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## VIRTUAL TRADEMARK USE — THE PARALLEL WORLD OF KEYWORD ADS\*

*By Jonathan Moskin\*\**

### I. INTRODUCTION

Justice, we are told, should be blind. Yet it need not be administered with eyes averted. Despite considerable consternation concerning the question when or if keyword ads might infringe the trademarks to which they are keyed, there has been virtually no meaningful examination by the courts of the actual risks, if any, such ads present to consumers or brand owners, or why or under what circumstances keyword ads might actually lead to mistaken purchasing decisions. Recent precedent presents pale cause for optimism that a bright new outlook or insight is just beyond the horizon.<sup>1</sup> At one extreme, courts in the U.S. Second Circuit, for seemingly doubtful reasons explored below, have turned a blind eye to the issue, concluding, as a matter of law, that selling ads keyed to brand names does not constitute “use in commerce” of the branded terms. Without such “use in commerce,” even if there were confusion, there could be no actionable infringement. At the other end of the spectrum (and, coincidentally, to a considerable extent on the opposite end of the continent), some U.S. courts have adopted a blindered (if not to say blinded) view of the risks presented by keyword ads, all but compelling a conclusion that keywords cause confusion, based both on a narrow interpretation of the traditional likelihood of confusion analysis and a reliance on the theory of so-called “initial interest confusion” that easily elides any relevant facts outside a very closely cabined conception of Internet usage. In the middle of this continental divide, many of the reported decisions have simply addressed procedural or threshold questions (often as to which of the two types of tests to apply), without resolving substantive issues concerning keywords and confusion.

Keyword ads are, of course, paid links provided or “keyed” to given search terms (including, but not limited to, trademarks) by

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1. However, it must be noted that as this article is going to press, the Court of Appeals for the Second Circuit, having heard argument on April 3, 2008, will likely soon issue its decision in the appeal from *Rescuecom Corp. v. Google, Inc.*, 456 F. Supp. 2d 393 (N.D.N.Y. 2006).

Internet search engines, the ads then being presented together with—usually above and/or alongside—other unsponsored or “natural” search results concerning those keyword terms. When a car dealer pays to have a search engine, such as Google or Yahoo!, present a link to its website whenever Internet users search generic motoring terms, there is no issue. When the same merchant pays for links to its website whenever someone searches proprietary General Motor-ing terms, the legal question arises, “Is this a trademark infringement actionable under the U.S. Trademark (Lanham) Act?” The brand owners have contended that allowing competitors to sponsor ads keyed to and presented with “natural” or “organic” search results is to allow the competitors a free ride on the goodwill in their trademarks. The advertisers (including the search services whose engines the keys turn) contend instead that consumers are familiar with side-by-side marketing of competing products—in Yellow Pages listings, on store shelves and in various other similar contexts.<sup>2</sup> It is not considered trademark infringement or an unfair “free ride” in such contexts for Ford dealers to advertise in the same Yellow Pages as Chrysler or General Motors dealers (or for the publishers to so-organize their directories). No one contends that retailers should be restrained from shelving all shampoos together. Even if off-brands or store brands benefit from extra eyeballs originally intended for branded products, there is a logic to shelving MATRIX or NEXXUS hair care products together with no-name items—a nexus or matrix that gets no one into a lather of any other kind.

At a more fundamental level, the question how search engines work raises a further issue of the extent to which the distinction made between sponsored links and “natural” results is fair or accurate, or is, rather, itself an artificial divide that somewhat begs the question in assuming there is some “natural” way for search engines to present information retrieved from the Internet. Although many search engines historically have shared technology or use functionally similar algorithms, each is able to develop its own algorithms and methods to rank and categorize web pages.<sup>3</sup>

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2. See, e.g., *1-800 Contacts, Inc. v. WhenU.com Inc.*, 414 F.3d 400, 411 (2d Cir. 2005), where the court explained in respect of pop-up ads:

For example, a drug store typically places its own store-brand generic products next to the trademarked products they emulate in order to induce a customer who has specifically sought out the trademarked product to consider the store’s less expensive alternative. WhenU employs this same marketing strategy by informing [computer]-users who have sought out a specific trademarked product about available alternative products that may be of interest to them.

3. Various methods used by search engines to collect data are summarized in E. Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 Emory L. J. 507, notes 4-7 and accompanying text (2005). A key to Google’s great popularity has no doubt been its “PageRank” algorithm, developed to rank web page relevance in response to any given

There certainly are benefits to search results uninfluenced by mercenary interests, but query whether it would be “unnatural” for a search engine to adopt an entirely commercial focus and rank listings solely by the contribution levels of the target sites.<sup>4</sup> Similarly, the knowledge among Internet users (intellectual property attorneys perhaps principally among them) that brands are themselves highly relevant search terms may itself require reevaluation of what is or is not “natural” for search results. Thus, in application of the “observer effect,” some (maybe many) Internet users (including this author) no doubt have at times relied on their ability to use brand names on the Internet as a searching shorthand for entire product categories.<sup>5</sup>

What is surely needed—and what is just as plainly lacking—is empirical research measuring the actual sophistication of Internet users and levels of care they exercise<sup>6</sup> and a greater understanding

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search term by focusing on the links to any give web page rather than (for instance) the content of any given page (such as search term frequency on the page). Google thus provides the following recommendations to website developers:

**Make sure that other sites link to yours**

Links help our crawlers find your site and can give your site greater visibility in our search results. When returning results for a search, Google combines PageRank (our view of a page's importance) with sophisticated text-matching techniques to display pages that are both important and relevant to each search. Google counts the number of votes a page receives as part of its PageRank assessment, interpreting a link from page A to page B as a vote by page A for page B. Votes cast by pages that are themselves “important” weigh more heavily and help to make other pages “important.”

Keep in mind that our algorithms can distinguish natural links from unnatural links. **Natural links** to your site develop as part of the dynamic nature of the web when other sites find your content valuable and think it would be helpful for their visitors. Unnatural links to your site are placed there specifically to make your site look more popular to search engines. Some of these types of links (such as link schemes and doorway pages) are covered in our webmaster guidelines.

Only natural links are useful for the indexing and ranking of your site.

See <http://www.google.com/support/webmasters/bin/answer.py?answer=40349&ctx=related>.

4. Although, to this author's knowledge, there are no search engines that operate in such a purely mercenary way, many models different from the familiar search engine formats of Google, Yahoo! or MSN already exist, some having very different methods for delivering sponsored links. See, e.g., *Searching the World, From Jersey City*, N.Y. Times, March 13, 2006, available at [http://www.nytimes.com/2006/03/13/technology/13ecom.html?\\_r=1&emc=eta1&oref=slogin](http://www.nytimes.com/2006/03/13/technology/13ecom.html?_r=1&emc=eta1&oref=slogin); see also *The Human Touch That May Loosen Google's Grip*, N.Y. Times, June 24, 2007, available at <http://www.nytimes.com/2007/06/24/business/yourmoney/24digi.html?emc=eta1>.

5. Daniel C. Glazer and Dev R. Dhamija, *Revisiting Initial Interest Confusion on the Internet*, 95 TMR 952 (2005); E. Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 Emory L. J. 507, 525 (2005) Goldman also summarizes various other uses of trademarks that may be made by the Internet user, including comparative shopping or gathering post-purchase information. *Id.* at 522-23.

6. See Jacob Jacoby and Mark Sableman, *Keyword-Based Advertising: Filling In Factual Voids*, 97 TMR 681, 692 (2007) (“For trademark law purposes, it is more important

how search engines make available keywords for advertising reference. To be sure, Yellow Pages users (or most of them) are presumed to know that, unlike White Pages directories, the listings shown are ads, and it seems inconceivable that courts would require gross inefficiency in supermarkets and drugstores by precluding placement of like products together. Whether Internet users are better or worse at “reading” Google or Yahoo! or MSN search results than are their parents at reading the Yellow Pages is difficult to say. However, in the absence of sound empirical data, all that can be offered is conjecture. Equally clear is what Internet searchers can or should be presumed to know has changed and is bound to continue to change over time. As users become increasingly adept at conducting searches and gain greater experience in how search engines operate (or at least how they present search results), the impact of and reactions to sponsored links hardly can be expected to remain constant.

On the other hand, the manner in which marketers manipulate trademarks constantly changes, which is why, as much if perhaps even more than how keyword ads are adjudicated today, it matters that the current keyword cases be decided on doctrinally durable and correct grounds that will not impair the ability of trademark owners to take action against more mischievous marketing mechanisms tomorrow.

Whether it is wise to prohibit search engines from presenting paid search results together with unsponsored results (whether alongside, over or under or perhaps in some altogether different way), may to some extent reflect a value judgment,<sup>7</sup> but the values that inform that judgment have not been disentangled from the assumptions and intuitions that have tended to guide decisions to date. Further, by and large, those assumptions and intuitions have not been informed or tempered by empirical data.

Rather, as shown in the following pages, U.S. courts are now split on whether, as a matter of law, paid Internet ads keyed to trademarks (admittedly commercial in nature), constitute “use in commerce” under the Lanham Act or, alternatively, whether “use in commerce” can effectively be assumed; thus turning the focus to whether and when such use is likely to cause confusion, albeit at times based on a very narrow assessment of what is needed to demonstrate a likelihood of confusion. How this preliminary question (and its seemingly paradoxical logical underpinnings) are resolved remains very much in doubt. Yet, not only will it shape the immediate future of keyword advertising, it will also likely

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to know how Internet users use search engines and how they understand search engine results than it is to know how search engines work.”).

7. Such normative judgment may also include assumptions about what is or is not a fair use. See *infra* at notes 22, 47-52 and 115-17 and accompanying text.

impact what restraints, if any, can be placed on the next generation of Internet marketing tools (a concern addressed below).<sup>8</sup> For those courts willing to find (or assume) “use in commerce,” greater care and more vigorous analysis seems surely appropriate. Indeed, some decisions all but imply a willingness to assume that keyword ads are inherently misleading (and damagingly so). Without greater empirical knowledge, courts will likely continue to make ad hoc decisions guided more by metaphor and analogy than by fact, and needlessly skew how future risks are assessed. Equally, if not more importantly, by skewing the legal analysis used to address keyword cases, courts may compromise our ability to contend with more acute risks Internet marketers may create in days and years to come.

## II. “USE IN COMMERCE”—THE NEW YORK RULE

Doubtless only a lawyer could sensibly parse the statement that “commercial use is not the equivalent of ‘use in commerce.’”<sup>9</sup> To ordinary sentient beings, it might seem that the only way to make “commercial use” of something would be to use it “in commerce.” Nonetheless, navigating this seeming logical labyrinth, lifted verbatim from a recent ruling dismissing a claim concerning Internet keyword advertising,<sup>10</sup> may well determine whether any limits can be placed henceforth on such promotional tools. More importantly, if it is true that most Internet users already do recognize keyword ads for what they are, how can we regulate other more subtle and possibly insidious secret uses of trademarks to guide or divert Internet traffic?

*Merck & Co. v. MediPlan Health Consulting, Inc.*,<sup>11</sup> quoted above, offers a simple, certain solution to the issue whether keyword ads can constitute infringement—a solution that will surely do nothing to slow the growth of such advertising, not to mention other so-called search engine optimization techniques (more about this later).<sup>12</sup> The mark and keyword was ZOCOR. The defendants paid Google and Yahoo! for keyword links to their online pharmacies selling the generic equivalent of ZOCOR. The court reaffirmed its own earlier decision dismissing Merck’s claims and holding that the keyword linking simply was not a “use in

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8. See *infra* Part IV.

9. *Merck & Co. v. MediPlan Health Consulting, Inc.*, 431 F. Supp. 2d 425, 427 (S.D.N.Y. 2006). The decision reaffirmed on a motion for reconsideration the court’s earlier ruling, *Merck & Co. v. MediPlan Health Consulting, Inc.*, 425 F. Supp. 2d 402 (S.D.N.Y. 2006)

10. *Merck & Co.*, 431 F. Supp. 2d at 427.

11. 431 F. Supp. 2d 425 (S.D.N.Y. 2006)

12. See *infra* Part IV.

commerce” of Merck’s trademark because it was an unseen automated function that did not involve publicly using the mark anywhere on or in connection with the goods.

In so holding, the court relied in turn upon another recent ruling involving pop-up ads (in many ways similar to keyword ads), in which the Court of Appeals for the Second Circuit held that use of trademarks in an automated, machine-linking function to generate such advertisements was not a “use in commerce.”

In this recent case, 1-800 Contacts sued for trademark infringement when WhenU.com’s adware program caused pop-up ads for its competitor, Vision Direct, to appear when Internet viewers visited its website.<sup>13</sup> The Second Circuit, consistent with prior precedent,<sup>14</sup> held that adware companies do not engage in “use in commerce” under the literal language of the Lanham Act when, even for a fee, they employ technical means to cause computer users visiting specific Internet shopping sites to see pop-up ads for competing merchants. Focusing solely on the statutory definition of what sort of “use in commerce” is necessary for a claimed trademark owner to establish rights in its mark in the first place, rather than the seemingly broader test of infringement (namely, whether a use might be deemed “in connection with . . . the advertising of goods or services”),<sup>15</sup> the Court held that the entirely veiled machine-linking function was not a trademark use because it did not entail having the mark “placed . . . on the goods or their containers or the displays associated therewith.”<sup>16</sup> Part of the same statutory definition of a trademark, which the Court did *not* address, of course, also provides that a mark is used for *services* when it is “used *or* displayed in the sale or advertising of services and the services are rendered in commerce. . . .”<sup>17</sup> As noted, while focusing on the Lanham Act definition of what a trademark is, the Second Circuit did not address how the statutory test of infringement references “use in commerce,” namely, by requiring only a showing that the defendant has used the challenged mark—or a copy or colorable imitation of it—“in

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13. 1-800 Contacts, Inc. v. WhenU.com Inc., 414 F.3d 400 (2d Cir. 2005).

14. See U-Haul Int’l, Inc. v. WhenU.com, Inc., 279 F. Supp. 2d 723 (E.D. Va. 2003); Wells Fargo & Co. v. WhenU.com, Inc., 293 F. Supp. 2d 734 (E.D. Mich. 2003). One earlier trademark infringement case, WashingtonPost.Newsweek Interactive Co. LLC v. Gator Corp., 2002 US Dist. LEXIS 20879 (E.D. Va. 2002), had enjoined pop-up advertising, but without substantive analysis. Many other such cases against pop-up purveyors have simply settled.

15. 15 U.S.C. § 1114 (1). *Accord* 15 U.S.C. § 1125 (a).

16. *1-800 Contacts*, 414 F.3d at 407.

17. 15 U.S.C. § 1127 (emphasis added).

commerce,” and “in connection with the sale, offering for sale, distribution, or advertising of any goods or services.”<sup>18</sup>

In finding no such “use in commerce,” *1-800 Contacts* correctly explained, in language equally applicable to most keyword ads: “The fact is that WhenU does not reproduce or display 1-800’s trademarks at all, nor does it cause the trademarks to be displayed to a [computer]-user.”<sup>19</sup> In this respect, sponsored keyword ads are indeed little different: they appear alongside native or natural search results, while the keyword search terms and software all function out of sight. And although there is no technical reason why the ads that are displayed (whether pop-ups or keyword ads) can not themselves display the subject marks or colorable imitations of them, regularly they do not. The marks themselves remain unseen—rather like virtual trademarks in a parallel digital world—and the ads are simply juxtaposed conveniently next to, over, or under the other content of interest.

When a mark is actually used in the visible text of a keyword ad that presents a simpler case, and a finding of “use in commerce” is less in doubt—even where the court accepts the basic premise in *Merck* that sale of keywords does not, in and of itself, entail “use in commerce.”<sup>20</sup> However, whether for this reason or because some search engines themselves often have (or have had) policies precluding presentation of third-party trademarks in advertising,<sup>21</sup> most keyword ads do not explicitly identify a competitor’s mark.

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18. 15 U.S.C. § 1114 (1). *Accord* 15 U.S.C. § 1125 (a).

19. The court said:

A company’s internal utilization of a trademark in a way that does not communicate it to the public is analogous to an individual’s private thoughts about a trademark. Such conduct simply does not violate the Lanham Act, which is concerned with the use of trademarks in connection with the sale of goods or services in a manner likely to lead to consumer confusion as to the source of the goods or services.

*1-800 Contacts*, 414 F.3d at 409. Of course, the court *also* recognized, somewhat inconsistently, that the placement of pop-up ads in connection with specific competing products is entirely unlike an individual’s private thoughts but is, rather, more like the sort of commercial competition we accept as fair and non-confusing when encountered in other contexts, such as store shelves. *See supra* note 1. Without suggesting that pop-up ads or keywords are remotely as insidious or violative of trademark rights as product substitution, it is certainly unlawful for a bar or restaurant owner to serve a generic housebrand when the customer orders COCA-COLA, even though the owner never mentions the alternate brand name.

20. *Hamzik v. Zale Corp.*, 2007 WL 1174863 (N.D.N.Y. 2007). *Storus Corp. v. Aroa Mktg., Inc.*, No. C-06-2454 (MMC), 2008 WL 449835 (N.D. Cal. Feb. 15, 2008); *Edina Realty, Inc. v. The MLSonline.com*, 80 U.S.P.Q.2d 1039 (D. Minn. 2006); *Gov’t Employees Ins. Co. v. Google, Inc.*, 77 U.S.P.Q.2d 1841 (E.D. Va. 2005).

21. Google’s most recent policy for the United States and Canada states, “When we receive a complaint from a trademark owner, we only investigate the use of the trademark in ad text. If the advertiser is using the trademark in ad text, we will require the advertiser to remove the trademark and prevent them from using it in ad text in the future. *Please note that we will not disable keywords in response to a trademark complaint.* In addition,

Without deciding whether or when (if ever) pop-up ads or keyword ads should be deemed likely to cause confusion, or whether some such uses should be immune from suit under the fair use doctrine,<sup>22</sup> there are two fundamental problems with the analysis offered by *1-800 Contacts* and other like cases (including now various cases such as *Merck* involving keyword ads). The first is that these cases address only half of the statutory test of how a word or phrase becomes a trademark (or more specifically a service mark).<sup>23</sup> The second is, even more simply, that they rely upon the statutory test of how a word or phrase *becomes* a trademark (or service mark), not the test of how a trademark or service mark is *infringed*.

If the question is whether Google or Yahoo! (or the various adware firms promoting pop-ups) “use *or* display” the subject trademarks “in the sale or advertising of services,” and whether those services are then “rendered in commerce,” then to state that the search engines and adware companies do not “display” the trademarks would seem to address only half of the statutory test in 15 U.S.C. § 1127, thus depriving the term “use” of any meaning independent of the term “display.” Indeed, even if it must be conceded that keyword ads do not (or need not) “display” the keyed terms, to equate “use” with “display” renders the term “use” meaningless in the statutory definition, contrary to basic norms of statutory construction.

No less puzzling is that the courts have focused on the definition of how a trademark owner establishes rights in the first instance under 15 U.S.C. § 1127, rather than the definition of infringement under Section 32 of the Lanham Act; that test being whether the marks sold as keywords or employed to generate pop-ups are “used in commerce” . . . “in connection with the sale, offering for sale, distribution or advertising of any goods or services on or in connection with which such use is likely to cause confusion.”<sup>24</sup> It surely seems possible that a mark (or a colorable imitation of a mark) can be used “in connection with” advertising or the offering for sale of goods even if it is not actually “displayed” on goods or services. Section 43(a) similarly prohibits “use . . . in

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please note that any such investigation will only affect ads served on or by Google.” Google AdWords Trademark Complaint Procedure, [http://www.google.com/tm\\_complaint\\_adwords.html](http://www.google.com/tm_complaint_adwords.html) (policies as of Apr. 22, 2007; emphasis in original).

22. In *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734 (E.D. Mich. 2003), the court deemed WhenU’s pop-ups, juxtaposed to the trademark owner’s website, a form of fair comparative advertising, in which the subject mark was not used to indicate source of origin. Although not a fully-developed fair-use analysis, it suggests a possible basis for line-drawing.

23. This author suggested much the same in a September 2005 article in *Managing IP, The Problem Putting Down Pop-ups*.

24. 15 U.S.C. § 1114(1)(a).

commerce of any word, term, name, symbol or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact . . .”<sup>25</sup> irrespective of whether any such word, term, name, symbol or device appears directly on a product or service so as to satisfy the statutory test of what is a trademark.

Although unassailably true that keyword ads (like most pop-ups) typically do not “display” the subject trademark, it is no less correct that they “use” the trademarks in the common sense meaning of the term “use.” Indeed, that is how the search engines sell keyword ads. For instance, if one enters the trademark NIKON into Google’s “Keyword Tool” program,<sup>26</sup> the trademark names of various competitors will be generated by Google’s internal program for ranking relevance. Likewise, if one enters the generic word “camera,” numerous brand names will also appear. The advertiser is then free to purchase links to such trademarked terms. For just this reason many courts (outside of New York), before and after *Merck*, have continued to find “use in commerce” when trademarks are sold as keywords.<sup>27</sup> However, and as discussed more fully below, courts following *Merck* and *1-800 Contacts*, primarily if not exclusively in the Second Circuit, have reached the opposite conclusion, albeit without any detailed analysis.<sup>28</sup>

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25. 15 U.S.C. § 1125(a).

26. See <https://adwords.google.com/select/KeywordToolExternal?defaultView=2>.

27. See, e.g., *Google, Inc. v. Am. Blind & Wallpaper Factory*, 2007 WL 1159950 (N.D. Cal. 2007); *J.G. Wentworth, SSC, LP v. Settlement Funding LLC*, 2007 WL 30115 (E.D. Pa. 2007); *800-JR Cigar, Inc. v. GoTo.com, Inc.*, 437 F. Supp. 2d 273 (D.N.J. 2006); *Edina Realty, Inc. v. TheMLSOnline.com*, 80 U.S.P.Q.2d 1039 (D. Minn.), *reconsideration denied*, 2006 WL 1314303 (D. Minn. 2006); *Gov’t Empl. Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700 (E.D. Va. 2004). *Accord Rhino Sports, Inc. v. Sport Court, Inc.*, 2007 WL 1302745 (D. Ariz. May 2, 2007). *Int’l Profit Assoc., Inc. v. Paisola*, 461 F. Supp. 2d 672 (N.D. Ill. 2006); *T.D.I. Int’l, Inc. v. Golf Preservations, Inc.*, 2008 WL 294531 (E.D. Ky. January 31, 2008); *Orion Bancorp, Inc. v. Orion Residential Fin., LLC*, 2008 WL 816794 (M.D. Fla. March 25, 2008).

28. See, *S&L Vitamins, Inc. v. Australian Gold, Inc.*, 521 F. Supp. 2d 188, 199 (E.D.N.Y. 2007) (“the general rule in this Circuit is that use of a trademark in keywords and metatags, where the use is strictly internal and not communicated to the public, does not constitute Lanham Act “use” and, therefore, does not support a Lanham Act claim.”). *Fragrancenet.com, Inc. v. FragranceX.com, Inc.*, 493 F. Supp. 2d 545 (E.D.N.Y. 2007); *Site Pro-1, Inc. v. Better Metal, Inc.*, 2007 WL 1385730 (E.D.N.Y. 2007); *Rescuecom Corp. v. Google, Inc.*, 456 F. Supp. 2d 393 (N.D.N.Y. 2006). *Compare Rescuecom Corp. v. Computer Troubleshooters USA, Inc.*, 464 F. Supp. 2d 1263 (N.D. Ga. 2005) (denying motion to dismiss on grounds that question of “use in commerce” raised novel issues that required a fuller record).

### A. Do Search Engines or Only Advertisers “Use” Keyed Trademarks in Commerce

In assessing how or if to apply *1-800-Contacts* to keyword cases, one broad distinction could be made between the roles played by the advertisers who purchase keywords and the search engines that provide the platform.<sup>29</sup> To the extent courts have had an opportunity to consider the question, they have tended once again to avert their gaze.<sup>30</sup> As noted below in the discussion of substantive liability,<sup>31</sup> although it is surely possible that the legal duties of search engines need to be scrutinized under a standard of contributory liability (in contrast to the direct liability of advertisers themselves), and although it may be that their role should be analogous to that of traditional publishers of advertising (in contrast to advertisers themselves), if the question is whether a mark (or word, term, name, symbol or device) is used in connection with the advertising or offering for sale of goods or services, the distinction in roles has no apparent relevance.<sup>32</sup>

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29. See Stacey L. Dogan and Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 Hous. L. Rev. 777 (2004-05). Presaging the current New York rule, the authors argued that search engines do not use marks in commerce when they sell keywords, based largely on a particular view that all of trademark law should be analyzed under a single proposition of whether a use increases the efficiency of consumer searching, as well as by analogy to cases in which domain name registrars were deemed not contributorily liable for registering domain names containing embedded trademarks. *Lockheed Martin Corp. v. Network Solutions, Inc.*, 141 F. Supp. 2d 648, 656 (N.D. Tex. 2001); *Acad. of Motion Picture Arts & Scis. v. Network Solutions, Inc.*, 989 F. Supp. 1276, 1280 (C.D. Cal. 1997); *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 957 (C.D. Cal. 2001), *aff'd*, 194 F.3d 980 (9th Cir. 1999). However, as noted in *Acad. of Motion Picture Arts & Scis.*, independent of the content of actual websites, bare domain names themselves were deemed not to be uses in commerce. “The mere registration of a domain name does not constitute a commercial use.” 989 F. Supp. at 1279, citing *Panavision v. Toeppen*, 945 F. Supp. 1296, 1303 (C.D. Cal. 1996). *Accord In re Eilberg*, 49 U.S.P.Q.2d 1955 (T.T.A.B. 1999) (T.T.A.B. holds that the use of a domain address merely to indicate the location of a website does not constitute a trademark use, i.e., as an indication of the source of goods or services). *Lockheed Martin Corp.* similarly recognized that “[i]n the domain name context, the domain name registration itself does not infringe the trademark. Infringement occurs when the domain name is used in certain ways. For example, a domain name may infringe trademark rights when it is used in connection with a Web site that advertises services in competition with those of the trademark owner.” 985 F. Supp. at 958. By contrast, it is a true tautology that a keyword ad is advertising, and hence is inherently commercial. That is not to say search engines should necessarily share direct liability with advertisers, and the authors, Professors Dogan and Lemley, do also persuasively argue that search engines’ contributory liability, if any, must be distinguished carefully from the direct liability (if any) of Internet advertisers themselves. In this sense the cases addressing contributory liability of domain name registrars do seem much more closely on point.

30. *But see* 800-JR Cigar, Inc. v. GoTo.com, Inc., 437 F. Supp. 2d 273, 292-93 (D.N.J. 2006), discussed *infra* at note 103 *et seq.*

31. See *infra* notes 102-14 and accompanying text.

32. As noted below, see *infra* notes 102-05, understanding and assigning the proper responsibility (if any) to search engines given their particular roles is complicated somewhat by the descriptive aspect of many of the words, terms, names or devices that have been at

***B. Is Use of a URL Not a  
“Use” of a Trademark in Commerce***

A further, more subtle distinction might be made between the way keyword ads are sold and the typical way pop-up ads are sold (at least as assumed in *1-800 Contacts* and other like precedents). The distinction, highlighted in a recent case concerning use of a competitor's trademarks in metatags, is that the pop-up software often does not use or display the competitors' trademarks as such, but only the competitors' URL's, which, in turn, may simply happen to include the competitors' trademarks. For instance, included in the directory at issue in *1-800 Contacts* was the domain name [www.1800contacts.com](http://www.1800contacts.com), not the trademark 1-800 CONTACTS.<sup>33</sup> It was certainly true that *1-800 Contacts* found no

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issue in the adjudicated keyword cases to date (e.g., “Total Bedroom,” “Duck Tours,” or “American Blind”). And arguably the duty of a search engine to police a word such as “American” or “blind” or “apple” is different from that where the word has only one meaning as a trademark. Again, however, that goes to the burden of satisfying the standard of contributory liability, not whether the word, name or mark has been used in commerce.

33. *1-800 Contacts*, 414 F.3d at 408-09. Once installed, the software would then monitor the user's activity on the Internet, including content of websites visited; search terms entered into search engines, and URL's typed into the browser address bar. After comparing such content with the names in the WhenU directory, an algorithm or set of algorithms would direct ads targeted to such content to be sent to the computer user. Thus, when a user searched the term “1800Contacts” or visited that website, ads “related” to the site (including ads of competitor, Vision Direct), would appear on the computer user's screen simultaneously with the trademark owner's website, but in a separate pop-up window, either over or under the original page displayed. As WhenU explains on its website, its “proprietary technology delivers your message to the consumer at the exact moment they express an interest in a topic, Web site, or business relevant to your product. Our precision targeting technology examines keywords, URLs, HTML code and search terms currently in use on the consumer's browser to then select relevant and useful advertisements.” [http://www.whenu.com/ad\\_why.html](http://www.whenu.com/ad_why.html).

To be sure, although those adware companies whose practices have been examined in published decisions have tended to avoid selling direct links to given trademarks, if one exempts those who were born approximately yesterday, it would be hard to believe that the typical business buying “contextual” pop-up ads is unaware that the contexts in which its ads will appear likely include its competitors' Internet sites. Rather, it is probably a safe bet that most advertisers would not pay for the service without the expectation of such helpful contextual linking. Indeed, the success of the business model all-but presumes that an advertiser such as Vision Direct could be relatively certain purchasing the program would essentially guarantee that its ads would then be caused to pop-up on its competitor's website. Tellingly, the Second Circuit in *1-800 Contacts* even expressly noted that “WhenU employs this same marketing strategy [as used by store merchants in shelving their house brands with name brands] by informing [computer]-users who have sought out a specific trademarked product about available alternative products that may be of interest to them.” *1-800 Contacts*, 414 F.3d at 411.

Equally telling, on January 30, 2007, in what the New York Attorney General states is the first such enforcement activity against internet advertisers themselves, rather than simply the adware firms that place pop-up ads for the advertisers, Andrew Cuomo announced a settlement with three advertisers, Cingular Wireless, Priceline.com and Travelocity.com, requiring them, among other things, to pay fines and, henceforth, to exercise due diligence how their ads are delivered over the Internet. Press Release, Office of

“use in commerce” in part because use of the trademark owner’s “website address in the directory does not create a possibility of visual confusion with 1-800’s mark.”<sup>34</sup> The only sense in which the accused WhenU.com pop-up software “used” trademarks was that the program once installed on an Internet user’s computer—often without the user’s knowledge—employed a directory of tens of thousands of references—described in the decision as “32,000 website addresses and address fragments, 29,000 search terms and 1,200 keyword algorithms”—all of which are indicative of the content of Internet sites. Laying aside separate privacy concerns not addressed in the ruling from the methods used to download the software onto users’ computers,<sup>35</sup> whether the directory also included exact matches to trademarks was not addressed in this or either of the other published decisions challenging WhenU.com’s advertising. Moreover, WhenU.com, unlike some purveyors of pop-up software, evidently does not *sell* pop-up ad placements by offering to key or link them directly to trademarks, and the pop-up ads it presents do not display the site-owner’s trademarks. Thus, an advertiser such as the defendant, Vision Direct, accused of hiring WhenU.com to have its software cause Vision Direct’s ads to pop-up at the site of its competitor, 1-800 Contacts, must make a calculated gamble its ads will reach the intended audience. In reversing the district court, which had found the addition of the prefix “www” and the suffix “.com” an insignificant alteration of the trademark 1800CONTACTS, the Second Circuit concluded that merely using the domain name “www.1800contacts.com” in WhenU.com’s directory was not use of a trademark and that the

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the N.Y. State Attorney Gen. Andrew M. Cuomo, Groundbreaking Settlements Hold Online Advertisers Responsible for Displaying Ads Through Deceptively Installed “Adware” Programs, (Jan. 29, 2007), available at [http://www.oag.state.ny.us/press/2007/jan/jan29b\\_07.html](http://www.oag.state.ny.us/press/2007/jan/jan29b_07.html); see also *Adware Suit Is Settled*, N.Y. Times, Jan. 30, 2007, available at [http://www.nytimes.com/2007/01/30/technology/30adware.html?\\_r=1&oref=slogin](http://www.nytimes.com/2007/01/30/technology/30adware.html?_r=1&oref=slogin).

34. *1-800 Contacts*, 414 F.3d at 409.

35. The software used to generate many forms of pop-up ads is indeed often downloaded by Internet users with the meagerest forms of knowledge or consent. Indeed, only eleven days before the decision in *1800 Contacts*, the NY Attorney General announced a settlement with another adware company, Intermix Media, Inc., involving a \$7.2 million dollar penalty as a result of its misleading advertising and unfair methods of distributing its computer program. *People of New York v. Intermix Media, Inc.* (Tentative Agreement), No. 401394/2005 (N.Y. Sup. Ct., 2005). Likewise, the Federal Trade Commission is actively pursuing various distributors of pop-up advertising (and the spyware or adware that drives such Internet promotions) for false and deceptive marketing tactics. *Federal Trade Commission v. Seismic Entertainment Productions, Inc.*, 2004 ILRWeb (P&F) 2804. Indeed, the insidiousness of pop-ups ads may be less the harm they cause to trademark owners than how they are so often generated by adware computer programs (little different than spyware) that Internet users download unknowingly (or with only the flimsiest pretense of consent), and how the programs then track computer use, at times compromising the user’s privacy and sometimes interfering with the operation of the machine, slowing the computer to a crawl or crashing it entirely.

differences were significant “because they transform 1-800’s trademark—which is entitled to protection under the Lanham Act—into a word combination that functions more or less like a public key to 1-800’s website.”<sup>36</sup>

Although the manner in which the term is meant to “function” can certainly be relevant (and, for example, may support a finding of fair use), it is less clear whether, in itself, the intended function determines whether a term is or is not a trademark or a colorable imitation of a trademark. The same appellate court, only seven years earlier, affirmed a decision that unauthorized use of a domain name could infringe the corresponding trademark.<sup>37</sup> Surely no one would dispute that if 1-800 Contacts’ competitor, Vision Direct, had prominently displayed in its pop-up ad the domain name [www.1800contacts](http://www.1800contacts.com), that could have constituted actionable use of a colorable imitation of 1800 Contact’s trademark provided proof were offered that unauthorized use of the domain name with the embedded trademark was likely to mislead, regardless how the defendant might characterize the term’s function.

To be sure, such a use of a URL would entail a “display” of the embedded mark, which WhenU.com did not do by incorporating the domain name only in its directory. However, and more fundamentally, what is puzzling in not only *1-800 Contacts* but also in the Second Circuit keyword cases decided in its wake, is the reliance on the definition in Section 1127 of how a purported trademark *owner* obtains rights in claimed mark, to assess whether an accused “use” of a claimed mark is sufficiently “in commerce” as to be likely to affect commercial decisions, *i.e.*, to confuse consumers.<sup>38</sup>

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36. *1-800 Contacts*, 414 F.3d at 408-09. The appellate court also rejected an alternative argument that it was a use in commerce merely to cause the pop-up ads to appear simultaneously with the plaintiff’s website, which itself “used” the plaintiff’s own mark, the problem being that that use was by plaintiff, not defendant, whose pop-up windows made no mention of the marks and were separately branded with the WhenU name. *Id.* at 410.

37. *Planned Parenthood Fed’n of Am., Inc. v. Bucci*, 1997 WL 133313 (S.D.N.Y. 1997), *aff’d*, 152 F.3d 920 (2d Cir. 1998).

38. Perhaps a closer (but ultimately unhelpful) parallel that should not be ignored is to “800” number cases themselves. Although some courts have declined to recognize numerical telephone number strings as trademarks, *see, e.g.*, *Daimlerchrysler AG v. Bloom*, 315 F.3d 932 (8th Cir. 2003), others have. *See Dial-A-Mattress Franchise Corp. v. Page*, 880 F.2d 675, 678 (2d Cir. 1989) (holding that telephone numbers can be protected as service marks, even if generic); *Murrin v. Midco Commc’ns, Inc.*, 726 F. Supp. 1195, 1200—01 (D. Minn. 1989) (same); *Dranoff-Perlstein Assocs. v. Sklar*, 967 F.2d 852, 857 (3d Cir. 1992) (holding that phone numbers used as arbitrary, suggestive, or descriptive service marks can be protected, but not generic service marks).

### *C. Legislative History and Statutory Meaning*

Fairly recent legislative history of Section 1127, which was substantially revised in 1988, similarly demonstrates that the “use in commerce” needed for an owner to establish rights in a mark is quite different from the unauthorized use that confuses consumers and thus constitutes infringement. In 1988, when Congress added the current “intent-to-use” provisions to the Lanham Act (a substantial departure from historical practice), Congress also sought to make it clear that use had to be *bona fide*, and not simply to reserve rights in a mark, but that use on or in connection with goods or services could also vary by the nature of the relevant industry so long as it was in the ordinary course of trade. One particularly relevant passage from the May 12, 1988 Senate Report, after explaining the general nature of the contemplated changes, makes clear these changes in how rights are established or maintained have no logical bearing on how infringement is proven:

Finally, the revised definition is intended to apply to all aspects of the trademark registration process, from applications to register, whether they are based on use or on intent-to-use, and statements of use filed under Section 13 of the Act, to affidavits of use filed under Section 8, renewals and issues of abandonment. *Clearly, however, use of any type will continue to be considered in an infringement action.*<sup>39</sup>

The court decisions such as *1-800-Contacts* and those following the New York rule in keyword ad cases have plainly blurred this conceptual distinction expressly recognized by Congress and seemingly apparent in the language and structure of the Lanham Act itself.

Similarly, although it is well settled under 15 U.S.C. § 1127 that trademark rights do not arise from use in advertising,<sup>40</sup> if the Lanham Act were inapplicable to third-party “uses” of trademarks

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39. S. Rep. No. 100-515, 100th Cong., 2d Sess. 1988, 1988 U.S.C.C.A.N. 5577, 5607-08, 1988 WL 170248 at \*44-45 (May 12, 1988) (emphasis added).

40. *Buti v. Impresa Perosa*, S.R.L., 139 F.3d at 103 (mere advertising of a service mark, standing alone, did not constitute “use” of the mark within the meaning of the Lanham Act); *Blue Bell, Inc. v. Farah Mfg. Co.*, 508 F.2d 1260, 1265 (5th Cir. 1975) (advertising alone does not establish trademark rights at common law); *Minnesota Mining and Mfg. Co. v. Minnesota Linseed Oil Paint, Inc.*, 229 F.2d 448, 455-56 (C.C.P.A. 1956) (“advertising use . . . apart from the goods, does not constitute use of the term as a trademark”). See also 1 Jerome Gilson, *Trademark Protection and Practice* §5.09[1] (2001) (“A paradox of trademark law is that although a heavily advertised trademark may be worth millions, *advertising use alone does not ordinarily create registrable trademark rights in connection with products.*”) (emphasis added); *Trademark Manual of Examining Procedure*, § 905.05 (“Any material whose function is merely to tell the prospective purchaser about the goods or to promote the sale of the goods is unacceptable to support trademark use.”).

unless such “uses” were as “displays” directly on or in connection with goods or services, there could almost never be a claim under the statute for false advertising—not just claims that keyword advertisements may be false or misleading, but that virtually any advertisements are false or misleading.<sup>41</sup> Yet, a party need not place its competitor’s name or mark or even a colorable imitation of the mark “on” its products to be liable under Section 43(a) for using the mark in commerce in advertising that is false or misleading.

The New York decisions concerning keywords are not only difficult to reconcile with the language of the statute, but also with decisions (in New York and elsewhere) concerning a related form of trademark use, comparable to the latent linking lurking behind keyword and pop-up ads, namely metatags, the concealed lines of HTML code that identify the contents of web pages for indexing by search engines.<sup>42</sup> When the competitors’ trademarks have been used out of sight as metatags, most courts—including at least one in the Second Circuit (albeit before *1-800-Contacts*)<sup>43</sup>—have not hesitated to hold that such surreptitious use constitutes “use in commerce.”<sup>44</sup> Yet, metatags are no more visible to the average Internet user than are the machine linking functions that generate keyword or pop-up ads. As has been noted elsewhere by this

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41. It is indeed curious that none of the reported keyword ad cases in which substantive liability has been considered has addressed the possibility that such advertising is actionable under settled standards for false advertising. As a matter of law, a party claiming false advertising has of course three main burdens. It must (1) identify the purportedly false message in the accused advertising. It must then (2) prove that to a statistically significant part of the relevant public the message was literally false or, alternatively, misleading. Survey evidence or other extrinsic proof generally is required to prove a literally true statement is misleading. *Johnson & Johnson\*Merck Co. v. Smithkline Beecham Corp.*, 960 F.2d 294, 297-98 (2d Cir. 1992); *Resource Developers, Inc. v. Statue of Liberty-Ellis Isl. Found., Inc.*, 926 F.2d 134, 139-41 (2d Cir. 1991); *Glaxo Warner-Lambert OTC G.P. v. Johnson & Johnson Merck Co.*, 935 F. Supp. 327, 331 (S.D.N.Y. 1996); *Hertz Corp. v. Avis, Inc.*, 867 F. Supp. 208, 212-13 (S.D.N.Y. 1994). Finally, it must (3) prove the materiality of any allegedly misleading statements; i.e., they must have “misrepresent[] an inherent quality or characteristic” of what is being advertised. *N.B.A. v. Motorola, Inc.*, 105 F.3d 841, 855 (2d Cir. 1997), *quoting* *National Assoc. of Pharmaceutical Mfrs. v. Ayerst Lab.*, 850 F.2d 904, 917 (2d Cir. 1988). It is questionable whether or if most forms of keyword advertising would even be actionable under such a theory.

42. Although typically unseen, metatags can of course be viewed by opening the “file” tab on a browser and viewing the “source” data.

43. *Bihari v. Gross*, 119 F. Supp. 2d 309 (S.D.N.Y. 2000).

44. *See, e.g.*, *N. Am. Med. Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211 (11th Cir. 2008); *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228 (10th Cir. 2006); *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 812-13 (7th Cir. 2002); *Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036 (9th Cir. 1999); *Edina Realty, Inc. v. The MLSONline.com*, 80 U.S.P.Q.2d 1039 (D. Minn. 2006); *Tdata, Inc. v. Aircraft Technical Pub.*, 411 F. Supp. 2d 901 (S.D. Oh. 2006). *But see* *Site Pro-1, Inc. v. Better Metal, Inc.*, 2007 WL 1385730 (E.D.N.Y. 2007); *Fragrancenet.com, Inc.*, 493 F. Supp. 2d at 555.

author,<sup>45</sup> some (perhaps many) uses of metatags or other unseen search engine optimization tools<sup>46</sup> may be fair or should otherwise be deemed lawful. *Bihari v. Gross*,<sup>47</sup> for instance, decided by the same district court that decided *Merck*, held that unauthorized use of a trademark in metatags was a “use in commerce”—but also a fair “use in commerce” and hence permissible. In *Bihari*, the metatags and the site on which they were used employed the trademarks merely for the descriptive purpose of commenting (negatively) on the plaintiff trademark owner.<sup>48</sup> This author also recently settled a matter in which a large hotel chain was more than happy to have an independent travel agent lure traffic to its site by use of metatags—even as it objected that the visible appearance of the site itself not use the trademarks so prominently as to suggest a direct affiliation between the parties. However, a fair “use in commerce” is nonetheless still a “use in commerce.”

Alternately, some courts have noted that use of metatags (or other unseen trademarks) may present distinct risks of confusion—perhaps greater than in keyword cases—precisely because keyword ads, labeled as such by search engines, make their purpose clear, whereas metatags can draw users to a site without any apparent or visible explanation.<sup>49</sup> Indeed, to the extent search engines index sites based on the content of metatags,

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45. See J. Moskin, *Problems Putting Down Pop-Ups*, Managing IP (Sept. 2006).

46. See *infra* Part IV.

47. *Bihari*, 119 F. Supp. 2d at 318.

48. Likewise, in *Playboy Enters., Inc. v. Welles*, 279 F.3d 796 (9th Cir. 2002), the court concluded it was a permitted fair use for a former Playboy “playmate of the year” to “use the terms ‘playboy’ and ‘playmate’ in the metatag keywords and the term ‘Playboy Playmate of the Year 1981’ in the meta code descriptor for her web site so that those using search engines on the Web can find her website if they are looking for a Playboy Playmate.” See also *Bijur Lubricating Corp. v. Devco Corp.*, 332 F. Supp. 2d 722, 731 (D.N.J. 2004) (original manufacturer of lubricating systems unable to prevent replacement parts seller from using the manufacturer’s trademarks in metatags: “just as the Lanham Act permits Devco to inform customers through its website that it sells replacement parts for Bijur parts, it allows Devco to provide that same information in its metatags.”). By contrast, in *Edina Realty, Inc. v. The MLSonline.com*, 80 U.S.P.Q.2d 1039 (D. Minn. 2006), a nominative fair use defense was rejected where the defendant, a realtor, alleged it referenced plaintiff’s name in metatags, in hidden text and in keyword ads for the stated purpose of truthfully informing consumers that its site contained real estate listings also carried by the plaintiff (the largest Midwest real estate brokerage firm) because the use exceeded what was needed to convey such information.

49. See *N. Am. Med. Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211 (11th Cir. 2008), where lack of any substantive or visible comparison on the defendant’s website rendered use of metatags likely to cause confusion: “There was nothing in Axiom’s website itself to disabuse consumers of the notion (suggested by the Google search) that there is some relationship between Axiom and NAM. In other words, if consumers accessed Axiom’s website after viewing the Google search results, they would be told all about Axiom’s products, but would be met with utter silence with respect to NAM’s products. For example, there was no comparative advertising in Axiom’s website which would have made clear to consumer’s that NAM’s and Axiom’s products are competing items.” *Id.* at 1222-23.

there is a risk that the search results will not only reference the subject trademark(s) but will be intermingled with natural or organic search results. Unlike keyword ads, grouped together and juxtaposed to natural search results as sponsored links, links driven by metatags or other search engine optimization techniques<sup>50</sup> are not flagged in any way to distinguish them for Internet users. Whether or when Internet users are confused by such ads in any relevant sense, it is certainly true that, following the Ninth Circuit's 1999 ruling in *Brookfield Communications*,<sup>51</sup> in most of the decided cases concerning metatags where there was no such fair use or other defense the unseen use has been deemed to be both "in commerce" and a basis for liability.<sup>52</sup> However, the extent to which metatags remain a concern under the Lanham Act may, in the end, turn less on the extent to which they are likely to cause confusion than the extent to which search engines continue to index sites based on such source code.<sup>53</sup> If, as has been suggested, search engines cease relying in any significant way on metatags to index sites and rank relevance, they will themselves simply cease to be relevant. It may also come to depend on the extent to which courts outside New York adopt the current New York rule under which keyword ads (and pop-up ads and increasingly metatags too) cease to be recognized as uses in commerce of the trademarks at issue. Thus far, there is little evidence the latter development is immanent.

### III. A PARALLEL WORLD BEYOND THE HUDSON

The consistency with which New York courts have concluded that keyword ads fall outside the definition of "use in commerce" has been neatly matched by the complete certainty of courts elsewhere ruling exactly to the contrary. It is not that courts outside New York have directly sought to refute the reasoning behind the New York rule; they have instead simply reached an opposite outcome, sometimes with little legal logic to help bridge the gap. It is, at any rate, simply the world upside down.

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50. See *infra* Part IV.

51. *Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036 (9th Cir 1999).

52. Just so, in *Google, Inc. v. Am. Blind & Wallpaper Factory*, 2007 WL 1159950 (N.D. Cal. 2007), one of the grounds identified for finding that Google's AdWords program uses trademarks "in commerce" was the Ninth Circuit's holding in *Brookfield* that comparable invisible use of trademarks in metatags is within the reach of the Lanham Act.

53. See 4 J Thomas McCarthy, *Trademarks and Unfair Competition*, § 25:69 at 25-198 (4th ed. 2007), reporting a declining use indexing of metatags by search engines in ranking relevancy of Internet pages, citing E. Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 *Emory L. J.* 507, 567 (2005) ("Almost all search engines have removed keyword metatags from their relevancy algorithms."). See *Standard Process, Inc. v. Banks*, No. 06-C-843, 2008 WL 1805374 at \*4 (E.D. Wis. April 18, 2008) (same).

Perhaps most insightfully, although still without directly refuting the New York cases, *J.G. Wentworth, SSC, LP v. Settlement Funding LLC*<sup>54</sup> explained that the purchase or sale of keywords is a commercial transaction, and that the plaintiff's mark was used to trigger such admittedly commercial advertising for the purpose, of course, of generating the transaction of further business at defendant's website.<sup>55</sup> Most courts rejecting the New York rationale<sup>56</sup> have simply cited one of the first keyword cases, *Playboy Enterprises, Inc. v. Netscape Communications Corp.*,<sup>57</sup> where the extent of the analysis was the court's passing comment that "[n]o dispute exists regarding the other requirements set forth in the statute: PEI clearly holds the marks in question and defendants used the marks in commerce without PEI's permission."<sup>58</sup> One recent Massachusetts case, after summarizing the New York precedents and cases elsewhere concerning "use in commerce," moved on to analyze likelihood of confusion with the simple opaque observation that "[i]n short, the emerging view outside the Second Circuit is in accord with the plain meaning of the statute"<sup>59</sup>—a meaning the court determined simply by noting that Section 1127 of the statute defined "use in commerce" for services to mean "use[] or display[] in the sale or advertising of services."<sup>60</sup>

Not only have courts outside New York simply inverted the conclusion as to "use in commerce." They have, to a greater or lesser extent, turned some parts of the substantive infringement analysis entirely inside out both by paring down the likelihood of

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54. 2007 WL 30115 (E.D. Pa. 2007).

55. *Id.* at \*5.

56. *Gov't Empl. Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 703 (E.D. Va. 2004) discussed both lines of cases *Playboy Enterprises, Inc. v. Netscape Commc'ns Corp.* and *1-800-Contacts*, and concluded (without further explanation, except perhaps to note that actual trademarks were sold as keywords, that the former line of cases was "better reasoned." Relying principally on *GEICO, 800-JR Cigar, Inc. v. GoTo.com, Inc.*, 437 F. Supp. 2d 273, 283-84 (D.N.J. 2006), held that selling keywords tied to specific trademarks (rather than allowing advertisers to bid on broad categories of terms, as in *1-800-Contacts*) was a use in commerce. *Google, Inc. v. American Blind & Wallpaper Factory*, 2007 WL 1159950 at \*2-6 (N.D. Cal. 2007), after a thorough review of the cases then-to-date, felt bound to adhere to the Ninth Circuit's conclusion in *Playboy Enters., Inc. v. Netscape Commc'ns Corp.* *Accord* *Rhino Sports, Inc. v. Sport Court, Inc.*, 2007 WL 1302745 (D. Ariz. May 2, 2007).

57. 354 F.3d 1020 (9th Cir. 2004).

58. *Id.* at 1024.

59. *Boston Duck Tours, LP v. Super Duck Tours, LLC*, 527 F. Supp. 2d 205, 207 (D. Mass. 2007).

60. *Id.* at 206. In similarly summary fashion, *Edina Realty, Inc. v. TheMLSonline.com*, 80 USPQ2d 1039 (D. Minn.), reconsideration denied, 2006 WL 1314303 (D. Minn. 2006), observed only that "[w]hile not a conventional 'use in commerce,' defendant nevertheless uses the Edina Realty mark commercially. Defendant purchases search terms that include the Edina Realty mark to generate its sponsored link advertisements." *Id.* at 1042

confusion analysis to little more than a pair of factors and by cutting short any meaningful assessment of the risks of harm simply to the “initial interest,” if any, created by keyword advertising, irrespective of ultimate injury in fact. Although some keyword advertising may be unfair, may create a likelihood that a substantial number of reasonably prudent consumers will be confused as to source of origin, and may even constitute false advertising under accepted principles of advertising law, the risk revealed by recent decisions is that keyword ads will be deemed presumptively infringing or unlawful as such, irrespective of whether they are truly unfair, whether they create a likelihood a substantial number of reasonably prudent consumers will be confused as to source of origin, or whether they constitute false advertising under accepted principles.

The risk of making keyword ads unlawful per se is perhaps best demonstrated by the recent decision in *Storus Corp. v. Aroa Marketing, Inc.*<sup>61</sup> This case involved the less-than-imaginative trademark SMART MONEY CLIP for, not surprisingly, money clips, and Internet ads keyed to the term purchased by a competing money clip marketer. However “smart” (in a literal sense) the competitor’s money clips may have been, and notwithstanding that its keyword ad identified its own brand name (Steinhausen), the ad (headed “Smart Money Clip”) was summarily deemed to be an infringement. In granting judgment as a matter of law, *Storus* relied on a narrowed version of the familiar multipart test of likelihood of confusion, decreeing instead that, “in the context of the Web,” the focus need be confined (perhaps entirely) to a so-called “Internet trinity” or “controlling troika” of three factors: similarity of the marks, relatedness of the goods or services, and the simultaneity of the parties’ use of the Internet for marketing.<sup>62</sup> Because the supposed “trinity” rule is said to apply “in the context of the Web,” the third element essentially becomes redundant, reducing the remaining trinity to only two questions, and leaving Aroa Marketing in this instance to give up the ghost as well.

One can readily see how such an analysis can scarcely lead to any but one almost foregone conclusion. Indeed, given that parties are likely to purchase keyword ads tied to their own trademarks or their competitors’ trademarks (or to descriptive terms that happen also to be trademarks), the remaining two elements of similarity of the marks and relatedness of the goods or services thus will typically be satisfied immediately as well. Moreover, when (as in *Storus*) this pared-down analysis is paired with the notion of

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61. No. C-06-2454 (MMC), 2008 WL 449835 (N.D. Cal. Feb. 15, 2008).

62. *Id.* at \*3.

“initial interest confusion,” it is even more difficult to overcome such all-but inexorable results because the surface nature of the analysis precludes any consideration whether the ultimate effect of any accused use ultimately influences any purchase decisions. Indeed, by design, the initial interest analysis purposely avoids addressing whether actual purchasers are likely to make erroneous purchasing decisions by stopping the inquiry at the pre-purchase stage, irrespective of whether any initial interest will likely dissipate before any dollars change hands.

### *A. Omitted Factors—Sophistication and User Care*

On the subject of whether some or perhaps many Internet users might be discerning enough to understand that sponsored ads are simply that (and nothing more; *i.e.*, not a suggestion of a relationship between the parties or the goods) *Storus* noted in passing only that because money clips themselves are inexpensive, consumers of even smart (or SMART) money clips can be assumed, even for summary judgment, not to be smart enough to recognize a keyword ad (even one bearing the competitor’s name, Steinhausen, in the ad itself) as a promotion for a competitor’s product.<sup>63</sup> Although the court thus gave little detailed consideration to the traditional confusion factors of consumer care or sophistication, a more meaningful analysis might have focused on whether consumers of the inexpensive products who also use the Internet to research or purchase such products are clever enough to recognize that sponsored links are simply sponsored links and that Steinhausen’s keyword ad was sponsored by an entity independent of *Storus*.

The “controlling troika” (or duet) of confusion factors was acknowledged in *Storus* to have been derived from *GoTo.com, Inc. v. Walt Disney Co.*,<sup>64</sup> a decision that, without analysis, simply cited to *Brookfield Communications*<sup>65</sup> to note the same legal conclusion. *Brookfield*,<sup>66</sup> in turn, relied upon *Comp Examiner Agency, Inc. v. Juris, Inc.*,<sup>67</sup> for the proposition that similarity of the marks and relatedness of the goods are of paramount, if not preclusive, importance in Internet infringement cases. However, none of these cases provides any analysis of why, in the context of the Internet, other factors are less relevant, and *Comp Examiner Agency*,

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63. *Id.* at \*5.

64. 202 F.3d 1199 (Fed Cir. 2002). *Storus* also cited *Perfumebay.com v. eBay Inc.*, 506 F.3d 1165 (Fed. Cir. 2007).

65. *Brookfield Commc'ns, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1034 n.16 (9th Cir 1999).

66. *Id.* at 1034 n.16.

67. No. 96-0213, 1996 WL 376600, at \*1 (C.D. Cal. Apr. 26, 1996).

arguably the source of the “doctrine,” was simply a summary order granting a preliminary injunction in a domain name dispute. It is surely an understatement to note that nothing in *Comp Examiner Agency’s* one paragraph summarizing the evidence there considered (reprinted in its entirety in the margin),<sup>68</sup> would likely have signaled the rejection of the long-standing multi-part test of infringement in trademark cases. The basis in particular for declining consideration of the sophistication and levels of care of Internet users who, in their capacities as Internet users, view keyword ads, is puzzling at best.

As discussed below,<sup>69</sup> other courts devoting substantive consideration to keyword ads have given a somewhat fuller consideration to the likelihood of confusion to be sure. However, the particular danger of superficial analysis from a truncated review of relevant factors can be further magnified when combined with the doctrine or theory of “initial interest confusion” that is widely applied in Internet-related trademark cases (including *Storus* and numerous other keyword cases). Together, the possibility of creating an unannounced per se rule against such advertising is apparent.

### ***B. Initial Interest Confusion***

In the Internet era, the theory of initial interest confusion of course traces its origins to *Brookfield Communications*,<sup>70</sup> a case decided relatively early in the online era involving a use of metatags that, it was feared, might have diverted parties searching for the trademark owner’s site to an accused infringer’s site instead.<sup>71</sup> The familiar metaphor on which the notion was

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68. See 1996 WL 376600, at \*1: “Juris has demonstrated a likelihood of success of proving that Plaintiff and Counterclaim Defendant, The Comp Examiner Agency, Inc., and Counterclaim Defendant Mr. Rene Thomas Folsie (collectively “TCE”) are infringing Juris’ registered trademark through TCE’s use of an identical mark “juris” as a second level domain name and website on the computer medium of the Internet and through other marketing channels to sell, distribute, advertise, and/or market its goods and services to Juris’ target market of lawyers and law firms, because TCE’s use of the “juris” mark is likely to cause confusion as to the source or sponsorship of those goods and services, 15 U.S.C. §§ 1114 and 1125.”

69. See *infra* notes 79-117 and related text.

70. *Brookfield Cummc’ns, Inc. v. West Coast Entm’t Corp.*, 174 F.3d 1036 (9th Cir. 1999).

71. The court said:

Suppose West Coast’s competitor (let’s call it “Blockbuster”) puts up a billboard on a highway reading—“West Coast Video 2 miles ahead at Exit 7”—where West Coast is really located at Exit 8 but Blockbuster is located at Exit 7. Customer’s looking for West Coast’s store will pull off at Exit 7 and drive around looking for it. Unable to locate West Coast, but seeing the Blockbuster store right by the highway entrance, they may simply rent there.

*Id.* at 1064.

premised was that of a real-world driver being diverted off the highway by a billboard for one establishment, finding him or herself unexpectedly in a competitor's business and patronizing it instead. Based on this colorful metaphor, various courts have concluded that keyword ads present plain risks. What is less obvious is how great are the actual risks from such advertising or, rather, whether the lens through which the ads are seen simply compels that conclusion.

In *Playboy v. Netscape*, for instance, the accused advertising was viewed in light of Playboy's contention that, by keying ads for competing adult-oriented sites to its trademarks PLAYBOY and PLAYMATE, users searching under Playboy's marks would be presented with unlabeled links to competing sites and thus would be led, at least initially, to visit those sites believing they would find Playboy's pages online. The court readily agreed:

Even if they realize "*immediately* upon accessing" the competitor's site that they have reached a site "wholly unrelated to" [Playboy's], *the damage has been done*. Through initial interest confusion, the competitor 'will have gained a customer by appropriating the goodwill that [Playboy] has developed in its mark.'<sup>72</sup>

At least one court has similarly suggested that, irrespective of what appears on the defendant's website, the "damage" perhaps *cannot* be undone.<sup>73</sup> Whether in *Playboy* or other similar circumstances a typical user would in fact return just as promptly to the initial search results; whether the user would indeed become a customer of a competing site (or be simply angry or disappointed or not care); or whether the user would ever be under the illusion in the first place (*i.e.*, initially confused) that the competing site was anything other than a competing site are all questions that "initial interest confusion," by metaphorical reasoning, conspicuously and deliberately avoids. The theory nonetheless has

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72. *Playboy Enters., Inc.*, 354 F.3d at 1025, quoting *Brookfield*, 174 F.3d at 1057 (emphasis added). *Accord*, *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1239 (10th Cir. 2006) (discussing initial interest confusion: "Thus, Defendants used the goodwill associated with Plaintiffs' trademarks in such a way that consumers might be lured to the lotions from Plaintiffs' competitors. This is a violation of the Lanham Act.")

73. *See Australian Gold, Inc.*, 436 F.3d at 1240 (citing Deborah F. Buckman, Annotation, *Initial Interest Confusion Doctrine under Lanham Trademark Act*, 183 A.L.R. Fed. 553): "a defendant's website disclaimer, proclaiming its real source and disavowing any connection with its competitor, cannot prevent the damage of initial interest confusion, which will already have been done by the misdirection of consumers looking for the plaintiff's websites." *See also Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 812-13 (7th Cir. 2002) ("What is important is not the duration of the confusion, it is the misappropriation of Promatek's goodwill. Equitrac cannot unring the bell.").

been widely cited in keyword cases, even if most such cases have been at a procedural posture short of final resolution.<sup>74</sup>

The leading case in the pre-Internet era, *Mobil Oil Corp. v. Pegasus Petroleum Corp.*,<sup>75</sup> by contrast, involved a real world marketing environment in which the concern was that an oil-trading firm using a name suggestive of Mobil Oil's well-known flying horse logo (albeit one that the oil giant did not use for trading in competition with the defendant), would gain crucial credibility (if not literally getting a "foot in the door" for initial meetings in a pre-Internet era when a "foot in the door" could entail crossing an actual physical threshold), thus trading on the goodwill of the prior trademark owner. Although, in fact, many such initial contacts in *Mobil Oil* were via telephone, there was also apparently un rebutted testimony that traders "did not undertake an investigation of a new company before initially dealing with it. Such an investigation was undertaken only prior to the culmination of a deal."<sup>76</sup> There was, thus, a risk of investment of considerable time and effort in the pre-sale context even if any confusion might be dispelled once the due diligence was completed.

Whether or when Internet users, who can toggle back and forth between Internet pages without investing more than a few nanoseconds are similarly at risk of being meaningfully diverted has been questioned. *GEICO*, for instance, parted company with *Brookfield* and its metaphorical reasoning in noting that "[t]he risk

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74. *800-JR Cigar, Inc. v. GoTo.com, Inc.*, 437 F. Supp. 2d 273 (D.N.J. 2006), likewise focused on initial interest confusion, yet declined to grant summary judgment in favor of search provider, Overture, Inc. (formerly known as "GoTo"), noting in particular that there were factual disputes concerning the four factors it deemed relevant to the inquiry. The four factors the court identified were (i) relatedness of products or services; (ii) level of consumer care in making purchases; (iii) sophistication of purchasers; and (iv) intent of the infringer. *Id.* Laying aside how the infringer's intent weighs on the initial or even ultimate interest (or lack thereof) of the internet user or consumer (a question seemingly distinct from the broader issue of infringement and the unfairness of the competition), it is curious that the court immediately misapplied its test (or at the very least did not explain its reasoning). Rather than addressing only the level of care or sophistication of cigar purchasers, it focused instead on the broader and somewhat undefined class of internet users, some of whom (perhaps few, perhaps many) might enter brand names in search engines for the specific purpose of comparison shopping or information itself, rather than to buy. Moreover, without analyzing whether a different standard of comparison might be appropriate in assessing the direct infringement or not of a competitor as distinct from the contributory infringement or not of a search engine, the court simply concluded without analysis that the relevant comparison was between the goods advertised by Overture and the plaintiff's tobacco products, not Overture's search services and those products. *Id.* at 291. *Accord Edina Realty, Inc.*, 80 U.S.P.Q.2d at 1043 (initial interest confusion theory acknowledged; summary judgment denied).

75. 818 F.2d 254 (2d Cir. 1987). Some have traced the origin of the theory to Grottrian, Helfferich, Schulz, Th. Steinweg Nachf v. Steinway & Sons, 523 F.2d 1331 (2d Cir. 1975), but the court there referred to an admittedly similar phenomenon under the different label "subliminal confusion."

76. *Id.* at 259.

of losing customers who are initially confused is lessened on the Internet as compared, for example, to when a billboard employs initial interest confusion to entice a customer down the wrong road, because a customer can retrace his steps almost instantaneously online.<sup>77</sup> Other courts likewise have acknowledged that the factual assumptions behind the theory are unproven, and the limits of the doctrine less than clear.<sup>78</sup>

However, not only are the factual assumptions increasingly murky and likely to shift as consumers become more accustomed to using the Internet. Equally, as a matter of law, initial interest confusion must be understood, not as a surrogate for analysis, and not as a remedy for confusion of any kind, however fleeting or inconsequential, but in a manner consistent with the purpose of the Lanham Act of preventing mistaken purchasing decisions.<sup>79</sup> Even while acknowledging that “initial interest protection has extended the Lanham Act’s applicability to pre-sale confusion as well as post-sale confusion,”<sup>80</sup> at least one court has distinguished, on the one hand, between the *choices* created by multiple keyword and natural search results, each clearly labeled, even if on a single page, and, on the other hand, the sort of bait and switch marketing that might lead to mistaken purchasing decisions. “[R]espectfully disagreeing” with *Brookfield, J.G. Wentworth* thus deemed the Ninth Circuit’s metaphorical reasoning “a material mischaracterization of the operation of internet search engines.”<sup>81</sup> The court continued: “At no point are potential consumers ‘taken by a search engine’ to defendant’s website due to defendant’s use of plaintiff’s marks in meta tags. Rather, as in the present case, a link to defendant’s website appears on the search results page as one of many choices

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77. *GEICO v. Google, Inc.*, 77 U.S.P.Q.2d at 1845.

78. *Savin Corp. v. Savin Group*, 391 F.3d 439 (2d Cir. 2004) noted: “Because consumers diverted on the Internet can more readily get back on track than those in actual space, thus minimizing the harm to the owner of the searched-for site from consumers becoming trapped in a competing site, Internet initial interest confusion requires a showing of intentional deception. *Id.* at 462 n.13. *See also GoTo.com, Inc. v. Walt Disney Co.*, 202 F.3d 1199, 1209 (9th Cir. 1999) (“Navigating amongst web sites involves practically no effort whatsoever, and arguments that web users exercise a great deal of care before clicking on hyperlinks are unconvincing.”). *Strick Corp. v. Strickland*, 162 F. Supp. 2d 372, 377 (E.D. Pa. 2001) (“Internet surfers are inured to the false starts and excursions awaiting them and are unlikely to be dissuaded or unnerved when, after taking a stab at what they think is the most likely domain name for a particular web site guess wrong and bring up another’s web page.”) (internal quotations and citations omitted).

79. For a general discussion of the subject and review of applicable cases see Daniel C. Glazer and Dev R. Dhamija, *Revisiting Initial Interest Confusion on the Internet*, 95 TMR 952 (2005).

80. *J.G. Wentworth, S.S.C. v. Settlement Funding LLC*, 2007 WL 30115 at \*7 (E.D. Pa. 2007).

81. *Id.*

for the potential consumer to investigate.”<sup>82</sup> *Google, Inc. v. American Blind & Wallpaper Factory, Inc.*<sup>83</sup> similarly noted that it is “not . . . reasonable to find initial interest confusion when a consumer is never confused as to source or affiliation, but instead knows, or *should know*, from the outset that a product or web link is not related to that of the trademark holder because the list produced by the search engine so informs him.”<sup>84</sup>

To be clear, the key legal issue is to distinguish innocuous choices that may be of some initial interest from confusion affecting the eventual purchase of products or services. The former need not imply the latter. Contrary to the assumption in *Playboy*, for instance, the damage is not “necessarily done.” Initial interest confusion thus must be understood in a manner consistent with settled principles that likelihood of confusion does not mean confusion of any kind, but, rather, confusion as to source of origin, including by sponsorship or other such relationship; that is, confusion that affects the purchasing decisions of consumers.<sup>85</sup> Section 43(a) of the Lanham Act,<sup>86</sup> likewise clarifies that the only relevant or actionable confusion is confusion as to source of origin.<sup>87</sup> As a matter of law, an overbroad application of “initial

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82. *Id.*

83. 2007 WL 1159950 (N.D. Cal. 2007).

84. *Id.* at \*10 (emphasis added). See also *Designer Skin, LLC v. S & L Vitamins, Inc.*, No. CV 05-3699 2008 WL 2116646 at \*4 (D. Ariz. May 20, 2008) (“Thus, the mere fact that S & L Vitamins uses Designer Skin’s marks in the metatags of its sites and as search-engine keywords does not result in initial interest confusion. Designer Skin must show that these uses are deceptive.”).

85. Familiar precedent thus holds that “The Lanham Act seeks to prevent consumer confusion that enables a seller to pass off his goods as the goods of another.” *Lang v. Retirement Living Pub. Co.*, 949 F.2d 576, 582 (2d Cir. 1991) (quoting *Programmed Tax Systems, Inc. v. Raytheon Co.*, 439 F. Supp. 1128, 1132 (S.D.N.Y. 1977) (quoting *Jean Patou, Inc. v. Jacqueline Cochrane, Inc.*, 201 F. Supp. 861, 863 (S.D.N.Y. 1962), *aff’d*, 312 F.2d 125 (2d Cir. 1963))). “[T]he relevant confusion is that which affects the purchasing and selling of goods or services in question. . . . [T]rademark law protects only against mistaken purchasing decisions and not against confusion generally.” *Lang*, 949 F.2d at 583, (quoting *Programmed Tax Systems*, 439 F. Supp. at 1132). As defined by Section 45 of the Lanham Act, a trademark is “any word, name, symbol or device, or any combination thereof . . . used by a person . . . to identify and distinguish his or her goods . . . from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.”

86. 15 U.S.C. § 1125(a). Thus, the statute states that an accused use must be “likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship or approval of his or her goods . . . by another person.”

87. “It is well settled that the crucial determinant in an action for trademark infringement or unfair competition is whether there is any likelihood that an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question.” *Pirone v. MacMillan, Inc.*, 894 F. 2d 579, 584 (2d Cir 1990) (quoting *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F., 2d 44, 47 (2d Cir. 1978) (per curiam), *cert. denied*, 439 U.S. 1116 (1979)). See also *Gruner +Jahr USA Publishing v. Meredith Corp.*, 991 F. 2d 1072, 1077 (2d Cir. 1993) (whether “numerous

interest confusion” particularly taken together with a narrowed or cabined test of infringement (reduced to two factors only), could lead to a *per se* rule against keyword ads (or other Internet advertising tools), contrary to settled law as to the limited role of trademark rights. Indeed, “Federal law does not bestow property rights upon the owner of a trademark in the sense in which a patent or copyright holder is given protection. The holder of a registered trademark can succeed in an infringement suit only by showing a likelihood of confusion.”<sup>88</sup> Only by effectively redefining “confusion” have keyword cases to date met that criterion.

### *C. Unresolved Substantive Issues*

The narrow focus of certain keyword cases on only limited aspects of the traditional infringement analysis, as well as the reliance on the purposefully limited assessment contemplated by the notion of initial interest confusion has had the effect of masking underlying potentially significant factual and legal questions. Even *Playboy*<sup>89</sup> did raise—without purporting to decide—many such issues. *Playboy* in particular concerned the correctness of the district court’s finding of fair use (which it reversed)<sup>90</sup> from Netscape’s sale of banner ads keyed to the words “playboy” and “playmate,” and whether keying ads to trademarks is best analogized to metatags, an analogy already freighted with considerations of “initial interest confusion.” However, without purporting to resolve the question, an often-cited concurrence in *Playboy* noted some concern that the majority holding not be read so broadly as to “expand the reach of initial interest confusion from situations in which a party is initially confused to situations in which a party is never confused.”<sup>91</sup> The concurrence continued: “I do not think it is reasonable to find initial interest confusion when a consumer knows, or should know, from the outset that a product or web link is not related to that of the trademark holder because the list produced by the search engine so informs him.”<sup>92</sup> (The majority, by contrast, had, in its own words, simply “presume[d] that the average searcher seeking adult-oriented materials on the Internet is easily diverted from a specific product he or she is seeking if other options, particularly graphic ones, appear more

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ordinary prudent purchasers are likely to be misled or confused as to the source of the product”).

88. *R&L Sales Assoc. v. H. Daroff & Sons, Inc.* 298 F. Supp. 908, 910 (S.D.N.Y. 1969); *MDT Corp. v. New York Stock Exchange, Inc.*, 858 F. Supp. 1028, 1032-33 (C.D. Cal. 1994).

89. *Playboy Enters., Inc. v. Netscape Commc’ns Corp.*, 354 F.3d 1020 (9th Cir. 2004).

90. *Id.* at 1030.

91. *Id.* at 1034 (Berzon, CJ).

92. *Id.* at 1034-35.

quickly”).<sup>93</sup> As concurring Judge Berzon noted, there is a “big difference between hijacking a customer to another site by making the customer think he or she is visiting the trademark holder’s website (even if only briefly), which is what may be happening in this case when banner advertisements are not labeled, and just distracting a potential customer with another *choice*, when it is clear that it is a choice.”<sup>94</sup> Not only courts,<sup>95</sup> but commentators as well,<sup>96</sup> have recognized that the search costs to an Internet user simply having to toggle back and forth between Internet sites using the forward and back browser buttons is inconsequential.

Whether or when keyword ads are actually likely to cause confusion as to source so as to influence purchasing decisions largely remains to be determined because few courts have actually considered the question. However, in 2002, the Federal Trade Commission (FTC) Staff issued a letter declining to take formal action against search engine companies, but instead simply recommended that sponsored links be clearly identified as such.<sup>97</sup> Although the FTC did acknowledge that intermingling paid and unpaid search results could lead to confusion,<sup>98</sup> it also noted that paid links could helpfully provide users with additional choices.<sup>99</sup>

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93. *Id.* at 1028.

94. *Id.* at 1035. Emphasizing that choice is not infringement (it is competition) Judge Berzon continued: “True, when a search engine list generated by the search for the trademark ensconced in a metatags comes up, an internet user might *choose* to visit westcoastvideo.com, the defendant’s website in *Brookfield*, instead of the plaintiff’s moviebuff.com website, but such choices do not constitute trademark infringement off the internet, and I cannot understand why they should on the internet.” *Id.*

95. *See supra* note 78.

96. *See also* S.L. Dogan and Mark Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 *Houston L. Rev.* 777, 823 (2004) (“In part because the cost of switching websites is so minimal, and in part because modern consumers have a realistic sense of the plethora of results they can get from searches—some highly relevant, some not—they arguably have greater patience with obtaining some red herrings.”) *Accord* E. Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 *Emory L. J.* 507, 520-21 (2005); Daniel C. Glazer and Dev R. Dhamija, *Revisiting Initial Interest Confusion on the Internet*, 95 *TMR* 952 (2005).

97. FTC Staff, Complaint Regarding Investigation of Various Internet Search Engine Companies Paid Placement and Paid Inclusion Programs, June 27, 2002 (*available at* <http://www.ftc.gov/os/closings/staff/commercialalertattach.htm>).

98. The FTC thus noted that in some instances, “the intermingling of non-paid Web sites with paid-inclusion Web sites in the search database may cause consumer confusion and mislead consumers as to the reasons for a Web site’s or URL’s inclusion in the search results. If the program distorts rankings, the program or its impact on rankings should be prominently disclosed. And certainly, if all Web sites included in a search guide or a search engine’s database have paid to be included, so that the search engine is essentially an advertising medium, that fact should be disclosed adequately to avoid deception.” *See* June 27, 2002 letter of FTC to Commercial Alert, *available at* <http://www.ftc.gov/os/closings/staff/commercialalertletter.shtm>.

99. The FTC said: “To the extent that paid inclusion does not distort the ranking of a Web site or URL, many of these programs provide benefits to consumers, by incorporating

Ultimately, it concluded that labeling the search results was sufficient to prevent confusion: “[T]hrough the use of clear and conspicuous disclosures, consumers should be able to easily locate a search engine’s explanation of any paid inclusion program, and discern the impact of paid inclusion on search results lists.”<sup>100</sup> If not uniformly true, it is certainly generally the rule that search engines do now identify sponsored links as such—in separate listings either above the natural search results (sometimes referred to as “inline” placement) or to the side (“sidebar” or “right rail” placement).<sup>101</sup>

A further question that has been only partly addressed by the courts is when or if search engines, whose technological platforms support keyword advertising, should share liability (if any) with the advertisers themselves.<sup>102</sup> The issue is particularly highlighted by the number of keyword cases decided to date in which the subject marks (such as TOTAL BEDROOM, DUCK TOURS and AMERICAN BLIND) had entirely descriptive meanings independent of their claimed status as trademarks.<sup>103</sup> As with the duty of domain name registrars to police the registration of domain names, a duty that has been considered and rejected by the courts,<sup>104</sup> it is thus difficult to assume any level of knowledge by

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more Web sites—or content—into an individual search engine’s database than might otherwise be the case. This can give consumers a greater number of choices in search results lists.” *Id.*

100. *Id.*

101. *Id.* The FTC declined to take formal action in response the complaint by Commercial Alert. However, it recommended that “all search engine companies review their Web sites and make any changes necessary to ensure that: (1) any paid ranking search results are distinguished from non-paid results with clear and conspicuous disclosures; (2) the use of paid inclusion is clearly and conspicuously explained and disclosed; and (3) no affirmative statement is made that might mislead consumers as to the basis on which a search result is generated.” See <http://www.ftc.gov/os/closings/staff/commercialalertletter.shtm>.

102. Alternately, search engines’ liability might be limited to that of publishers, who can be enjoined from publishing infringing materials under § 1114(2)(A), even if they are not liable for damages. See *Century 21 Real Estate Corp. of Northern Illinois v. R.M. Post Inc.*, 8 U.S.P.Q.2d 1614, 1617, 1988 WL 84741 (N.D. Ill.1988) (denying motion to dismiss where yellow pages’ publishers were alleged to have printed infringing trademark in listing of former licensee who no longer had right to use trademark).

103. See *Buying For The Home LLC v. Humble Abode LLC.*, 459 F. Supp. 2d 310 (D.N.J. 2006); *Boston Duck Tours, LP v. Super Duck Tours, LLC*, 527 F. Supp. 2d 205 (D. Ma. 2007); *Google, Inc. v. Am. Blind & Wallpaper Factory, Inc.*, 2007 WL 1159950 (N.D. Cal. 2007). *800 JR Cigar, Inc. v. GoTo.com, Inc.*, 437 F. Supp. 2d 273 (D.N.J. 2006) similarly raised (but did not decide) a question as to the distinctiveness and independent meaning of JR and Cigar, and the district court in *Playboy Enters., Inc. v. Netscape Commc’ns Corp.* held that the sale of keywords “playboy” and “playmate” were a fair use because of their descriptive component. 55 F. Supp. 2d 1070, 1086-88 (C.D. Cal. 1999), *rev’d*, 354 F.3d 1020 (9th Cir. 2004).

104. See *Lockheed Martin Corp. v. Network Solutions, Inc.*, 141 F. Supp. 2d 648, 656 (N.D. Tex. 2001); *Acad. of Motion Picture Arts & Scis. v. Network Solutions, Inc.*, 989 F.

search providers whether the advertising space they sell will be used for fair comparative advertising, for misleading or infringing uses, for political speech, for commentary on the trademark owner's products or, in the case of ordinary words in the lexicon (even words with obvious secondary meaning such as Ford or Apple), for reasons entirely unrelated to the plaintiff.<sup>105</sup>

The court in *800-JR Cigar*,<sup>106</sup> despite considering many factual issues that compelled a denial of summary judgment, including questions of the search engine's *intent* to promote use of trademarks as keywords,<sup>107</sup> denied summary judgment for the very specific reason that it felt the issue of search engine liability had to be decided under the rubric of contributory—not direct—liability, a theory the plaintiff had failed to raise.<sup>108</sup> Although the court did not expressly say so, the impression created was that if the defendant's "Search Term Suggestion Tool," which facilitated selection of words and marks for advertisers to select as keywords, unnecessarily or improperly encouraged purchases of trademarks as keywords, the search engine might face contributory liability but not otherwise. As a practical matter, the same result might ensue by treating search engines in a manner comparable to publishers of print advertisements, who, so long as they do so innocently, can be enjoined from publishing advertisements but not be held liable for damages.<sup>109</sup>

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Supp. 1276, 1280 (C.D. Cal. 1997); *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 957 (C.D. Cal. 2001), *aff'd*, 194 F.3d 980 (9th Cir. 1999).

105. As noted in *Acad. of Motion Picture Arts & Scis.*, 989 F. Supp. at 1279-80, where the domain name registrar was found not contributorily liable, to establish contributory infringement, a plaintiff must show that the defendant had knowledge of infringing activity and induced, caused or materially contributed to the infringing conduct of another, which typically requires showing either (1) that the defendant intentionally induced another to infringe on a trademark or (2) that the defendant continued to supply a product knowing that the recipient was using the product to engage in trademark infringement." *Fonovisa v. Cherry Auction*, 76 F.3d 259, 264 (9th Cir.1996) (citing *Inwood Lab. v. Ives Lab.*, 456 U.S. 844, 853-54, 102 S. Ct. 2182, 72 L. Ed. 2d 606 (1982)).

106. *800-JR Cigar, Inc. v. GoTo.com, Inc.*, 437 F. Supp. 2d 273 (D.N.J. 2006).

107. The court thus noted that, "Although not raised by the parties, GoTo's development of the Search Term Suggestion Tool and its promotion of the Tool to advertisers wishing to identify effective search terms upon which to bid raises questions concerning GoTo's intent in adopting JR's marks. Those questions are suitable for resolution only by the trier of facts." *Id.* at 288 n.10. As this passage demonstrates the court had concerns that the Search Term Suggestion Tool amounted to an encouragement by the search engine to advertisers to key ads to their competitors' trademarks, and that the resulting use amounted to an adoption of those marks by the search engine.

108. *Id.* at 298 ("JR Cigar has failed to advance the legal theory which the Court feels best embraces the facts of this case, contributory or indirect infringement. The Court believes that any further proceedings in this case should be conducted under that theory, given that GoTo is the only remaining defendant.").

109. 15 U.S.C. § 1114(2)(B).

By contrast, in *Playboy*, the court declined to distinguish between the duties of Netscape and the parties purchasing ads not to infringe (or falsely advertise),<sup>110</sup> and indeed it assessed the relatedness of the parties' goods or services based on an assumption that from the Internet searchers' perspective the goods advertised were all that mattered, not the specific services Netscape actually provided.<sup>111</sup> However, there was evidence in *Playboy* that Netscape and Excite *required* advertisers of adult-oriented entertainment to use the words "playboy" and "playmate."<sup>112</sup> *Google v. American Blind*<sup>113</sup> simply followed the conclusion in *Playboy*—one hesitates to say blindly, but certainly with no independent analysis of search engine liability.<sup>114</sup>

Finally, although not yet a significant factor in keyword cases, the fair use defense will likely become more prominent. The district court in *Playboy* had concluded that Netscape's and Excite's use of words found in any lexicon ("playboy" and "playmate") was likely protected under the First Amendment<sup>115</sup> or was a permissible fair use.<sup>116</sup> Although that decision was reversed, other courts have at least considered the possibility that use of keywords to present advertisements for even competitive products alongside or above trademarked goods in properly labeled search results is fair.<sup>117</sup> As noted, courts have deemed fair even certain

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110. *Playboy Enters.*, 54 F.3d at 1024.

111. *Id.* at 1026.

112. *Id.* at 1023. The district court was more explicit: "In May 1998, Excite and Netscape began selling advertising inventory for banner advertisements to be displayed in response to a pre-selected package of search queries to advertisers that operate adult entertainment Web sites. The words "playboy" and "playmate" are two of the words in this package of over 450 words. If an Excite or Netscape user enters one of the over 450 words in this package, then the search results page will display a banner advertisement from one of these advertisers." *Playboy Enters., Inc.*, 55 F. Supp. 2d 1070, 1078 (C.D. Cal 1999).

113. *Google, Inc. v. Am. Blind & Wallpaper Factory, Inc.*, 2007 WL 1159950 (N.D. Cal. April 18, 2007).

114. *Id.* at \*8.

115. *Playboy Enters., Inc.*, 55 F. Supp. 2d 1084-85.

116. *Id.* at 1086-87.

117. *See 800-JR Cigar*, 437 F. Supp. 2d at 292-93 (suggesting search engine's use would likely be fair except to extent it participated in the primary infringer's infringing use); *Designer Skin, LLC v. S & L Vitamins, Inc.*, No. CV 05-3699 2008 WL 2116646 at \*4 (D. Ariz. May 20, 2008) ("Vitamins uses Designer Skin's marks to truthfully inform internet searchers where they can find Designer Skin's products. Rather than deceive customers into visiting their websites, this use truthfully informs customers of the contents of those sites."). *Compare Edina Realty, Inc. v. The MLSONline.com*, 80 U.S.P.Q.2d 1039, 1045 (D. Minn. 2006) (rejecting fair use defense where alleged descriptive need could have been achieved without using plaintiff's mark); *Buying For The Home LLC*, 459 F. Supp. 2d at 329-30 (citing factual issues in fair use analysis as a basis for denying summary judgment); *S&L Vitamins, Inc. v. Australian Gold, Inc.*, 521 F. Supp. 2d 188, 207 (E.D.N.Y. 2007) (declining judgment on fair use grounds where party used marks for keywords and in metatags to

concealed uses of trademarks in metatags, which by definition do not permit or invite open comparison as keyword ads do.<sup>118</sup> Particularly as Internet users become more familiar with keyword advertising, and the manner in which search engines make available keywords becomes demystified, it is likely the fair use defense will merit greater attention.

#### IV. IN ONE ERA AND OUT THE OTHER: CONSEQUENCES OF CURRENT LAW

Because many keyword ads are sufficiently innocuous to present only modest risks of confusing customers; because even those risks that do exist will likely dissipate further as Internet users increasingly understand and differentiate keyword ads from native search results; because some such ads are surely fair uses; and because truly misleading advertising should be separately remediable as false advertising regardless how the keyword cases are decided, the importance of clarifying what is “use in commerce” and what test of infringement to use perhaps lies less in how keyword cases are resolved today than in how today’s definitions will be applied to already foreseeable future cases concerning other similarly surreptitious uses of trademarks to steer traffic (and generate revenue) on the Internet. Indeed, as Madison Avenue and advertising revenues increasingly come to dominate the economics of the Internet (advertising revenues being of course the principal engine of so much Internet commerce), courts will likely come to grapple with ways far more subtle (or perhaps sinister) than keywords or pop-ups that can employ recognized trademarks as invisible tools to help promote competing goods or services. If logical consistency has been a little elusive to date, we have yet to see how (or if) courts will regulate such subtler methods, including tools that already exist to optimize the relevancy or prominence of Internet sites as indexed by search engines.

Sometimes referred to generically as “spamdexing” (which, fortunately, in no way involves attorneys in tight-fitting stretchy clothes), consider only three such search engine optimization techniques that are already in use: cloaking, invisible text, and link farms.<sup>119</sup> As search engines’ spiders crawl the Internet to index content, cloaking is a technical means to present to the spiders content different from that visibly presented on users’ browsers. The search engines are effectively tricked into giving the

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inform searchers it actually sold products the trademark owner’s products, albeit without consent).

118. See *supra* notes 47-48 and accompanying text.

119. See, e.g., <http://www.seobook.com> for general information concerning search engine optimization techniques.

site connected to the cloaked page a higher relevance ranking than its visible content would otherwise warrant. Search engine *users* (the unsuspecting public at large) may also be similarly tricked into visiting a site when the search engine description differs—perhaps substantially—from what is shown on the user's browser. For instance, the search engine may mistakenly and unknowingly index in some harmless way what is in reality a pornographic site or site infected with malware. Once the user has linked to such a site, it may be difficult to navigate away,<sup>120</sup> or worse, the user may unknowingly download harmful software.

Invisible text similarly may entail unseen uses of protected trademarks to drive Internet traffic. Like unseen metatags, invisible text can be hidden right in the open by presenting words on a website against the same color as the background.<sup>121</sup> Sometimes referred to as a form of “keyword stuffing,” invisible text can cause a search engine to misread the relevance of a page in response to a given web search and in this way mislead the unsuspecting human audience. Unless the viewer happens to highlight the text with his or her browser, it remains unseen to the human eye, yet can mislead the colorblind search engines.

Finally, because search engines often rank sites based on the number of links to the site,<sup>122</sup> so-called link farms, or groups of web pages that are all hyperlinked to one another, have populated the

120. Often referred to as “mousetrapping,” a site operator can disable the “back” tab on the user's browser or cause new windows to open faster than the user can close them. Mousetrapping was deemed an unfair trade practice in *FTC v. Zuccarini*, 2002 WL 1378421 (E.D. Pa. April 9, 2001).

121. See, e.g., *Edina Realty*, 80 U.S.P.Q.2d at 1041, in which the defendant was accused of referencing plaintiff's trademark in white font written on a white background.

122. Google for instance publishes “Quality guidelines” to deter spamdexing techniques, including the following summary of specific recommendations:

- Avoid *hidden text or hidden links*.
- Don't use *cloaking or sneaky redirects*.
- Don't send *automated queries to Google*.
- Don't *load pages with irrelevant keywords*.
- Don't create multiple pages, subdomains, or domains with substantially *duplicate content*.
- Don't *create pages with malicious behavior*, such as phishing or installing viruses, trojans, or other badware.
- Avoid “*doorway*” pages created just for search engines, or other “cookie cutter” approaches such as affiliate programs with *little or no original content*.
- If your site participates in an affiliate program, make sure that your site adds value. *Provide unique and relevant content* that gives users a reason to visit your site first.

If you determine that your site doesn't meet these guidelines, you can modify your site so that it does and then *submit your site for reconsideration*.

See <http://www.google.com/support/webmasters/bin/answer.py?answer=35769#quality>.

Internet to increase rankings by unseen manipulation of the coding on a site. Such search engine optimization tools need not employ trademarks any more than metatags, keywords or pop-ups do, but to the extent they all can and do use trademarks in unseen text, how greatly do they differ from one another? Curiously, the search engines that encourage sales of keywords typically discourage such spamdexing techniques and sometimes de-list sites guilty of employing such manipulative tools to enhance relevance and rankings.<sup>123</sup>

If the logic of all this seems a trifle obscure, it might be best to step back to ponder media other than the Internet. Consider that time following the last great transformation of the information age, when television was new and a great hue and cry arose over concealed subliminal advertising on the small screen (and at the movies). Consider, as well, that the book that initially drew such attention to the issue, Vance Packard's *The Hidden Persuaders*,<sup>124</sup> was published in 1957, as close if not closer to the launch of the TV era than are we to the launch of the Internet era. The technique typically involved flashing images so quickly that the conscious mind could not process them, but the subconscious mind could. In 1974, the Federal Communications Commission defined this technique as any "attempt . . . to convey information to the viewer by transmitting messages below the threshold level of normal awareness," and concluded that "such techniques are contrary to the public interest."<sup>125</sup> Another example recently in the news (as it was many years ago) involves legal concerns over surreptitious means to influence listening (and purchasing) habits in the broadcast music industry, namely, "payola," the secret "pay-for-play" sums record companies pay broadcasters to promote favored songs.<sup>126</sup>

Whether either subliminal advertising or payola are different in kind from the ever more stealthy techniques employed to drive

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123. See, e.g., Legal Showdown in Search Fracas, *Wired* (Sept. 8, 2005), available at <http://www.wired.com/culture/lifestyle/news/2005/09/68799>, reporting on litigation concerning a company, Traffic-Power.com, banned from Google for spamdexing.

124. Vance Packard, *The Hidden Persuaders* (David McKay Co. 1957).

125. *Public Notice Concerning the Broadcast of Information By Means of "Subliminal Perception" Techniques*, 44 FCC 2d 1016 (1974). There, the FCC concluded: "We believe that use of subliminal perception is inconsistent with the obligations of a licensee, and therefore we take this occasion to make clear that broadcasts employing such techniques are contrary to the public interest. Whether effective or not, such broadcasts clearly are intended to be deceptive."

126. See, e.g., John Dunbar, *FCC Unveils Settlement with Radio Firm*, *USA Today*, Apr. 13, 2007, available at [http://www.usatoday.com/money/economy/2007-04-13-2144814802\\_x.htm](http://www.usatoday.com/money/economy/2007-04-13-2144814802_x.htm); Press Release, Office of the N.Y. State Attorney Gen. Andrew M. Cuomo, *Sony Settles Payola Investigation*, (July 25, 2005) available at [http://www.oag.state.ny.us/press/2005/jul/jul25a\\_05.html](http://www.oag.state.ny.us/press/2005/jul/jul25a_05.html).

in Internet traffic, those differences or similarities are unlikely to be addressed so long as courts decline even to consider the issues. Unfortunately, just as the New York courts' approach of declining substantive consideration for lack of "use in commerce" leaves all such issues unaddressed, courts elsewhere have taken almost the opposite approach in making broad assumptions about the impact of keyword ads without assessing how, when, or if such advertising genuinely affects commerce at all.

## V. CONCLUSION

Without too badly torturing logic or the English language, concealed commercial use of trademarks in connection with Internet advertising and promotion (whether for keyword ads or pop-ups or in metatags) can not both be and not be a form of trademark usage—at least not without some significant differences in the actual nature of the uses. Factual differences between the way keyword and pop-up ads are sold have certainly explained some of the differing decisions. Many courts have noted that although adware firms, such as the firm involved in *1-800 Contacts*, have not offered expressly to link to specific trademarks, the search engines selling keywords typically do. For this and other reasons, most of the courts to have considered keyword ads (including those cases cited above) have not followed the newly-emerging reasoning of the pop-up precedents; rather, finding such use to be "use in commerce" for purposes of the Lanham Act (even if unconventional use). Such courts have been prepared to weigh liability for trademark infringement.

Keyword ads, pop-ups and other search engine optimization techniques may all prove to be largely harmless—or at worst, minor annoyances. As the FTC concluded, it may be sufficient to avoid confusion for search engines simply to label them as such.<sup>127</sup> Indeed, distinguishing among these admittedly similar unseen uses of trademarks, what is perhaps most troubling about any such advertising tools is the type of software (little different from spyware) often used to deliver pop-up ads to the user's computer. No such software is involved in keyword advertising. Independent of privacy law questions raised by such adware,<sup>128</sup> solely as a matter of trademark law, many such secret trademark uses will undoubtedly be deemed permissible fair uses or appropriate forms of comparative advertising under existing legal rules. Keyword ads being, after all, advertisements, other uses may well be deemed to

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127. See *supra* notes 97-101 and accompanying text.

128. See *supra* note 35 and accompanying text.

be false or misleading advertising—although it is surely striking that there have been no reported decisions to date.

Certainly the intellectual property attorneys and other media professionals who devote the most time to wrestling with such issues (including those reading this article) are sophisticated enough to spot keyword ads without being deceived or misled. Yet, it is less clear how the vast multitudes of Internet users are affected, and virtually none of the reported decisions to date have been based on solid empirical evidence, such as admissible surveys of consumer impressions. As such, and because of the ever more stealthy techniques being developed to drive Internet traffic, before rigid rules are cemented in place, forever foreclosing remedies for all such opaque advertising techniques operating below the threshold level of normal awareness as the New York rule threatens now to do, further consideration may be warranted whether “use in commerce” really does mean something other than “commercial use.” Similarly, before creating any presumptions or per se rules essentially foreclosing consideration whether Internet users are smart enough to tell a smart money clip from a SMART MONEY CLIP before parting with any of the contents of their smart or ordinary money clips, Internet users’ actual searching and purchasing practices need to be better understood.

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