

Using Trademarks as Location Tools on the Internet: Use in Commerce?

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I. Introduction

Millions of consumers do their shopping on the Internet, and that number increases every year.<sup>1</sup> Students increasingly do their research online rather than in a library.<sup>2</sup> Businesses like Amazon.com have no physical retail stores. The Internet has changed the way consumers interact with the world, and to remain competitive, businesses have had to fashion new ways to reach customers online.

One such innovation is pop-up advertising, which has proven both very successful for advertisers and very annoying to Internet users.<sup>3</sup> Pop-up advertisements appear in windows separate from the original website, and have a number of origins. In some cases, the pop-up ad is created by the original website to advertise some component of its own business.<sup>4</sup> Another type of pop-up advertising is generated by computer software residing on the individual consumer's computer, such as WhenU.com's program SaveNow.<sup>5</sup> In

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<sup>1</sup> See Tim Gray, *'Tis the Season for Online Shopping Records*, INTERNETNEWS.COM, Nov. 29, 2004, at <http://www.internetnews.com/stats/article.php/3441201> (last visited May 1, 2005); Shop.org, *Statistics: U.S. Online Shoppers*, NAT'L RETAIL FEDERATION, available at [http://www.shop.org/learn/stats\\_usshop\\_general.asp](http://www.shop.org/learn/stats_usshop_general.asp) (last visited May 1, 2005).

<sup>2</sup> See Scott Carlson, *The Deserted Library: As Students Work Online, Reading Rooms Empty Out—Leading Some Campuses to Install Starbucks*, THE CHRONICLE OF HIGHER EDUCATION, Nov. 16, 2001, available at <http://chronicle.com/free/v48/i12/12a03501.htm> (last visited May 1, 2005).

<sup>3</sup> See Andrew Sinclair, *Legal Update: Third Party Pop-up Advertisements: U-Haul Int'l, Inc. v. WhenU.com*, 10 B.U. J. SCI. & TECH. L. 198 (2004).

<sup>4</sup> For example, a visit to CNN's website, <http://www.cnn.com>, produces a pop-up window asking the user to specify whether he prefers the international or domestic version of the news site. (This assumes the computer contains no ad-blocking software.)

<sup>5</sup> See Save Now: Relevant Offers When You Need Them, at [http://www.whenu.com/products\\_savenow.html](http://www.whenu.com/products_savenow.html) (last visited Dec. 5, 2004).

this instance, the original website owner typically has no involvement in, or control over, the pop-up ad that results. Often, the advertisement originates from a competitor who hopes that the advertisement will lead the consumer to choose the competitor's services over the services of the website the user initially viewed.

Other businesses have employed advertising methods that capitalize on the way Internet search engines such as Google and Excite work. Some businesses placed "metatags" in their website source code, inserting the trademarked name of competitors repeatedly in a way that is invisible to consumers, but which causes search engine formulas to rank their website higher in a results list when a consumer enters the trademarked word into the search engine. This use has met resistance in courts.<sup>6</sup> More recently, competitors are making use of search engine-sponsored advertising, in which advertisers pay search engines a fee for linking their advertisements to "keywords," such that when a user types a word into the search engine, advertisements that are linked to that keyword appear next to or above the original results.<sup>7</sup> Once again, businesses often choose their competitors' trademarks as keywords, seeking to juxtapose their advertisements with those of their competitors.

A number of companies conducting business online have challenged the legality of both pop-up and keyword advertising, alleging direct, contributory, and vicarious trademark infringement, unfair competition, copyright infringement, and a number of other state actions. This note focuses on trademark infringement. A trademark is a "word, name, symbol, or device, or any combination thereof, used by a person...to identify and

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<sup>6</sup> See, e.g., *Bihari v. Gross*, 119 F. Supp. 2d 309 (S.D.N.Y. 2000); *Playboy Enterprises, Inc. v. AsiaFocus Int'l Inc.*, 1998 U.S. Dist. LEXIS 10459 (E.D. Va. Apr. 10, 1998).

<sup>7</sup> See, e.g., *Google Adwords: It's All About Results*, at <https://adwords.google.com/select/> (last visited Dec. 5, 2004).

distinguish his or her goods...from those manufactured or sold by others.”<sup>8</sup> Businesses often spend millions building consumer goodwill and name recognition for their brands, and thus they have a strong interest in preventing anyone else from using their trademarks.

As the Internet has become more important to success in business, many businesses have acquired an online presence in the form of a website. These businesses often use their trademarked names as their domain names, which usually enables consumers to locate their websites easily. Consumers navigate the Internet through the use of words, either by typing domain names into Internet browsers, or by typing words into a search engine that assists in locating the information they are seeking. In effect, words are locations in the online domain. Thus, if a competitor or a political commentator wishes to place itself in the proximity of a particular business on the Internet, the competitor must reference the trademark as a location tool. Although the mechanics of pop-up and keyword advertising differ, similar questions arise in both situations with respect to trademark infringement: Are competitors’ uses of other businesses’ trademarks in this way “use in commerce” under the Lanham Act?<sup>9</sup> Are WhenU and Google—who are not competitors of the businesses whose trademarks they use—using the marks in commerce by including the marks as triggers in their algorithms and by selling advertising space based on this technique? Even if they are using the marks in commerce, can they defend this use as fair comparative advertising, or does this practice result in consumer confusion even when the marks in question never appear to the consumer and the advertisements in question are clearly labeled?

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<sup>8</sup> 15 U.S.C. § 1127 (2004).

<sup>9</sup> *See* 15 U.S.C. §§1114, 1125, 1127.

In Part II, I discuss the recent caselaw developments on the issue of whether the use of trademarked trigger-words and domain names in programs that create pop-up advertisements constitutes “use in commerce” in the online setting. In Part III, I discuss the developing caselaw on whether selling trademarked “keywords” for sponsored advertising on search engines constitutes “use in commerce.” In Part IV-A, I evaluate the arguments and conclude that while WhenU and Google’s use of trademarked terms is incidental due to the nature of the Internet and the nature of their services, this use should still be considered “use in commerce” under the Lanham Act, because such use could be employed in a way that would result in consumer confusion as to the source of the advertisements. In Part IV-B, I evaluate the case for comparative advertising and the free exchange of information on the Internet. In Part V, I conclude that courts should find that WhenU and Google’s pop-up and keyword advertising systems are using trademarks “in commerce,” but that they are probably not using them in such a way that is likely to confuse consumers. Pop-up and keyword advertising promote comparative advertising and efficient exchange of information on the Internet. If advertising businesses abuse that system in a way that causes consumer confusion, trademark owners may protect themselves by pursuing the errant advertiser rather than WhenU and Google.

## **II. Pop-up advertisements: The WhenU.com cases**

### **a. Round One: *U-Haul v. WhenU.com*<sup>10</sup> and *Wells Fargo v.***

#### ***WhenU.com*<sup>11</sup>**

A group of media companies including the Washington Post and the New York Times were the first website publishers to bring a suit against a creator of third party pop-

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<sup>10</sup> *U-Haul Int’l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723 (E.D. Va. 2003).

<sup>11</sup> *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734 (E.D. Mich. 2003).

up advertisements. In July of 2002, a court in the Eastern District of Virginia forbade Gator Corporation (now Claria Corporation) from “causing its pop-up advertisements to be displayed on any website...affiliated with the Plaintiffs” until after a trial concluded.<sup>12</sup> Gator settled that case on the eve of trial, as well as a similar case filed in New Jersey.<sup>13</sup> In August of 2004, Claria settled with nine plaintiffs in a consolidated case in the Northern District of Georgia.<sup>14</sup> All settlements remain confidential.

WhenU.com (WhenU), one of Claria’s competing ad purveyors, uses a software program called SaveNow to generate pop-up advertisements on a user’s computer based on a proprietary analysis of consumers’ interests. Consumers’ interests are determined by their Internet browsing activity, by way of a directory of common search phrases and web addresses.<sup>15</sup> WhenU maintains its business by selling advertising space to businesses that want to make use of the SaveNow software.<sup>16</sup> U-Haul brought an action against WhenU in the Eastern District of Virginia, claiming that WhenU’s pop-up advertising infringed on U-Haul’s trademarks and copyrights, and constituted unfair competition.

*U-Haul Int’l, Inc. v. WhenU.com*, decided in September of 2003, was the first court opinion to address whether such use of pop-up ads amounted to trademark infringement. To succeed on a claim for trademark infringement, a plaintiff must show:

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<sup>12</sup> Sinclair, *supra* note 3, at 199 (quoting *Washingtonpost.Newsweek Interactive Co. v. Gator Corp.*, 2002 U.S. Dist. LEXIS 20879, at \*1 (E.D. Va. July 16, 2002)).

<sup>13</sup> *Hertz Corp. v. Gator Corp.*, 250 F. Supp. 2d 421, 423 n.1 (D.N.J. 2003).

<sup>14</sup> Stefanie Olsen, *Pop-up Purveyor Claria Settles Suits*, CNET NEWS.COM, Aug. 31, 2004, at [http://news.com.com/Pop-up+purveyor+Claria+settles+suits/2100-1024\\_3-5333003.html](http://news.com.com/Pop-up+purveyor+Claria+settles+suits/2100-1024_3-5333003.html) (last visited Dec. 2, 2004).

<sup>15</sup> *U-Haul*, 279 F. Supp. 2d at 725.

<sup>16</sup> WhenU did not sell individual web addresses and made no guarantee that an advertiser’s ad would appear when consumers viewed particular sites. *Id.* at 726. By contrast, keyword advertising does guarantee advertisers that their advertisements will appear when a user types the keyword into the search engine; *see infra* Part IIIA.

(1) it possesses a mark, (2) the defendant used the mark, (3) the defendant's use of the mark occurred “in commerce,” (4) the defendant used the mark in connection with the sale, offering for sale, distribution, or advertising of goods or services, and (5) the defendant used the mark in a manner likely to confuse consumers.<sup>17</sup>

The court granted WhenU’s motion for summary judgment because it found that U-Haul had “fail[ed] to show how a pop-up advertisement appearing in a separate window on an individual’s computer obstructing U-Haul’s advertisement is a “use” of U-Haul’s trademarks in commerce.”<sup>18</sup> First, the court found that the fact that the windows appeared on the same computer screen is not enough to constitute “use in commerce,” because the ads appear in separate, distinct WhenU-branded windows and do not alter the appearance of the original website. The court noted the importance of the fact that the Windows environment dictates that “each program that the user launches generally appears on a separate window on the user’s computer screen.”<sup>19</sup>

The court further found that WhenU’s inclusion of the trademark owner’s website’s URL in the software’s directory did not constitute “use in commerce,” because the program did not interface with the website, and the software was a user-installed program.<sup>20</sup> The court concluded that WhenU’s use of U-Haul’s web address and “U-Haul” in SaveNow software “is not a trademark use because WhenU merely uses the marks for the ‘pure machine-linking function’ and in no way advertises or promotes U-Haul’s web address or any other U-Haul trademark.”<sup>21</sup>

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<sup>17</sup> *U-Haul*, 279 F. Supp. 2d at 727; 15 U.S.C. §1114.

<sup>18</sup> 279 F. Supp. 2d at 727.

<sup>19</sup> *Id.* at 728.

<sup>20</sup> *Id.* For the SaveNow program to function, the consumer is required to affirmatively accept a license agreement that installs the SaveNow onto the user’s individual computer.

<sup>21</sup> *Id.*; *see also* Lockheed Martin Corp. v. Network Solutions, Inc., 985 F. Supp. 949, 956 (C.D. Cal. 1997) (holding that “domain names, like trade names, do not act as trademarks when they are used to identify a

Wells Fargo and Quicken Loans brought an identical cause of action against WhenU in the Eastern District of Michigan.<sup>22</sup> Two months after the *U-Haul* case was decided, the court in *Wells Fargo v. WhenU.com* denied the plaintiffs’ request for a preliminary injunction against WhenU. The court agreed with the reasoning in *U-Haul* that pop-up advertisements that appeared in separate windows from trademark owners’ websites did not constitute “use in commerce” of the owners’ trademarks, and that the inclusion of URLs containing parts of the businesses’ trademarked names in WhenU’s “scrambled” proprietary directory was not use in commerce either.<sup>23</sup> The court also agreed that simultaneous appearance of the plaintiffs’ websites and defendant’s pop-up ads are a result of how Windows operates; it is not “use” under the Lanham Act. It also noted that the advertisements were “displayed in conspicuously branded windows that advise consumers that they are from WhenU and are not sponsored by any website the user may be viewing.”<sup>24</sup> The pop-up advertisements themselves never use plaintiffs’ trademarks, and the advertisements do not appear on or modify plaintiffs’ websites. Significantly, the court in *Wells Fargo* also found that WhenU was “engaged in legitimate comparative advertising” by juxtaposing its advertisements with plaintiffs’ websites in separate windows on participating consumers’ computer screens.<sup>25</sup>

**b. Round Two: *1-800 Contacts v. WhenU.com***<sup>26</sup>

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business entity; in order to infringe they must be used to identify the source of goods or services,” and when “pure machine-linking function is the only use at issue, there is no trademark use and there can be no infringement”).

<sup>22</sup> *Wells Fargo*, 293 F. Supp. 2d at 734.

<sup>23</sup> *Id.* at 757-58.

<sup>24</sup> *Id.* at 745.

<sup>25</sup> *Id.* at 761 (citing *U-Haul*, 279 F. Supp. 2d at 728, for the proposition that “even if mere simultaneous appearance of defendant’s ad and plaintiffs’ marks constituted a “use” within the meaning of the Lanham Act, it is still immune from liability as a form of legitimate comparative advertising”).

<sup>26</sup> *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 309 F. Supp. 2d 467 (S.D.N.Y. 2003).

After the rulings in *U-Haul* and *Wells Fargo* came down, it appeared that website-owning businesses would not be successful in bringing trademark infringement claims against third-party ad purveyors such as WhenU. However, one month after Wells Fargo's request for an injunction was denied, the Southern District of New York granted 1-800 Contacts, Inc. a preliminary injunction against WhenU on trademark claims.<sup>27</sup>

1-800 Contacts, Inc. sells contact lenses and related products by telephone and through its website, [www.1800Contacts.com](http://www.1800Contacts.com).<sup>28</sup> Vision Direct (also a defendant in this action) was a direct competitor, and owned a registration for the domain name [www.1800Contacts.com](http://www.1800Contacts.com).<sup>29</sup> VisionDirect purchased advertising on WhenU's SaveNow program, such that when a user typed in "1800contacts.com," the program often produced a pop-up advertisement from the rival eye-care company. 1-800 Contacts subsequently sued both VisionDirect and WhenU for a preliminary injunction based on copyright and trademark infringement and cybersquatting claims.<sup>30</sup>

Judge Deborah Batts enjoined WhenU.com from triggering pop-up advertisements when users typed in plaintiff's website address, and ordered defendant Vision Direct to cancel its registration of the domain name.<sup>31</sup> Judge Batts believed that WhenU was using 1-800 Contacts's trademarks in two ways. She first noted that, under the language of the Lanham Act, a trademark is "used in commerce" "on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce."<sup>32</sup> She found that because users that typed plaintiff's address into their

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<sup>27</sup> *Id.* at 471.

<sup>28</sup> *Id.* at 473.

<sup>29</sup> *Id.* at 474.

<sup>30</sup> *Id.* at 471.

<sup>31</sup> *Id.* at 510.

<sup>32</sup> 15 U.S.C. § 1127.

browsers were acting from prior knowledge of the website, the pop-up advertisements that capitalized on that action were using plaintiff's mark in the advertising of defendant Vision Direct's services<sup>33</sup>—despite the fact that the plaintiff's trademark never appeared on WhenU advertisements as source identity or otherwise. “By causing pop-up advertisements to appear when SaveNow users have specifically attempted to find or access Plaintiff's website, Defendants are “using” Plaintiff's marks that appear on Plaintiff's website.”<sup>34</sup>

Batts also opined that defendant WhenU.com was using plaintiff's mark in a second way: by including Plaintiff's URL, a version of its trademark, in WhenU's proprietary directory to advertise companies in direct competition with plaintiff.<sup>35</sup> Batts believed that WhenU's argument that “use in commerce” required “use as a trademark to identify or distinguish products or services” was too narrow. “WhenU.com is doing far more than merely “displaying” Plaintiff's mark. WhenU's advertisements are delivered to a SaveNow user when the user directly accesses Plaintiff's website—thus allowing Defendant Vision Direct to profit from the goodwill and reputation in Plaintiff's website that led the user to access Plaintiff's website in the first place.”<sup>36</sup>

Having determined that such use was “use in commerce” of the trademarks, Batts then applied the *Polaroid* factors<sup>37</sup> to determine whether such use was likely to confuse consumers, and held that the defendants' pop-up advertising practices created a

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<sup>33</sup> *I-800 Contacts*, 309 F. Supp. 2d at 489.

<sup>34</sup> *Id.*

<sup>35</sup> *Id.*

<sup>36</sup> *Id.* at 490.

<sup>37</sup> This familiar eight-factor test was set forth in *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961). Most circuits have adopted identical or substantially similar multi-factor tests to determine consumer confusion.

likelihood of both source and initial interest confusion.<sup>38</sup> The court noted that the mark 1-800-CONTACTS is suggestive and distinctive, and thus strong. Vision Direct and 1-800 Contacts had identical services. Batts found that, while the survey submitted by plaintiffs had failed to prove actual confusion, the defendants had acted in bad faith by using plaintiff's mark to increase defendant Vision Direct's competitive advantage.<sup>39</sup> The court rejected WhenU's argument that the disclaimers on its advertisements would prevent consumer confusion, because WhenU had provided no evidence (such as a survey) showing that these disclaimers did prevent such confusion.<sup>40</sup> The court also found a likelihood of success on the merits of plaintiff's cybersquatting claim, as VisionDirect had no justifiable interest in the domain name www.www1800Contacts.com.<sup>41</sup>

Because both the *U-Haul* and *Wells Fargo* decisions came down while the *1-800 Contacts* case was *sub judice*, Judge Batts addressed them only in a footnote, stating that she was not bound by the decisions and disagreed with them.<sup>42</sup> WhenU appealed the ruling in the Second Circuit. Appeal briefs were submitted, and the Second Circuit heard oral argument on April 5, 2004.<sup>43</sup> In oral argument, WhenU compared its pop-up

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<sup>38</sup> *1-800 Contacts*, 309 F. Supp. 2d at 504-05.

<sup>39</sup> *Id.* at 502.

<sup>40</sup> *Id.* at 504. In the WhenU pop-up advertisements, "SaveNow!" appeared at the top of the window, and at the bottom right of the window, text read "A WhenU offer - click? for info." *Id.* at 503.

<sup>41</sup> *Id.* at 506-07.

<sup>42</sup> *See id.* at 490 n.43. The court noted that in the *Wells Fargo* case, that court "determined that inclusion in SaveNow's proprietary directory of the Plaintiff's trademark was not "use," based on its reading of Sixth Circuit case law. In *U-Haul Intern., Inc. v. WhenU.com, Inc.*, the court made a similar ruling based on a factual finding that WhenU.com uses the marks for a "pure machine-linking function." This Court disagrees with, and is not bound by these findings."

<sup>43</sup> *See* Paul A. Ragusa and David Loretto, *Do Pop-up Ads Violate Web Site Owners' Rights? Second Circuit Set to Render First Appellate Ruling in 1-800 Contacts, Inc. v. WhenU.com*, May 10, 2004, available at <http://www.bakerbotts.com/infocenter/publications/Detail.aspx?id=b436976b-06ec-420d-9df2-0c6cfae4c4ab> (last visited May 1, 2005). The appeal briefs can be accessed at [http://eric\\_goldman.tripod.com/resources/spywareadware.htm](http://eric_goldman.tripod.com/resources/spywareadware.htm) (last visited Dec. 1, 2004).

advertising to advertising on television “or the results of an Internet search engine.”<sup>44</sup> Chief Judge Walker suggested another appropriate analogy: a drugstore shelving its generic products next to brand name products, which is likely to be permissible comparative advertising, and thus not trademark infringement. He also noted what the courts in *U-Haul* and *Wells Fargo* had: consumers had actively installed the WhenU software themselves, and could uninstall it if they no longer wanted to receive the SaveNow advertisements.<sup>45</sup> WhenU also distinguished its own situation from that in *Playboy Enterprises, Inc. v. Netscape Communications Corp.*,<sup>46</sup> which held that Netscape’s keying of unlabeled banner advertisements to search terms could be a Lanham Act violation, by again pointing to the fact that WhenU’s pop-ups appear in separate windows that were clearly branded as WhenU offers.<sup>47</sup> As of this writing, the Second Circuit has not yet rendered its opinion.

The chief executive of WhenU, Avi Naider, seems confident that the Second Circuit will overturn Judge Batts’s ruling. “‘This judge simply got it wrong,’ Naider said. Such a decision ‘would have major ramifications on search engine advertising and comparative advertising, and we’re confident it will be overturned on appeal.’”<sup>48</sup> While how “major” these ramifications would be for Internet advertising in general is debatable, the decision does have major legal ramifications for search engines such as Google, which has found itself embroiled in litigation over this same issue.

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<sup>44</sup> Ragusa and Loretto, *supra* note 43. Google, currently facing trouble over the legality of this practice, filed an amicus brief supporting reversal. *See infra* Part IV. This brief can be accessed at <http://law.marquette.edu/goldman/googleamicus1800contactsvwhenuappeal.pdf> (last visited Jan. 10, 2005).

<sup>45</sup> Ragusa and Loretto, *supra* note 43.

<sup>46</sup> 354 F.3d 1020 (9th Cir. 2004).

<sup>47</sup> Ragusa and Loretto, *supra* note 43.

<sup>48</sup> Stefanie Olsen, *Pop-up seller loses round in court*, CNET NEWS.COM, Jan. 5, 2004, at [http://news.com.com/Pop-up+seller+loses+round+in+court/2100-1024\\_3-5135313.html](http://news.com.com/Pop-up+seller+loses+round+in+court/2100-1024_3-5135313.html) (last visited Dec. 2, 2004).

### **III. Search Engines and Keyword Advertising**

#### **a. The dilemma of legal uncertainty**

Google, Netscape, Excite, and many other Internet-based companies operate search engines used by consumers to search the Internet for a wide range of things, including business websites offering goods and services. These search engines can be seen as the brick-and-mortar equivalent of an information desk at a vast mall, which, upon inquiry, instructs a person how to arrive at his desired destination. In addition to using an objective search engine formula, Google also sells advertising linked to search terms, which can range from broad, generic words such “toys,” to very specific, trademarked words such as “Hasbro.” Advertisers bid on these “keyword” search terms in an auction, and they pay Google according to the number of clicks their sponsored links receive. When a consumer enters a search term, Google’s results page “displays not only a list of websites generated by the search engine program using neutral and objective criteria, but also links to websites of paid advertisers,”<sup>49</sup> appearing to the right of the original results and listed as “Sponsored Links.” These sponsored ads account for a significant portion of many search engines’ revenues.<sup>50</sup>

Google initially prevented advertisers from bidding on trademarked keywords, although it tried not to block what Google considered to be generic or descriptive keywords even when those words were used as trademarks by a business. Nevertheless, both the trademark-owning businesses and would-be advertisers were unhappy with this

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<sup>49</sup> See *Gov’t Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 702 (E.D. Va. 2004).

<sup>50</sup> See Matt Hicks, *Overture Settles with GEICO over Search Advertising*, eWEEK Enterprise News and Reviews, Dec. 1, 2004, available at <http://www.eweek.com/article2/0,1759,1734293,00.asp> (last visited Dec. 15, 2004).

approach, and Google found itself facing litigation from both sides.<sup>51</sup> Hoping for clarification, in November 2003, Google sought a declaratory judgment in the Northern District of California that its search engine's keyword advertising program did not infringe American Blind and Wallpaper Factory's trademarks.<sup>52</sup> American Blind then filed a lawsuit in the Southern District of New York against Google and other search engines, claiming trademark infringement, unfair competition, and dilution.<sup>53</sup> After Judge Fogel denied American Blind's motion to dismiss Google's motion for declaratory judgment, in May of 2004 it also brought counterclaims against Google in the Northern District of California. On March 30, 2005, Judge Fogel denied Google's motion to dismiss American Blind's trademark claims, so that case will proceed.<sup>54</sup> Also pending is a lawsuit filed against Google and Overture (a Yahoo! division) by Robert Novak, the owner of PetsWarehouse.com.<sup>55</sup> Although Google maintains that its keyword advertising is not "use in commerce," it also takes the position in the *American Blind* and *Novak* cases that terms like "American Blind" and "Pets Warehouse" are descriptive and thus not protectible.

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<sup>51</sup> See Peter Parmeson, *Google Adwords*, Always On: The Insiders Network, Dec. 12, 2003, at [http://www.alwayson-network.com/comments.php?id=2030\\_0\\_4\\_0\\_C](http://www.alwayson-network.com/comments.php?id=2030_0_4_0_C) (last visited Dec. 3, 2004) (discussing advertisers' claims that Google was harming their businesses by refusing to let them bid on certain keywords). *But see* Ina Steiner, *eBay Bans Google Keywords*, AUCTIONBYTES-NEWSFLASH, Aug. 7, 2003, at <http://www.auctionbytes.com/cab/abn/y03/m08/i07/s02> (last visited Dec. 3, 2004) (discussing eBay's demand that Google cease selling keywords it claimed to have trademarked: "ebay," "bay," and "auction websites").

<sup>52</sup> *Google, Inc. v. Am. Blind and Wallpaper Factory, Inc.*, 2005 U.S. Dist. LEXIS 6228 (N.D. Cal. Mar. 30, 2005).

<sup>53</sup> *American Blind and Wallpaper Factory, Inc. v. Google, Inc.*, Civ. No. 04-cv-00642 (S.D.N.Y., filed Jan. 27, 2004).

<sup>54</sup> *Google, Inc. v. Am. Blind and Wallpaper Factory, Inc.*, 2005 U.S. Dist. LEXIS 6228 (N.D. Cal. Mar. 30, 2005); Mark V.B. Partridge, *Hot Topic: Internet Advertising Dispute Heats Up: Updated*, Guiding Rights Blog, Oct. 12, 2004, at [http://guidingrights.blogcollective.com/blog/\\_archives/2004/9/3/135068.html](http://guidingrights.blogcollective.com/blog/_archives/2004/9/3/135068.html) (last visited Dec. 2, 2004).

<sup>55</sup> *Novak v. Overture Servs.*, 309 F. Supp. 2d 446 (E.D.N.Y. 2004) (denying defendant's motion to dismiss trademark infringement claims because issues of genericness could not be decided as a matter of law). See also Declan McCullagh, *Judge Won't Toss Out Google, Overture Suit*, CNET NEWS.COM, Apr. 6, 2004, at [http://news.zdnet.com/2100-3513\\_22-5186028.html](http://news.zdnet.com/2100-3513_22-5186028.html) (last visited Dec. 3, 2004).

Google has faced similar legal uncertainty in foreign courts regarding its keyword advertising practices. In October 2003, a French court ordered Google France to pay 70,000 euros to two companies who had rights in words Google had allowed advertisers to bid on as keywords.<sup>56</sup> In December 2004, another French court ordered Google France to discontinue using the trademarks of the European resort chain Le Meridien Hotels and Resorts to trigger keyword ads.<sup>57</sup> In contrast, in September 2004, a German court dismissed a similar case that Metaspinner Media had brought against Google Deutschland, finding that Google's Adwords system did not violate German trademark law.<sup>58</sup>

Currently no court in the United States has issued a definitive ruling on the legality of the use of trademarked words as keywords in an Internet search engine. In January 2004, in *Playboy Enterprises, Inc. v. Netscape Comm. Corp.*, the Ninth Circuit reversed a district court's grant of summary judgment in favor of Netscape and Excite, finding that there was a genuine issue of fact as to whether Netscape's practice of allowing advertisers to link their unlabeled banner ads to search results for "playboy" and "playmate" constituted trademark infringement.<sup>59</sup> The court found that the practice could possibly result in initial interest confusion because consumers who viewed the clearly unlabeled ads might initially believe they were affiliated with Playboy. After this

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<sup>56</sup> *Viaticum/Luteciel v. Google France*, T.G.I. Nanterre, 2E ch., Oct. 13, 2003, R.G. No. 03/00051, available at <http://www.juriscom.net/documents/tginanterre20031013.pdf> (last visited Mar. 15, 2005); Declan McCullagh, *Google France fined for trademark violation*, CNET NEWS.COM, Oct. 16, 2003, at [http://news.com.com/Google+France+fined+for+trademark+violation/2100-1028\\_3-5092320.html](http://news.com.com/Google+France+fined+for+trademark+violation/2100-1028_3-5092320.html) (last visited Mar. 25, 2005).

<sup>57</sup> See Stefanie Olsen, *Google loses trademark dispute in France*, CNET NEWS.COM, Jan. 20, 2005, at [http://news.com.com/Google+loses+trademark+dispute+in+France/2100-1030\\_3-5543827.html](http://news.com.com/Google+loses+trademark+dispute+in+France/2100-1030_3-5543827.html) (last visited Jan. 20, 2005).

<sup>58</sup> See John Oates, *Google Germany Wins Adwords Trademark Fight*, THE REGISTER, Sept. 22, 2004, available at [http://www.theregister.co.uk/2004/09/22/google\\_adwords\\_legal/](http://www.theregister.co.uk/2004/09/22/google_adwords_legal/) (last visited Dec. 2, 2004).

<sup>59</sup> *Playboy Enters.*, 354 F.3d 1020, 1022 (9th Cir. 2004) (citations omitted).

decision, Netscape and Excite settled the case with Playboy for an undisclosed amount.<sup>60</sup> Unfortunately for those seeking definitive answers, this case addressed only advertisements that were confusing themselves. It expressly did *not* address the “situation in which a banner advertisement clearly identifies its source with its sponsor’s name, or in which a search engine clearly identifies a banner advertisement’s source.”<sup>61</sup>

**b. *GEICO v. Google***<sup>62</sup>

After considerable frustration on its part to maintain its advertising business, follow the law, and satisfy both disgruntled trademark owners and advertisers, Google changed its tactics. In April of 2004, Google announced that it had changed its U.S. and Canadian policy, and would cease screening for trademarks in its Adwords program. Advertisers can now bid on whatever keywords they want, and Google will only review trademark complaints regarding the content in the keyword advertisements.<sup>63</sup>

A few weeks later on May 4, 2004, GEICO brought suit in the Eastern District of Virginia against Google and Overture<sup>64</sup>, alleging trademark infringement, contributory trademark infringement, vicarious trademark infringement, false representation, and dilution under the Lanham Act.<sup>65</sup> The complaint alleged that Google had used GEICO’s trademarks to sell advertising,<sup>66</sup> and that by linking the advertising to Google’s search

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<sup>60</sup> See Peter M. Ripin, *Hotel Internet Marketers Beware: Pop-up and Keyword Advertising Threaten Your On-line Brand*, HOSPITALITY NET, Oct. 26, 2004, at <http://www.hospitalitynet.org/news/4021026.html> (last visited Dec. 3, 2004).

<sup>61</sup> 354 F.3d at 1030.

<sup>62</sup> *Gov’t Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700 (E.D. Va. 2004).

<sup>63</sup> Sheldon H. Klein & Jason J. Mazur, *U.S. Trademark Cases Involving Keyword-Triggered Advertising on Internet Search Engines*, Arent Fox Attorneys at Law, Sept. 15, 2004, at [http://www.arentfox.com/staff\\_articles/iconent511.pdf](http://www.arentfox.com/staff_articles/iconent511.pdf) (last visited May 1, 2005).

<sup>64</sup> Overture, the paid search division of Yahoo!, Inc., settled out of court with GEICO on December 1, 2004. See Hicks, *supra* note 50. No details of the settlement were released.

<sup>65</sup> *Gov’t Employees Ins. Co.*, 330 F. Supp. 2d at 701.

<sup>66</sup> See Google’s search engine at <http://www.Google.com>, and Overture’s at <http://www.content.overture.com/d/>. When a search for “GEICO” on Google’s search engine is run, GEICO’s website is the first search result, but a “sponsored link” appears at the right side of the page:

engine results, Google was “using the trademarks in commerce in a way that may imply that [they had] permission from the trademark holder to do so.”<sup>67</sup>

In a motion to dismiss the case, Google argued that GEICO did not adequately establish the third and fourth prongs of a Lanham Act cause of action, because GEICO did not allege facts that supported its claims that the marks were “used in commerce” by the defendants “in connection with the sale, offering for sale, distribution, or advertising of goods and services.”<sup>68</sup> Google also pointed out that since it only used the trademarked terms in its “internal computer algorithms to determine which advertisements to show, this use of the trademarks never appears to the user.”<sup>69</sup> Thus the user could not be confused as to the goods’ origins. In support of its argument, Google pointed the court to the decisions in the *U-Haul* and *Wells Fargo* cases, while GEICO pointed to the *1-800 Contacts* and *Playboy* cases.

On August 31, 2004, Judge Leonie Brinkema denied Google’s motion to dismiss GEICO’s Lanham Act claims. Although *U-Haul* was decided in the same district, the court opined that *U-Haul* and *Wells Fargo* were based on the finding that the trademarks were not used by WhenU to identify the source of its own goods or services.<sup>70</sup> Judge Brinkema agreed with Judge Batts’ line of reasoning in the *1-800 Contacts* case, which found that WhenU had used the trademarks in two ways: using the mark to advertise

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“Second Look at the Gekko: Services all your insurance needs. Saves you time & money (affiliate).” On the Overture search engine, the top link is to <http://greatcarinsurancerates.com>, displaying a title of “Competitive Car Insurance Quotes,” with a description below: “Get GEICO information. Free instant quotes from leading insurance companies that compete with GEICO. It pays to compare. You could save hundreds on car insurance. Free nationwide service.” After this description, the Overture search results reveal that this link is a “sponsored listing.” Similar “sponsored” listings appear below this one. GEICO’s actual business website, found at <http://www.geico.com>, appears as the eighth search result (searches run on Dec. 1, 2004).

<sup>67</sup> 330 F. Supp. 2d at 704.

<sup>68</sup> *Id.* at 702. See Part IIA *supra* for the five prongs addressed in *U-Haul v. WhenU.com*. See also *People for the Ethical Treatment of Animals v. Doughney*, 263 F.3d 359, 364 (4th Cir. 2001).

<sup>69</sup> 330 F. Supp. 2d. at 702-03.

<sup>70</sup> *Id.* at 703.

competitors' websites, and including the marks in the proprietary directory. She also pointed to the Ninth Circuit's decision in *Playboy*,<sup>71</sup> finding the cases to be factually similar, and noting that the court in *Playboy* had considered it obvious that Netscape had used the marks in commerce under §1127.<sup>72</sup> Courts have also found that using trademarks as metatags (placed in source code that is invisible to viewers but affects search engines' indexing) does constitute use under the Lanham Act, which she believed were similar to keywords.<sup>73</sup> Judge Brinkema also pointed to language from the Fourth Circuit case *People for the Ethical Treatment of Animals v. Doughney*, in which the court held that the defendant's parody website [www.peta.org](http://www.peta.org) had in fact used PETA's mark in commerce in connection with goods and services, because "Doughney need only have prevented users from obtaining or using PETA's goods or services, or need only have connected the website to other's goods or services."<sup>74</sup> Based on the above points, in denying Google's motion to dismiss, Judge Brinkema held:

[Google's] offer of plaintiff's trademarks for use in advertising could falsely identify a business relationship or licensing agreement between [Google] and the trademark holder. In other words, when defendants sell the rights to link advertising to plaintiff's trademarks, defendants are using the trademarks in commerce in a way that may imply that defendants have permission from the trademark holder to do so. This is a critical distinction from the *U-Haul* case,

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<sup>71</sup> 354 F.3d 1020, 1024 (9th Cir. 2004).

<sup>72</sup> *Gov't Employees Ins. Co.*, 330 F. Supp. 2d at 703. Brinkema did not address the fact that *Playboy* dealt with unlabeled banner ads that often instructed users to "click here," and that Netscape had required all adult-oriented websites to link to the keywords "playboy" and "playmate." *Playboy Enters.*, 354 F.3d at 1023.

<sup>73</sup> *Gov't Employees Ins. Co.*, 330 F. Supp. 2d at 703. *See generally* *Bihari v. Gross*, 119 F. Supp. 2d 309 (S.D.N.Y. 2000); *Playboy Enterprises, Inc. v. AsiaFocus Int'l Inc.*, 1998 U.S. Dist. LEXIS 10459 (E.D. Va. Apr. 10, 1998).

<sup>74</sup> 263 F.3d 359, 365 (4th Cir. 2001).

because in chat [sic] case the only “trademark use” alleged was the use of the trademark in the pop-up software - the internal computer coding. WhenU allowed advertisers to bid on broad categories of terms that included the trademarks, but did not market the protected marks themselves as keywords to which advertisers could directly purchase rights.<sup>75</sup>

Because Judge Brinkema found that the facts alleged in GEICO’s complaint were sufficient to support the claim that Google and other advertisers had made use of plaintiff’s trademarks, the legal dispute then boiled down to whether Google’s use of the marks was fair use, and whether it created a likelihood of confusion, issues not appropriately resolved in a motion to dismiss.<sup>76</sup> After a three day trial in December 2004, Judge Brinkema ruled that GEICO had not proven that consumers were confused by Google’s keyword advertising practices. She held that “There’s no evidence that...the mere use of [GEICO’s] trademark by Google as a search word or keyword,...standing alone, causes confusion.”<sup>77</sup> Judge Brinkema has not yet issued a formal opinion on the matter. She asked the parties to first “settle a dispute over the use of Geico's marks in text of rival ads appearing on the search engine’s site.”<sup>78</sup> If they cannot, another phase of the trial will commence to determine whether Google is liable for permitting ads in which “GEICO” also appears in the text.<sup>79</sup>

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<sup>75</sup> 330 F. Supp. 2d. at 704.

<sup>76</sup> Stefanie Olsen, *Overture, Geico Settle Trademark Dispute* CNET NEWS.COM, available at [http://news.zdnet.com/2100-9588\\_22-5473231.html](http://news.zdnet.com/2100-9588_22-5473231.html) (last visited December 2, 2004); Partridge, *supra* note 54.

<sup>77</sup> Wendy Davis, *Legal Threats Still Loom for Google*, MediaDailyNews, Jan. 3, 2005, at [http://www.mediapost.com/dtls\\_dsp\\_news.cfm?newsID=284604](http://www.mediapost.com/dtls_dsp_news.cfm?newsID=284604) (last visited Jan. 20, 2005).

<sup>78</sup> Stefanie Olsen, *Google Wins in Trademark suit with Geico*, CNET News.com, Dec. 15, 2004, at [http://news.com.com/Google+wins+in+trademark+suit+with+Geico/2100-1024\\_3-5491704.html?tag=nl](http://news.com.com/Google+wins+in+trademark+suit+with+Geico/2100-1024_3-5491704.html?tag=nl), (last visited Jan. 20, 2005).

<sup>79</sup> See Davis, *supra* note 77 (“Google did not argue that such ads were lawful--in fact, Google's stated policy was to disallow advertisers from using other companies' names in their own ads.”).

Although this ruling is encouraging for Google, GEICO has already promised to appeal, and Google is still faced with many other lawsuits over this issue.<sup>80</sup> Thus it remains too early to conclude that Google's Adwords program is safe.

#### **IV. Should Use of Trademarked Terms in the Algorithms of Pop-up and Keyword Advertising be Legal?**

The primary purpose of trademark law is to protect consumers from confusion as to the origin of goods and services, but the law also protects businesses against unfair competition and, for those who have "famous" marks, against "dilution."<sup>81</sup> At bottom, the present dispute comes down to a fight over the scope of advertisers' right to inform consumers versus the scope of a trademark owner's rights in a word. Trademark law was never intended to give someone dominion over all uses of a word—we use trademarks in conversation every day. The inquiry lies in whether third-party ad purveyors and search engines are "using" the trademarks in a way that Congress intended the Lanham Act to proscribe.

##### **a. Is such use "use in commerce"?**

The Lanham Act provides that "the term 'use in commerce' means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark."<sup>82</sup> It provides further that a mark is deemed to be used in commerce on services

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<sup>80</sup> See *supra* notes 52-56 and accompanying text. In September 2004, Rescuecom, a computer-repair franchising company, sued Google over its Adwords program as well. See Casey Dickinson, *Rescuecom files trademark suit against Google*, CENTRAL NEW YORK BUS. J., May 6, 2005, available at [http://www.cnybj.com/art\\_fullstory.cfm?article\\_id=1421](http://www.cnybj.com/art_fullstory.cfm?article_id=1421) (last visited May 11, 2005). A copy of Rescuecom's complaint against Google can be found at <http://www.resourceshelf.com/resvgoogle.pdf> (last visited May 11, 2005).

<sup>81</sup> 15 U.S.C. §1125(c).

<sup>82</sup> 15 U.S.C. §1127.

“when it is used or displayed in the sale or advertising of services and the services are rendered in commerce.”<sup>83</sup>

**i. How trademarked terms are “used” in pop-up advertising and keyword advertising**

As discussed above, WhenU makes use of trademarked terms by placing them in a software directory that includes lists of common search terms and web addresses. WhenU provides a service to advertisers such that when consumers enter triggered search terms or web addresses into their Internet browsers, a pop-up advertisement will appear in front of the page the consumer was viewing, displaying the ad of one of WhenU’s clients. However, WhenU does not guarantee that a particular advertiser’s ad will definitely appear when a specific web address of a competitor is entered. The advertisements are clearly labeled with their WhenU source, allow consumers to click a link for more information about WhenU, and inform consumers that the ad did not originate from the website they are viewing. In addition, consumers download the software themselves, so they have control over whether they want to see such advertisements.

Google’s model differs from this in a few ways. First, instead of using pop-up windows, Google displays the advertising links as “Sponsored Links” to the right of the objective results of a search in its search engine. Second, advertisers do bid on specific terms; thus, their advertisements will definitely appear when a consumer types those terms into Google’s search engine. This also means that Google receives a direct payment for linking GEICO’s competitors to the term “GEICO.” Third, Google’s Adwords

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<sup>83</sup> *Id.*

program is built into its search engine, which means that if users want to use the search engine to find something on the Internet, they are forced to tolerate the ads.

**ii. WhenU and Google’s position: “use in commerce” must be “trademark use.”**

Whether WhenU and Google’s use of trademarked terms in their advertising programs constitutes “use in commerce” under the Lanham Act depends on how broadly we interpret the statute’s language. WhenU and Google favor a narrow reading of what constitutes “use in commerce” under the Lanham Act. WhenU believes (and the courts in *U-Haul* and *Wells Fargo* agreed) that there should be “no liability under the Lanham Act absent the use of a trademark in a way that identifies the products and services being advertised by the defendant.”<sup>84</sup> Because WhenU never used other businesses’ trademarks to identify its own services, WhenU’s use of trademarks in its proprietary directory would not qualify as “use in commerce” under this reading of the law.

Google, in an amicus brief it filed in the *1-800 Contacts* case appeal in the Second Circuit, urged this reading of the law as well, arguing that When-U is not making “trademark use” of these terms because it doesn’t sell goods or services using the trademarks as identifiers.<sup>85</sup> Google, by analogy, is also not using GEICO’s mark to identify its own sources, and thus is not “using” the mark in commerce.

**iii. Plaintiffs’ position: “use in commerce” is self-evident.**

The businesses trying to protect their trademarks favor a much broader reading of what constitutes “use in commerce.” Looking strictly at the language of the statute,

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<sup>84</sup> *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734, 757 (E.D. Mich., 2003).

<sup>85</sup> Brief of Amicus Curiae Google, Inc. Supporting Neither Appellants nor Apellees but Supporting Reversal, *1-800 Contacts, Inc. v. WhenU.com*, Case No. 04-0026-cv at 4, Feb. 18, 2004, *available at* <http://law.marquette.edu/goldman/googleamicus1800contactsvwhenuappeal.pdf> (last visited Dec. 3, 2004).

although WhenU is not displaying trademarks in any way, it is using terms that are trademarked to induce advertisers to buy WhenU's services. If all trademarked terms were excised from the SaveNow program, the program would presumably be worth less to advertisers because its targeted advertising would not be as effective—the program could not use any website with a trademarked name as a trigger for a pop-up. As the SaveNow program now exists, competitors do find space in the targeted advertising program worth purchasing, and WhenU's services are rendered to the advertisers in commerce when their pop-up ads appear. Thus, WhenU is using the marks in commerce.

The argument against Google runs similarly. Although Google is not using "GEICO" as an identifier of its products or services, Google is using GEICO's mark as a product itself, when it sells advertising to companies who want to be linked to GEICO. In a statement after Brinkema refused to dismiss GEICO's Lanham Act claims against Google, GEICO said: "Google should...be subject to liability for allowing their advertisers to bid on the GEICO marks and, in the words of the Judge, 'pay defendants to be linked to the trademarks.'"<sup>86</sup>

#### **iv. Using words as Location Tools on the Internet**

The difficulty with the trademark owners' view that pop-up and keyword advertising should be illegal is that this view does not acknowledge the way by which consumers navigate the Internet. The Internet is not a physical world; it is sea of information accessed by numbers and words we type into Internet browsers. If a consumer enters a Safeway grocery store intending to buy Kellogg's Corn Pops, he will find Safeway-brand Corn Pops right next to it, and he may decide to save some money

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<sup>86</sup> Paul Roberts, *Google May Face Another Lawsuit*, IDG NEWS SERVICE, at <http://www.pcworld.com/news/article/0,aid,117686,00.asp> (last visited Dec. 3, 2004).

and buy Safeway's cereal instead. In this physical world, Safeway does not use Kellogg's trademarks to sell Safeway products. Safeway *is*, however, effectively using the goodwill of brand-name foods when it puts its cheaper store-brand products right next to the trademarked ones. But this is not illegal, just as it is not illegal for generic drug companies to have pharmacies place their generic drugs next to their brand-name counterparts. Safeway profits from the goodwill of their competitor's trademarks, but it does not "use" the trademarks; the Safeway products are clearly labeled as Safeway-brand products. This kind of consumer choice is considered good social policy, promoting price competition and high-quality goods.

We run into difficulty on the Internet because websites are "located" according to what they are named, and businesses' websites are (usually) named by their trademarks. So, in order for competitors to place their competing products "next to" competitors on the Internet, they—or the Internet and software companies whose business is the promotion of productive consumer navigation of the Internet—need to actually use the competitors' trademarked terms in their algorithms, something Safeway does not need to do. The directory WhenU is selling to advertisers is a location on the Internet to compare its products with others. The keyword Google is selling to advertisers is a location on its search engine results page. These location tools presumably assist consumers in making informed purchases. If the trademarked term is being used as a location tool on the Internet, it is not automatically clear whether such use should be considered "use in commerce" under the Lanham Act.

**v. The use of trademarks as a location tool on the Internet  
should be held as “use in commerce” under the Lanham  
Act.**

In the Trademark Law Revision Act of 1988, Congress modified the “use in commerce” definition in section 1127 of the Lanham Act, adding the phrases “in the ordinary course of trade” and “not made merely to reserve a right in the mark.”<sup>87</sup> The legislative history indicates that Congress intended the revised language to both prevent “token” trademark use and to allow flexible interpretation “ ‘so as to encompass various genuine, but less traditional, trademark uses’ which are typical to a particular industry while at the same time allowing for nominative uses of trademarks that were not considered a problem.”<sup>88</sup> This language was added before the commercialization of the Internet, but Congress’s intent of flexible interpretation informs the present analysis, because the advent of the Internet has indeed resulted in new uses of trademarks other than the traditional identifier role.

One strong argument in favor of WhenU and Google’s position that their activities are not “use in commerce” under the Lanham Act is that while part of their profits may derive from the goodwill built up by businesses in their trademarks, it is not necessarily illegal “simply to make money in a way that involves the use of a

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<sup>87</sup> See The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors, 77 Trademark Rep. 375, 395 (1987), reprinted in United States Trademark Association, The Legislative History, Reports, Testimony, and Annotated Statutory Text, The Trademark Law Revision Act of 1988 (100 Pub. L. No. 667), at 35 (1988)

<sup>88</sup> Neel Chatterjee & Connie E. Merritt, *Casnote: U-Haul Int’l, Inc. v. WhenU.com, Inc., Wells Fargo Co. v. WhenU.com, Inc., and 1-800 Contacts Inc. v. WhenU.com, Inc.: Pop-Up Advertising as “Use in Commerce” Under the Lanham Act: A Case Analysis*, 20 SANTA CLARA COMPUTER & HIGH TECH. L.J. 1113, 1114 (May, 2004) (quoting Senate Comm. on the Judiciary, Trademark Law Revision Act of 1988, S. Rep. No. 100-515, at 44-45 (1988), reprinted in United States Trademark Association, The Legislative History, Reports, Testimony, and Annotated Statutory Text, The Trademark Law Revision Act of 1988 (Pub. L. No. 100-667), at 196 (1989)).

trademark.”<sup>89</sup> There are other instances of companies effectively profiting off a business’s trademark without actually “using” it in commerce. For example, Networks Solutions makes money when people buy domain names that have trademarks in them. Yet courts have held Network Solutions isn’t using the marks as trademarks.<sup>90</sup> This is true despite potential liability for the purchaser of Networks Solutions’ services, if he buys a domain name in which he knows a trademarked company has a legitimate interest.<sup>91</sup> The nature of the service that Network Solutions provides means that it will profit when someone buys a domain name that incorporates a trademark. A domain name like [www.geico.com](http://www.geico.com) would be of no interest to anyone if GEICO had not chosen that as their trademarked company name, yet domain name registrars may still profit from that fact.

The Networks Solutions cases can be distinguished, however. Network Solutions charges the same amount for every domain name; the fee only varies according to what peripheral services the registering user may desire. Rather than viewing Network Solutions as selling a trademarked domain name, they are instead selling a space on the Internet, and the buyer of that website may name it whatever he wishes as long as that name is not already taken. Google, on the other hand, has advertisers bid on specific terms and charges advertisers according to the number of clicks the advertisers get.<sup>92</sup> This means that Google charges higher prices for more popular keywords.

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<sup>89</sup> Brief of Amicus Curiae Google, *supra* note 85, at 6.

<sup>90</sup> See *Academy of Motion Picture Arts Sciences v. Network Solutions* 989 F. Supp. 1276, 1279-80 (C.D. Cal. 1997); *Lockheed Martin Corp. v. Network Solutions* 985 F. Supp. 949, 967-68 (C.D. Cal. 1997), *aff’d on other grounds* 194 F.3d 980, 984 (9th Cir. 1999). See also Brief of Amicus Curiae Google, *supra* note 85, at 6-7.

<sup>91</sup> Such an individual could now be liable for cybersquatting under the Anti-Cybersquatting Consumer Protection Act of 1998, 15 U.S.C.S. §1125(d) (2005).

<sup>92</sup> It is unclear whether WhenU’s price structure charges a flat fee to advertisers for advertising space, or charges them according to how often their pop-up advertisements are likely to be triggered.

Vanity phone numbers provide another analogous example. The Eighth Circuit has held that a telecommunications company did not “use in commerce” the term “Mercedes” when it licensed the number 1-800-MERCEDES.<sup>93</sup> Depending how they make use of the phone number, the licensee might use the mark in commerce, but the licensor telecommunications company did not, despite profiting from the licensing of the number. Similarly, the Sixth Circuit has held that, even when a defendant owner of a 1-800-[trademark name] is in direct competition with the owner of the trademark, if the defendant did not advertise or otherwise promote the protected mark, then the defendant did not “use” the mark in commerce under the Lanham Act.<sup>94</sup>

A common theme has emerged: Networks Solutions is not the competitor of the businesses buying trademarked domain names. The telecommunications companies are not competing with the businesses to which it licenses phone numbers. WhenU is not the competitor of any of the companies whose websites it targets for pop-up advertising.<sup>95</sup> Similarly, the vast majority of keywords that Google profits from are not those of Google’s competitors. Moreover, domain name registrars, phone number licensors, and companies who provide targeted advertising all provide valuable services to consumers. Due to the nature of these services, incidental use of and profit from the existence of trademarks may occur. Unfortunately, the nature of these services also enables people who abuse them to commit true trademark infringement.

Should WhenU and Google automatically be held to have “used” trademarks in commerce just because an unscrupulous advertiser abuses the pop-up or keyword

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<sup>93</sup> See *DaimlerChrysler AG v. Bloom*, 315 F.3d 932, 939 (8th Cir. 2003).

<sup>94</sup> *Holiday Inns, Inc. v. 800 Reservation, Inc.*, 86 F.3d 619 (6th Cir. 1996).

<sup>95</sup> This assumes that WhenU does not trigger pop-up windows advertising its own services when consumers visit its competitors’ websites.

advertising system by displaying a confusing ad? Probably not. The Lanham Act gives the trademark owners other recourse; they can pursue the errant advertiser itself, rather than the business that enables the advertising. However, the more important question is whether the enabler of advertising could itself abuse the nature of its service in such a way that it could cause and profit from consumer confusion.

The facts of *Playboy v. Netscape* illustrate that it is possible for both a third-party purveyor of pop-up ads and a search engine to do just that.<sup>96</sup> Netscape required all adult websites to link to the terms “playboy” and “playmate.” When a user typed those words into the search engine, it displayed unlabeled banner ads featuring Playboy’s competitors. The more often consumers clicked on these ads, the more money the search engine stood to make. Although the keywords are used as location tools to promote comparative advertising, they were also used in a way that probably tricked consumers into clicking on the unlabeled ads thinking they were being taken to Playboy’s website.

Therefore, while the use of trademarked keywords as location tools is not a traditional “trademark use,” search engines *can* employ keyword advertising in a way that is confusing to consumers. Similarly, a third-party ad purveyor could decide not to label its pop-up advertisements in the hope that consumers will believe the ad was generated by the website they were viewing. If courts were to hold that the use of trademarks as location tools employed by pop-up and keyword advertising was *not* “use in commerce,” a trademark owner would have no recourse under the Lanham Act against those who confuse consumers as to the source of the goods, simply due to a technicality. Congress cannot have intended such a result. The main purpose of the Lanham Act is to prevent consumer confusion. If a new way to use trademarks other than as identifiers can

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<sup>96</sup> *Playboy Enters.*, 354 F.3d at 1022-23.

still result in consumer confusion, the “use in commerce” definition should be interpreted flexibly enough so as to prevent that use.

**b. If WhenU and Google’s use of pop-up and keyword advertising constitutes “use in commerce,” does it amount to trademark infringement?**

A holding that WhenU and Google’s use of trademarks as location tools is “use in commerce” is not a holding that such use is illegal. As Judge Brinkema pointed out in ruling in favor of Google in December 2004, trademark owners must still prove that the use resulted in a likelihood of confusion.

**i. Consumer confusion is probably unlikely as long as the source of pop-up and keyword advertising is clearly displayed to the consumer**

As discussed above, WhenU can point to a number of precautions it takes to prevent consumer confusion. The ads appear in new windows; the original website remains unchanged; the new window is labeled as a “WhenU offer;” it informs users that the ad was not generated by the website they are viewing; and it allows users to click on a link for more information on how the ad was generated. In addition, WhenU can argue against the likelihood of confusion by pointing to the fact that consumers affirmatively decide to install WhenU’s SaveNow! program on their computers.<sup>97</sup> Neither WhenU nor Google use the marks in a way that is visible to consumers; the marks WhenU uses appear only in its software directory, and Google does not produce keyword-linked ads unless the user himself types the word into the search engine requesting information.

Google can also point to precautions it takes to prevent confusion: it separates “sponsored

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<sup>97</sup> Because WhenU’s software is typically packaged as an extra with other software that the consumer intends to download, this statement assumes that consumers read through and understand the “click-wrap” agreement that appears on their screen. This is a tenuous assumption at best, and an erroneous one at worst. However, it is not an unfair assumption, because courts have so far recognized “click-wrap” agreements as valid, and hold consumers responsible for the contents.

links” from its search engine’s organic results, and labels them as such. Visually, the advertisements appear quite different and separate from the main results. Because the court in GEICO voiced concern over the possibility that consumers would be confused into believing GEICO and Google were affiliated in producing the sponsored advertisements, it would arguably be better for Google to label the ads as “Google-sponsored Links” instead of simply “Sponsored links,” and perhaps also to include a disclaimer explicitly stating that the ads are appearing due to Google’s sponsorship, not the sponsorship of any of the businesses whose websites may appear in the organic results.

Ultimately the issue of confusion will be decided by the courts based on a *Polaroid*-type multi-factor test, and the consideration of evidence and surveys produced by each side. Because the trademark owners are claiming initial interest confusion, it will be important for WhenU and Google to emphasize that diverting attention is not the same as confusion, and is not illegal. Once again analogizing to the brick-and-mortar world, Deborah Wilcox, a partner at Baker & Hostelter, pointed out: “If McDonald’s goes up on a corner, Wendy’s can set up shop nearby to divert traffic. Distraction is not an actionable trademark infringement.”<sup>98</sup>

Judge Berzon of the Ninth Circuit has voiced similar sentiments about limiting the reach of the initial interest confusion doctrine, in a concurrence opinion in the *Playboy* case. If the metatag initial interest confusion analysis of *Brookfield*<sup>99</sup> were applied to

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<sup>98</sup> Greg Jarboe, *Trademark vs. Search: Do You Soo...gle?*, SEARCHENGINEWATCH, Sept. 8, 2004, at <http://searchenginewatch.com/searchday/article.php/3404071> (last visited Mar. 9, 2005).

<sup>99</sup> *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1062-63 (9th Cir. 1999) (holding that defendant’s use of plaintiff’s trademarks as metatags in defendant’s website was an infringement, because “the use of another’s trademark in a manner calculated to capture initial consumer attention, even though no actual sale is finally completed as a result of the confusion, may be still an infringement”) (citations omitted).

keyword advertising, “*Brookfield* might suggest that there could be a Lanham Act violation *even if* the banner advertisements were clearly labeled, either by the advertiser or by the search engine. I do not believe that to be so.”<sup>100</sup> There is no initial interest confusion when a consumer sees things clearly labeled on a page of search engine results. This is just distracting consumers with another choice. “Such choices do not constitute trademark infringement off the internet, and I cannot understand why they should on the internet.”<sup>101</sup>

**ii. The case for comparative advertising and the free exchange of information on the Internet**

There are fair use exceptions to trademark infringement, and comparative advertising is one of these fair uses.<sup>102</sup> Because consumers affirmatively install WhenU’s program on their computers, this presumably indicates that they value having multiple options, and want full information about competing products before they make a purchase online.<sup>103</sup> Likewise on Google’s search engine, there is no way to know the consumer’s objective. A consumer may enter a trademarked company’s name in hopes of finding comparisons, alternatives, or criticisms of the company—uses that are all allowed under trademark law in the United States as long as they are not confusing.<sup>104</sup>

Indeed, the courts in *U-Haul* and *Wells Fargo* addressed the issue of comparative advertising, finding that even if WhenU’s use of trademarked terms amounted to “use in

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<sup>100</sup> 354 F.3d at 1034-35 (Berzon, M., concurring).

<sup>101</sup> *Id.* at 1035.

<sup>102</sup> *See, e.g.*, *Diversified Mktg., Inc. v. Estee Lauder, Inc.*, 705 F. Supp. 128, 132 (S.D.N.Y. 1988) (finding the phrase “If You Like ESTEE LAUDER You’ll Love BEAUTY USA” to be lawful comparative advertising).

<sup>103</sup> While some users undoubtedly do *not* appreciate WhenU’s pop-up ads, there is most likely a subset of people who do in fact want multiple options to make sure they are getting the best deal possible.

<sup>104</sup> Fair use may not be confusing. *See Playboy Enters.*, 354 F.3d at 1029. *See also* *Lindy Pen Co., Inc. v. Bic Pen Corp.*, 725 F.2d 1240, 1248 (9th Cir. 1984) (finding that liability may not be imposed for truthful comparative advertising, an example of a nominative use).

commerce,” it still would not rise to the level of trademark infringement because WhenU and its client advertisers were engaged in the legal practice of comparative advertising.<sup>105</sup>

In so holding, the court in *Wells Fargo* noted,

[t]he rule favoring comparative advertising “rests upon the traditionally accepted premise that the only legally relevant function of a trademark is to impart information as to the source or sponsorship of the product.” Comparative advertisements may therefore make use of competitors’ trademarks even if the advertiser reaps the benefit of “the product recognition engendered by the owner’s popularization, through expensive advertising, of the mark.”<sup>106</sup>

Because WhenU’s SaveNow program and Google’s Adwords program are effective location tools, advertisers who want consumers to compare their own products with perhaps better-known products use these services to increase the chance that consumers will see both products and compare the two. In the physical world, should McDonald’s be able to successfully sue billboard owners when they rent advertising space to Burger King across the street, in which Burger King tells drivers-by, “Burger King’s burgers taste best!”? Clearly not.<sup>107</sup> McDonalds also could not successfully sue Burger King itself. Despite the fact that both the billboard owner and Burger King will profit from advertising next to McDonalds, this practice is legal comparative advertising.

Consumers value choice. If WhenU and Google’s advertising programs are found to be illegal because they incidentally use trademarks as location tools, then consumers’ access to comparable products will be reduced; they will have to spend more time

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<sup>105</sup> See *U-Haul*, 279 F. Supp. 2d at 728; *Wells Fargo*, 293 F. Supp. 2d at 761.

<sup>106</sup> 293 F. Supp. 2d at 761 (quoting *Smith v. Chanel, Inc.*, 402 F.2d 562, 566 (9th Cir. 1968) and *Anti-Monopoly, Inc. v. Gen. Mills Fun Group*, 611 F.2d 296, 301 n.2 (9th Cir. 1979)).

<sup>107</sup> Brief of Amicus Curiae Google, Inc., *supra* note 85, at 10-11.

looking around. In addition, consumer-service businesses whose practice it is to compare many businesses in a particular field, e.g., car insurance, will find themselves hard-pressed to effectively advertise their services on the Internet if they can't use those businesses' trademarks as a location tool. A ban on keyword advertising of trademarked terms would also likely devastate Google's (and other advertising search engines') revenues.<sup>108</sup> In the extreme, this could even result in the attachment of a price to each search. This would further limit consumers' access to information unless they are willing and able to pay for it.

Moreover, if using trademarks as keywords is banned, then people wishing to make political—rather than commercial—use of the marks will be effectively denied the right to a prominent location on a search engine results page, no matter how important their message. Public Citizen, a non-profit organization, filed an amicus in the *GEICO v. Google* case in support of free exchange of information on Internet search engines.<sup>109</sup> In a press release, attorney Paul Levy said “GEICO’s assumption that any member of the public using the term ‘GEICO’ must be searching for the official company Web site is preposterous.”<sup>110</sup> As mentioned above, the user could want historical information,

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<sup>108</sup> It is unclear what portion of Google's profits is due to the keywording of distinctive trademarks. Google will still be able to use generic keywords. For any trademarks that are descriptive rather than suggestive, fanciful, or arbitrary, WhenU and Google may be able to claim fair use under section 1115(b)(4) of the Lanham Act. It provides for this defense when “the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark...of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin.” This defense is specified as a defense to a mark's incontestability and the registrant's exclusive right to use the mark, but it has also been used as a defense to trademark infringement claims too. *See Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786 (5th Cir. 1983). The defense prevents trademark owners from monopolizing a descriptive word or phrase, so that non-owners of the trademark are able to describe their services. Google may take this position with respect to the *American Blind* and *Novak* cases.

<sup>109</sup> Memorandum of Amicus Curiae Public Citizen, *available at* <http://www.citizen.org/documents/ACF4F0.pdf> (last visited Dec. 5, 2004).

<sup>110</sup> Press Release, Public Citizen, *GEICO v. Google: Insurance Company Tries to Limit Consumer Access to Information on the Worldwide Web*, Jul. 30, 2004, *available at* <http://www.citizen.org/pressroom/release.cfm?ID=1758> (last visited Dec. 2, 2004).

comparative information, or even negative information if he has a problem with the company. This information might be harder to find without keyword advertising; users will spend valuable time scrolling through pages of results lists. Consumers need access to the most information possible, whether political or commercial, and “[i]t is vitally important that the legal rules governing use of the Internet be crafted to provide a maximum opportunity for the free exchange of information.”<sup>111</sup>

## V. Conclusion

Trademark law is designed to prevent consumer confusion. In the struggle between advertisers’ right to inform consumers versus a trademark owner’s rights in a word, the law should be true “to its original purpose, which i[s] to protect consumers against false claims of sponsorship, not to protect trademark holders against competition.”<sup>112</sup> Pop-up and keyword advertising allows comparative advertising and the efficient exchange of information on the Internet. Due to the nature of the Internet, third-party ad purveyors and search engines must reference or link to businesses’ trademarks as a location tool, in order for competitors to place themselves in proximity with those businesses. While using trademarks as a location tool is not a traditional trademark use, such use can result in consumer confusion; thus, this use should be considered “use in commerce” under the Lanham Act. However, due to the of value comparative advertising and open forums in which consumers have efficient access to information, the practice of pop-up and keyword advertising should be allowed as long as the ad purveyors and search engines clearly label their advertising and do not confuse consumers. When an

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<sup>111</sup> *Id.*

<sup>112</sup> Email from Paul Levy, Attorney, Public Citizen, to Dave Farber, Jul. 30, 2004, *available at* <http://www.interesting-people.org/archives/interesting-people/200407/msg00274.html> (last visited Dec. 3, 2004).

errant advertiser takes advantage of the way WhenU and Google's services work, the trademark holder will still have legal recourse to pursue that advertiser, rather than WhenU or Google.