie case of dilution, Google must then demonstrate fair use.
Key Findings from Fourth Circuit

- Functionality defense restored to previous boundaries.
  - Focus on the trademark not on the infringer’s use of the mark.

- Reminders about what is and is not appropriate at the summary judgment phase.
  - District Court should not have made inferences for or against either party at that stage.

- Potential circuit split in the making.
  - Ninth Circuit: Internet users are accustomed to using search engines and are able to distinguish sponsored links. If they cannot, then it is “sensible agnosticism.”
  - Fourth Circuit: When even seasoned internet users are confused, it cannot be said that consumer sophistication favors Google, but rather there is evidence of “quintessential actual confusion.”

- To prove dilution, Rosetta Stone must prove that its mark was famous as of 2004 when Google first allowed bidding on trademarks.
Take Away from the *Google* Cases

- None of the *Google* cases address whether an advertiser is liable for purchasing the keyword and using the keyword to generate the advertisement.

- After *Rosetta Stone* the law may have become more friendly to trademark owners whose marks are being sold and used as keywords.
  - Barring settlement, the ultimate fate will be determined by a jury.

- Ultimate question is still unanswered: Does the sale of keywords alone make the seller liable for confusion or dilution?
Take Away from the *Google* Cases

- Policies meant to curb infringement may not be enough.
  - Could mean more litigation for Google.

- No clear answer as to what constitutes “use in commerce”
  - *Rosetta Stone*: District Court found Google conceded use and it was not raised on appeal.
  - *Rescuecom*: Second Circuit concluded that Google’s practice constitutes use, but Rescuecom discontinued proceedings filing a statement of dismissal.

- Future cases will likely focus on the likelihood of confusion analysis, although what facts are required to show confusion is still unknown.
In “Competitor” Keywords Cases, Courts Have Been Conflicted

- Courts have been conflicted about whether a sufficient likelihood of consumer confusion exists from a “Sponsored Link” or “Sponsored Ad” to support a finding of liability.

- *J.G. Wentworth S.S.C. LP v. Settlement Funding, LLC, 2:6-cv-0597 (E.D. Penn. Jan. 4, 2007)*, grants the keyword buyer’s motion to dismiss because the advertisements themselves did not incorporate plaintiff’s marks. Because each party’s advertisement had separate and distinct links on the search results page, the court also rejected “initial interest confusion” as a theory of liability.
“Competitor” Keyword Cases

- *Hearts on Fire Company v. Blue Nile Inc.*, 603 F. Supp. 2d 274 (D. Mass. 2009), denies a motion to dismiss a keywords advertising case because of the potential for initial interest confusion. Sponsored advertisements are not always seen as an alternative to the trademarked product that a consumer initially searched for on the Internet. That said, when the distinction between Internet vendors is clear, no initial interest confusion exists.

- *Binder v. Disability Group, Inc.*, CV 07-276 (C.D. Cal. Jan. 25. 2011), awards $300,000 in damages to a law firm because its competitor purchased the law firm’s trademarked name, Binder & Binder, from Google to generate a “Sponsored Links” advertisement. The purchasing of the keywords equaled trademark infringement and false advertising; however, the plaintiff offered survey evidence of actual confusion.
Ninth Circuit Sets New Standard for Competitor Keyword Advertising

Network Automation, Inc. v. Advanced Systems Concepts, Inc., 2:10-cv-00484 (9th Cir. March 8, 2011) reverses a preliminary injunction that had prohibited a software company from purchasing the name of its competitor’s product as a keyword in search engine results.

The Network Automation analysis identifies four factors as the most relevant to keyword advertising cases:

- The strength of the mark;
- The evidence of actual confusion;
- The type of goods and degree of care likely to be experienced by the purchaser; and
- The labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page.
Network Automation “Context” Factor likely to be “Key” in Keywords Advertising Cases if Adopted by Other Courts

- “Here, even if Network has not clearly identified itself in the text of its ads, Google and Bing have partitioned their search results pages so that the advertisements appear in separately labeled sections for ‘sponsored’ links. The labeling and appearance of the advertisements as they appear on the results page includes more than the text of the advertisement, and must be considered as a whole.”

- J.G. Wentworth applied a similar rationale in focusing on the separateness of each party’s advertisements.

- Hearts on Fire also looked somewhat at the context in distinguishing between ads that may create initial interest confusion and those that clearly offer a generic alternative to a trademarked product.

- Damages award in Binder does not necessarily conflict with Network Automation because the plaintiff in Binder presented evidence of actual confusion—one of the “most relevant” factors.
So Where are We Now?

- *Rosetta Stone* will go back to the same District court, unclear who will prevail.

- Blogosphere believes *Network Automation* is the most “correct” outcome and absent actual confusion such as in *Binder* case, purchasers of keywords will not be liable for trademark infringement.