

Smart in your worldSM
Arent Fox

Staying One Step Ahead:
**TRADEMARKS, ADVERTISING
& THE INTERNET**

Presented by

Elizabeth Cohen
Arent Fox PLLC
Washington, DC

July 13, 2005

Agenda

- **Part I: Use of Trademarks in Keyword Triggered Search Advertising**
- **Part II: Misuse of Trademarks in the Manipulation of Search Engine Results**
- **Part III: Use of Trademarks in Pop-Up and Banner Advertisements**
- **Part IV: Strategies**
- **Part V: Q&A**

Part I: Use of Trademarks in Keyword Triggered Search Advertising

POLL QUESTION:

What are you having for lunch today?

OPTIONS:

- A sandwich
- A soup and/or salad
- Leftovers from home
- None of the above
- Nothing yet! I'm starving

Part I: Use of Trademarks in Keyword Triggered Search Advertising

POLL QUESTION:

Does your company use Keyword Advertising on the Internet?

OPTIONS:

➤ Yes

➤ No

Smart in your worldSM
Arent Fox

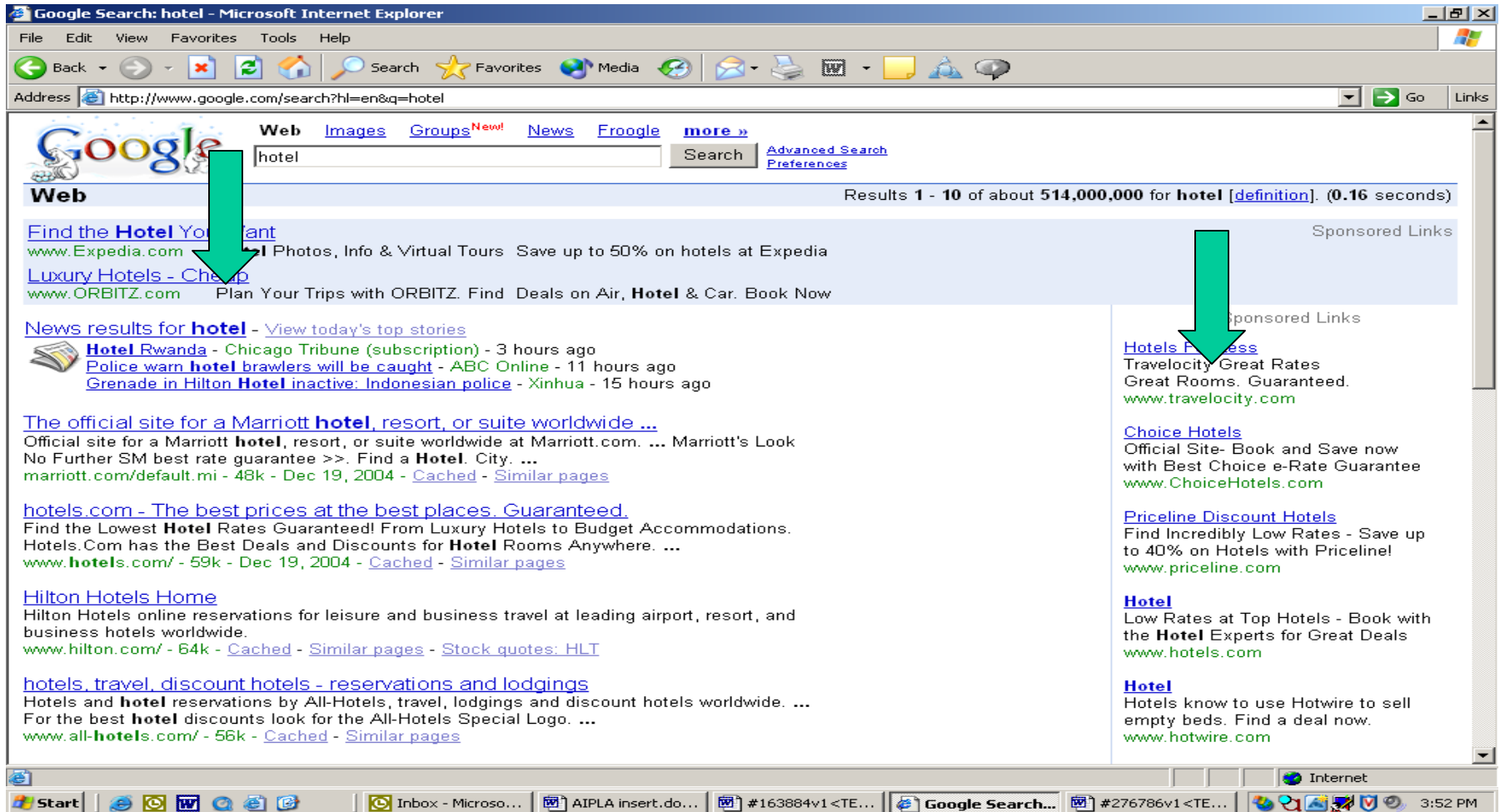
Part I: Use of Trademarks in Keyword Triggered Search Advertising

Part I: Use of Trademarks in Keyword Triggered Search Advertising

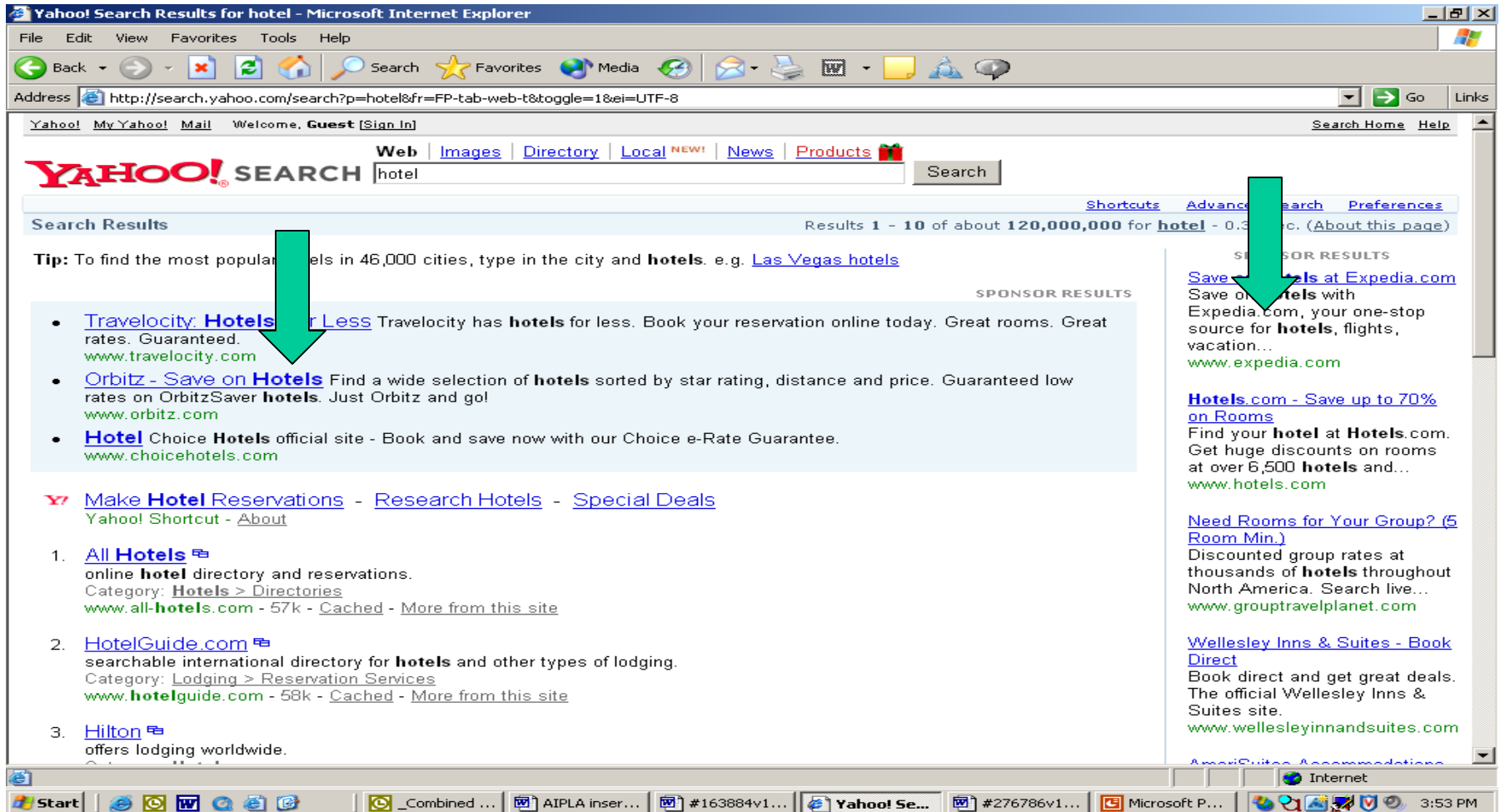
What is keyword-triggered search advertising?

- A consumer queries a term in a search engine, and the search engine displays, along with the search results, ads for individuals or companies who have bid on that term.
- Google and Overture (Yahoo!) are among the most popular providers of this service.
 - Google's "sponsored link" ads and Overture's "sponsored result" ads appear to the right of, as well as above, search results.

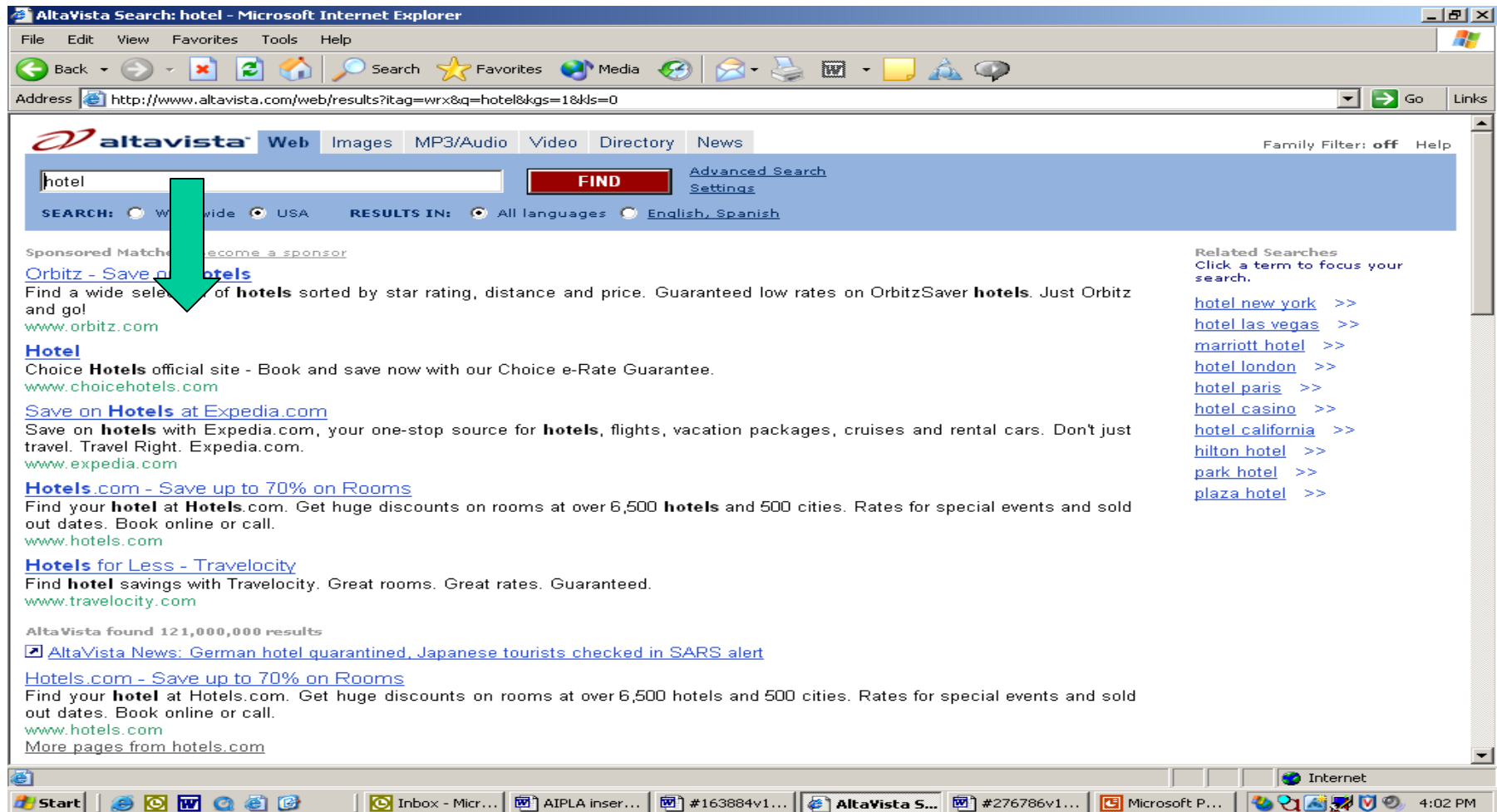
Example: Google Search for “Hotel”



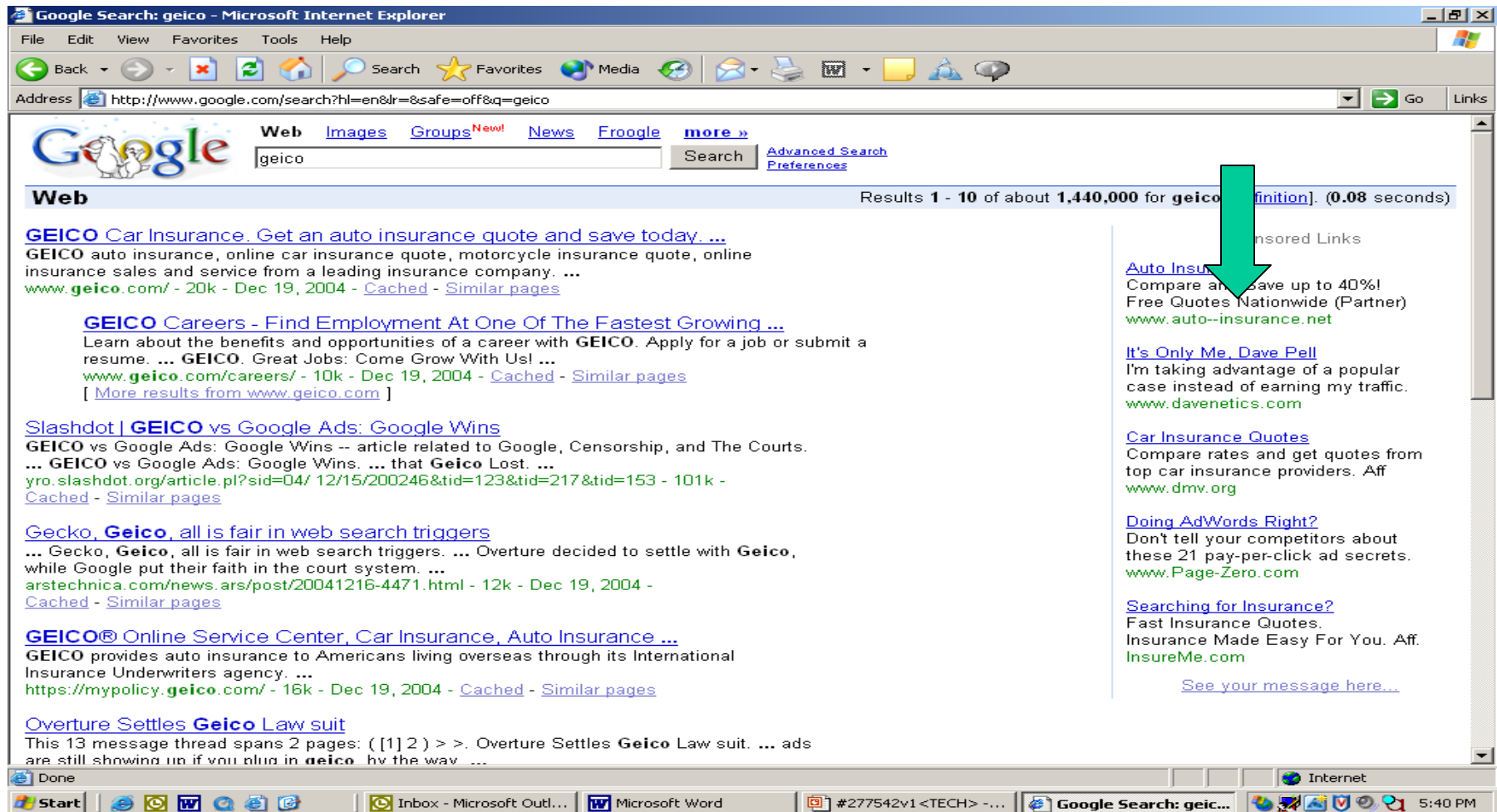
Example: Yahoo! Search for "Hotel"



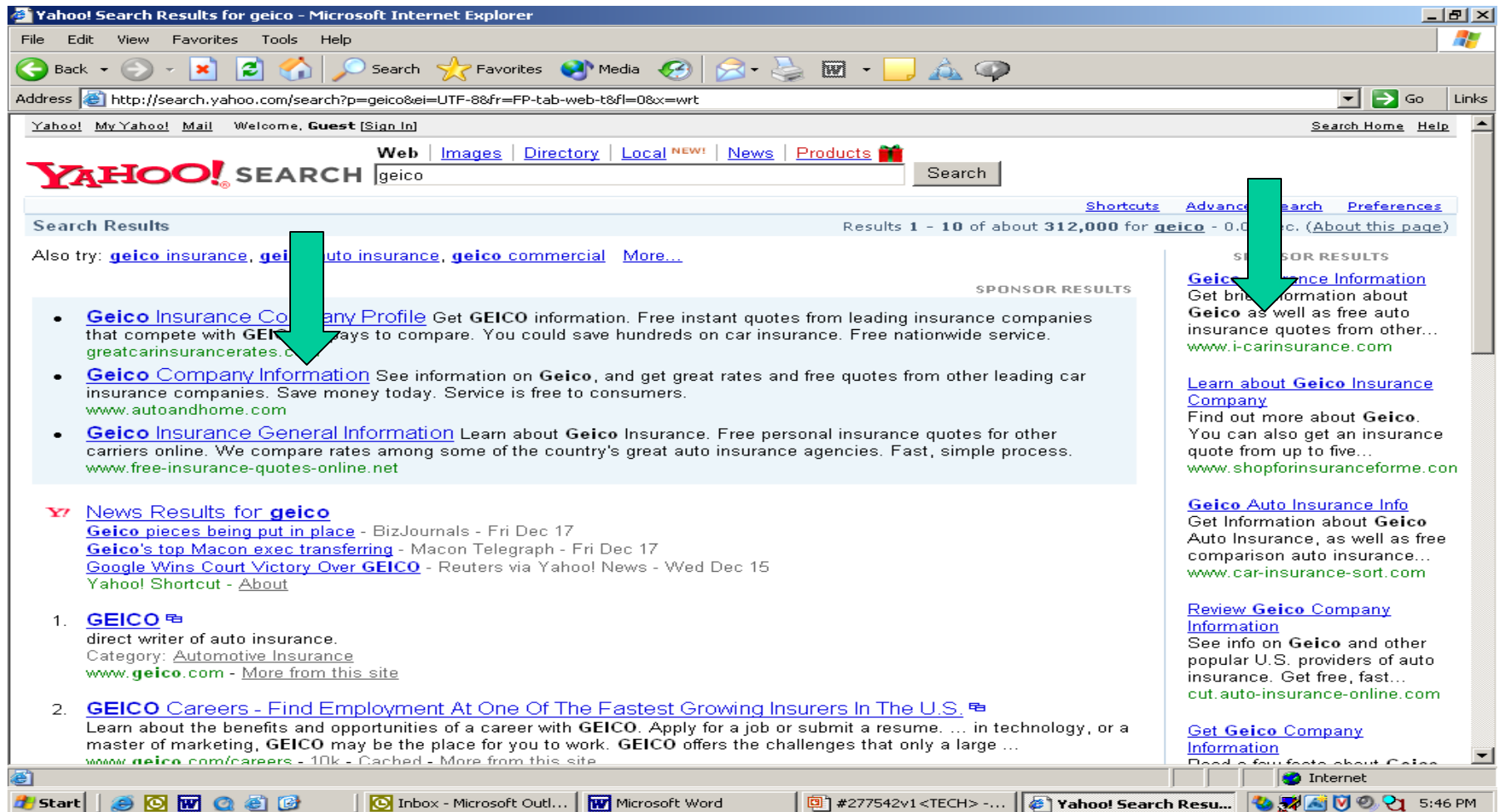
Example: AltaVista Search for “Hotel” (Powered by Overture)



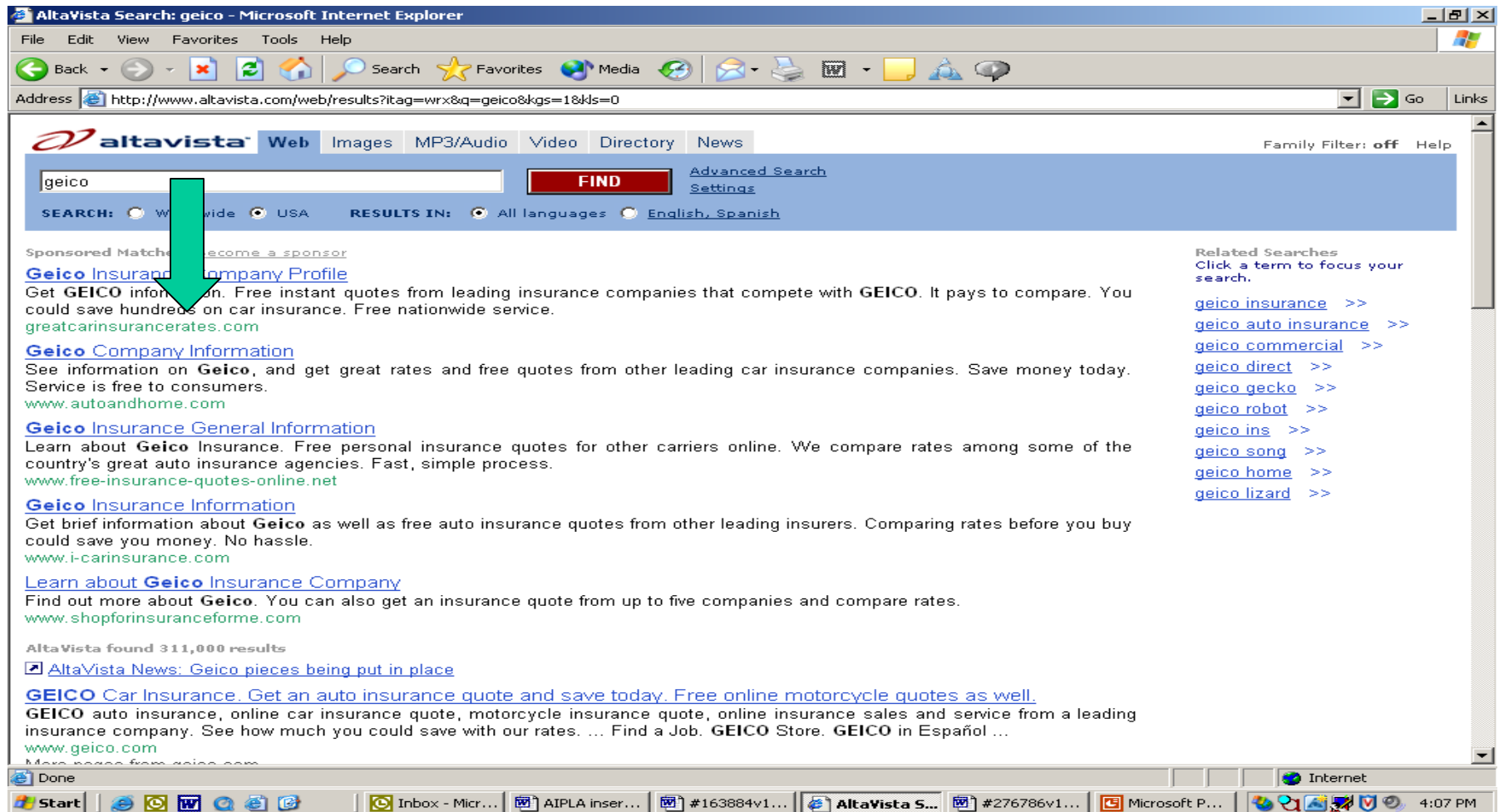
Example: Google Search for “Geico”



Example: Yahoo! Search for "Geico"



Example: AltaVista Search for “Geico” (Powered by Overture)



Part I: Use of Trademarks in Keyword Triggered Search Advertising

Why is keyword-triggered search advertising such a hot topic?

- Internet advertising generated over \$9.6 billion in revenue in 2004, a 33% increase over 2003 (Source: Pricewaterhouse Coopers IAB Internet Revenue Report, April, 2005).
- Keyword advertising comprised 40% of total online ad revenue in 2004.
- Search revenue increased 50% from 2003 to 2004, totaling \$3.9 billion.
- Google has made over \$1 billion to date from it, including over \$400 million in the third quarter of 2004.

Part I: Use of Trademarks in Keyword Triggered Search Advertising

Search engine policies on use of trademarks in keyword advertising:

- Google's pre-April 2004 policy:
 - Advertisers were prevented from purchasing keywords containing the trademarks of others, unless the keyword was descriptive or generic.
- Google's post-April 2004 policy:
 - Before its initial public offering, Google adopted a different policy for the U.S. and Canada.

Part I: Use of Trademarks in Keyword Triggered Search Advertising

Google's Current Policy in the U.S. and Canada:

- Google will not disable any keywords in response to trademark complaints.
- Google will only investigate whether the ad contains the trademark in the content and, if so, will require the advertiser to remove the trademark.

Google's Current Policy outside the U.S. and Canada:

- Google will continue to disable keywords if a trademark owner complains.
- Like the U.S. and Canada policy, Google will investigate whether the ad contains the trademark in the ad content and, if so, will require the advertiser to remove the trademark.

Part I: Use of Trademarks in Keyword Triggered Search Advertising

Overture's Policy:

- Advertisers must agree that the keywords, as well as the ad content, do not violate the trademark rights of others.
- Overture allows an advertiser to bid on a trademark only if the advertiser's website either:
 - refers to the trademark or its owner or related product in a permissible nominative manner without creating a likelihood of confusion; or
 - uses the term in a generic or merely descriptive manner.

Part I: Use of Trademarks in Keyword Triggered Search Advertising

Concerns of trademark owners:

- Improper commercial exploitation of brand
- Loss of goodwill
- Diverts Internet traffic to competitors
- Consumers are likely to be confused

Position of Search Engines:

- Not “using” the trademark
- Trademarks do not identify the source of goods or services
- No confusion, as advertisers use their own names on the ads

Part I: Use of Trademarks in Keyword Triggered Search Advertising

Active U.S. Litigation:

- *Geico v. Google* (E.D. Va.)
- *Rescuecom Corp. v. Google* (N.D.N.Y.)
- *Google v. American Blind and Wallpaper Factory* (N.D. Ca. & S.D.N.Y.)
- *Novak v. Overture* (E.D.N.Y.)
- *800-JR-Cigar v. Overture* (D. N.J.)

Part I: Use of Trademarks in Keyword Triggered Search Advertising

POLL QUESTION:

How familiar are you with these cases?

Active U.S. Litigation:

- *Geico v. Google* (E.D. Va.)
- *Rescuecom Corp. v. Google* (N.D.N.Y.)
- *Google v. American Blind and Wallpaper Factory* (N.D. Ca. and S.D.N.Y.)
- *Novak v. Overture* (E.D.N.Y.)
- *800-JR-Cigar v. Overture* (D. N.J.)

OPTIONS:

- Very familiar
- Somewhat familiar
- Not familiar

Part I: Use of Trademarks in Keyword Triggered Search Advertising

Geico v. Google:

- Geico alleges that Google's and Overture's sale of GEICO and GEICO DIRECT as keywords constitutes trademark infringement, unfair competition, and dilution, among other claims.

Part I: Use of Trademarks in Keyword Triggered Search Advertising

- **Court Initially Sides with Geico:**
 - August, 2004 – court denied Google’s and Overture’s motion to dismiss the essential counts of the complaint, that is, that search engines’ activities do constitute trademark use.
 - November, 2004 – court denied Google’s motion for summary judgment without written opinion.
- **Geico Settles with Overture in November 2004:**
 - Occurs shortly after Google’s summary judgment motion was denied.
 - Overture not expected to change its business practice.

Part I: Use of Trademarks in Keyword Triggered Search Advertising

Court Halts Trial, Rules in Favor of Google:

- As a matter of law, Geico had not presented sufficient evidence that Google's sale of Geico's trademarks to others as keywords constituted trademark infringement.
- Ruling only applies where ads themselves do not contain the trademarks.
- Written opinion to be issued "shortly".
- Court urges parties to settle case.

Part I: Use of Trademarks in Keyword Triggered Search Advertising

Significance of *Geico* Ruling:

- Victory for search engines and a blow to trademark owners.
- Decision is not binding on other courts.
- Court's opinion likely limited to facts of case.
- Geico may appeal.

Part I: Use of Trademarks in Keyword Triggered Search Advertising

Other Cases:

- *Rescuecom Corp. v. Google* – A Different Argument
 - Rescuecom claims Google’s “sponsored link” ads and the layout of the ads do not clearly and conspicuously identify themselves as such.
 - Rescuecom claims that Google suggested to competitors that its trademark be used as a keyword.
 - The case is pending.

Part I: Use of Trademarks in Keyword Triggered Search Advertising

Other Cases:

- *Google v. American Blind & Wallpaper Factory*

Northern District of California Action

- Google sought declaratory judgment that its keyword search program does not infringe on trademarks owned by American Blind.
- Google moved to dismiss the case.
- March 2005: Court held that American Blind could attempt to prove that use of a trademark as a keyword could constitute trademark infringement. Denied Google's Motion to Dismiss.

Part I: Use of Trademarks in Keyword Triggered Search Advertising

Other Cases:

- ***Novak v. Overture***
 - Plaintiff claims Google, Overture, and others unlawfully sold his mark PETS WAREHOUSE as a keyword. In March 2004, the court rejected defendants' argument that this mark was generic and unprotectable. The case remains pending as to Google and Overture.
- ***800-JR-Cigar v. Overture***
 - Plaintiff claims Overture unlawfully sold his mark JR CIGAR as a keyword. Motions for summary judgment remain pending before the court.

Part I: Use of Trademarks in Keyword Triggered Search Advertising

Inactive U.S. Litigation:

- *Playboy Enterprises v. Netscape*
 - Playboy argued that adult ads keyed to PLAYBOY and PLAYMATE caused “initial interest confusion”.
 - District Court granted summary judgment to Netscape and Excite, finding no infringement.
 - Ninth Circuit reversed in favor of Netscape and Excite, relying heavily on initial interest confusion analysis.
 - After the reversal in January 2004, the parties settled.

Part I: Use of Trademarks in Keyword-Triggered Search Advertising

Inactive U.S. Litigation:

- *Mark Nutritionals v. AltaVista* (D. Tex.)
 - Plaintiff alleged AltaVista and other search engines sold placement rights to its BODY SOLUTIONS mark to competitors, then buried plaintiff's own links below the competitors' links.
 - The lawsuit was dismissed after plaintiff filed for bankruptcy.

Part I: Use of Trademarks in Keyword Triggered Search Advertising

Foreign Litigation:

- Two companies have successfully sued Google in France for trademark infringement for its keyword ad program.
- In October 2003, a French court ordered Google to pay 75,000 Euros.
- However, a German court has sided with Google and declined to issue a permanent injunction for this practice.

Part I: Use of Trademarks in Keyword-Triggered Search Advertising

Section Summary:

- With the recent *Geico* ruling, trend may now lean towards view that use of trademark to trigger keyword-triggered ads may not constitute trademark infringement.
- However, issue is by no means settled in the United States.
- Trademark owners should continue to consider lodging objections with search engines and advertisers for misuse of trademarks in keyword-triggered search advertising, while utilizing their own trademarks in such advertising.

Part I: Use of Trademarks in Keyword Triggered Search Advertising

POLL QUESTION:
Grokster is....

OPTIONS:

- **A. A P2P file sharing program**
- **B. Someone who “gets it”**
- **C. A word whose root, grok, means “to drink” or “take it all in”**
- **D. The sound a hip frog makes**
- **E. A, B and C**
- **F. None of the above**

Part I: Use of Trademarks in Keyword-Triggered Search Advertising

MGM v. Grokster – Active Inducement Theory:

- Issue: Whether companies that create and distribute file-sharing programs can be held liable for contributory copyright infringement due to infringement by the program's users
- Holding: Distributors of Grokster and Streamcast/Morpheus software, which facilitates decentralized file sharing programs, may be held liable for knowingly inducing copyright infringement by the users of the software

Part I: Use of Trademarks in Keyword-Triggered Search Advertising

Query:

- How will this decision affect keyword-triggered Internet search engine advertising?
- Can search engines be held responsible for the conduct of their advertisers?

Smart in your worldSM
Arent Fox

Part II: Misuse of Trademarks in the Manipulation of Search Engine Results

Part II: Misuse of Trademarks in the Manipulation of Search Engine Results

How do search engines rank search results?

- Google utilizes a web-crawling robot to crawl the web link-by-link to record information to build a searchable index.
 - The number and quality of incoming links to a particular web page play the most important role.
 - Google also uses text-matching techniques that looks at the web page URL, anchor tags, TITLE tags, image ALT tags, metatags, and website text.
- Yahoo! utilizes a similar robot, but its search algorithm reportedly weighs incoming links less heavily than Google.

Part II: Misuse of Trademarks in the Manipulation of Search Engine Results

Trademark Considerations in Search Engine Manipulation:

- Metatags
- Repeated use of trademarks in web page text
- Use of trademarks in the web page URL
- Reciprocal linking
- Paid “clickers”

Part II: Misuse of Trademarks in the Manipulation of Search Engine Results

Metatags:

- A metatag is invisible programming code intended to provide information for search engines regarding web page content.
- Most search engines now place little emphasis on metatags.
- However, misuse of trademarks in metatags can give rise to liability for trademark infringement.

Part II: Misuse of Trademarks in the Manipulation of Search Engine Results

Infringement may be found where metatags are used to divert or confuse consumers:

- ***Brookfield Communications v. West Coast Entertainment* (9th Cir. 1999)**
 - Lanham Trademark Act prohibited a party from using metatags confusingly similar to another's trademark based on an application of the initial interest confusion doctrine.
 - Defendant had improperly benefited from the goodwill in plaintiff's trademark by placing the mark in metatags solely to divert customers.
 - Even if the initial confusion is dispelled, the act of generating pre-sale confusion by using another's trademark constitutes infringement.

Part II: Misuse of Trademarks in the Manipulation of Search Engine Results

No infringement, however, if use of the trademark is fair use:

- *Playboy Enterprises v. Welles* (9th Cir. 2002)
 - Defendant, a former Playboy Playmate, used Playboy's marks in metatags.
 - Held: Use was "fair use"
 - Defendant had no practical way to describe her website without using the trademarks.
 - She used only so much of the trademarks that was reasonably necessary.
 - She did not use the metatags in a manner suggesting sponsorship or endorsement.

Part II: Misuse of Trademarks in the Manipulation of Search Engine Results

- ***Trans Union v. Credit Research* (N.D. III. 2001)**
 - Defendants' use of the trade name TRANS UNION once in metatags constituted fair use.
 - Defendants had some affiliation with plaintiff, and therefore, the metatag merely described defendants and the content of their site.
- The courts in both *Welles* and *Trans Union* noted that their conclusion may have differed if the defendants had placed the plaintiffs' marks repeatedly in metatags.

Part II: Misuse of Trademarks in the Manipulation of Search Engine Results

Repeated Use of Trademarks in Website Text:

- Practice is used by website operators to attract search engine traffic.
- Has been held to be trademark infringement.
- Has also been held protected under the nominative fair use doctrine.

Part II: Misuse of Trademarks in the Manipulation of Search Engine Results

- *Horphag Research Ltd. v. Pellegrini* (9th Cir. 2003)
 - Defendant's "pervasive" use of mark in text of website that sold a competing product was trademark infringement.
 - Ninth Circuit rejected a fair use defense.
 - Constant use of the mark suggested to consumers that plaintiff sponsored or was associated with defendant's website.

Part II: Misuse of Trademarks in the Manipulation of Search Engine Results

- ***J.K. Harris v. Taxes.com (N.D. Cal. 2003) – Fair Use Found***
 - Defendant repeatedly used competitor's trade name in website text to criticize the competitor.
 - Defendant's use of the mark dramatically increased his website's ranking in response to searches for plaintiff's name.
 - The court rejected an initial interest confusion argument and found nominative fair use:
 - Defendant could not describe plaintiff without using its name;
 - Because of the negative nature of the website, no user would believe it was sponsored or endorsed by plaintiff;
 - The frequent and prominent references to plaintiff were not gratuitous.

Part II: Misuse of Trademarks in the Manipulation of Search Engine Results

Use of Trademarks in URLs:

- It is well settled that unauthorized use of a trademark in a domain name may give rise to liability for trademark infringement.
 - *E.g.*, www.sony.com
- However, use of the same trademark in the post-domain path of a website address has been held not to constitute trademark infringement.
 - *E.g.*, <http://www.electronics.com/Sony.html>
- A domain name path, unlike the domain name itself, does not typically signify the source of the website.

Part II: Misuse of Trademarks in the Manipulation of Search Engine Results

- ***Patmont Motor Werks v. Gateway Marine*, (N.D. Cal. 1997)**
 - No infringement found where defendant used plaintiff's trademark in post-domain path of a web page that resold plaintiff's products.

- ***Interactive Products Corp. v. a2z Mobile Office Solutions* (6th Cir. 2003)**
 - No infringement found even though defendant was not selling plaintiff's product, but was selling a competing product.

Part II: Misuse of Trademarks in the Manipulation of Search Engine Results

Reciprocal Linking:

- Website A offers to place on its website a link to website B, in exchange for B placing a similar link back to A.
- Search engines now place a higher emphasis on incoming-only links, rather than reciprocal links.
- Appears to be no cases in which a party has alleged that such action constitutes trademark infringement.
- BUT, be careful to use marks correctly in hyperlinks.

Part II: Misuse of Trademarks in the Manipulation of Search Engine Results

Paid “Clickers”:

- Does not appear that search engine algorithms take into account the number of hits a website receives in determining where to rank that website.
- Search engines are more interested in website quality and the relevance to the search term, not necessarily the popularity of the website.

Smart in your worldSM
Arent Fox

Part III: Use of Trademarks in Pop-Up and Banner Advertisements

Part III: Use of Trademarks in Pop-Up and Banner Advertisements

What is spyware and how does it work?

- Spyware tracks what a user does when browsing the Internet and displays pop-up or banner ads relevant to the user's interest.
- These applications are often installed without the user's knowledge.
- For example, a user with a spyware application installed may conduct an Internet search for Sony, and in response, the application will generate a pop-up ad for Panasonic, sometimes over the Sony website.

Part III: Use of Trademarks in Pop-Up and Banner Advertisements

Claims of Trademark Owners:

- When pop-up ads appear over their websites, the spyware companies are trading on their goodwill.
- Diverts consumers from the owners' websites.
- Consumers have often not consented to the software.

Position of Spyware Companies:

- They do not insert anything into the owner's website and do not alter its appearance.
- Consumers have consented to the software.
- This is no different than what occurs when a consumer shops at a "bricks and mortar" store - they are merely offered alternatives.

Part III: Use of Trademarks in Pop-Up and Banner Advertisements

Lawsuits against spyware companies:

- No longer a split as to whether this constitutes trademark infringement.
 - Courts in the Eastern District of Virginia and Eastern District of Michigan found no infringement on the grounds that defendants did not “use” marks in commerce.
 - Court in Southern District of New York found “use” to support infringement claims, but was reversed on appeal.

Part III: Use of Trademarks in Pop-Up and Banner Advertisements

- ***U-Haul v. WhenU.com* (E.D. Va. 2003)**
 - U-Haul failed to show how a pop-up ad for competitor in a separate window on a computer that obstructed U-Haul's ad was a "use" of U-Haul's mark.
 - Use not established simply because trademarks were simultaneously visible to a consumer.
 - Comparative advertising does not violate trademark law, even when the ad makes use of a competitor's trademark.
 - Software did not hinder or impede Internet users from accessing U-Haul's website in such a manner that plaintiff "uses" U-Haul's trademarks.
 - Defendant's motion for summary judgment granted.

Part III: Use of Trademarks in Pop-Up and Banner Advertisements

- ***Wells Fargo v. WhenU.com* (E.D. Mich. 2003)**
 - Court used similar reasoning in denying preliminary injunction.
 - Wells Fargo presented no evidence that consumers were unable to reach its website as a result of defendant's placement of advertisements.
 - Consumers merely need to close the pop-up ad.
 - Use was not established because pop-up ads appear in a separate window and are not "framed" by Wells Fargo's websites.
 - Defendant's inclusion of Wells Fargo's marks in the defendant's directory did not constitute "use".
 - Case remains pending.

Part III: Use of Trademarks in Pop-Up and Banner Advertisements

- 1-800-Contacts v. WhenU.com (S.D.N.Y. 2003)

District Court:

- Court specifically rejected findings in *U-Haul* and *Wells Fargo* and granted a preliminary injunction.
- Defendant made “use” of plaintiff’s mark two ways:
 - Pop-up ads for competitors appear when users attempt to access plaintiff’s website.
 - Defendant includes plaintiff’s URL containing its mark in a directory of terms that trigger pop-up ads.

Appeal:

- Second Circuit Court of Appeals reversed and held that WhenU.com did not violate 1-800-Contacts trademark rights by using a URL to trigger pop-up ads.

Part III: Use of Trademarks in Pop-Up and Banner Advertisements

Lawsuits Against Advertisers Who Utilize Spyware Services:

- At least two such lawsuits have been filed, although both were settled:
 - *Weight Watchers v. DiscreetDrugs.com* (S.D.N.Y.)
 - *LL Bean v. Nordstrom* (D. Maine)

Part III: Use of Trademarks in Pop-Up and Banner Advertisements

Proposed Legislation – Federal:

- **Securely Protect Yourself Against Cyber Trespass Act (SPY ACT)**
 - Instructs FTC to file an annual report advising precisely how many actions the commission has taken against spyware distributors.
 - Sponsored by Rep. Mary Bono (R-Ca.)
- **Spyware Prevention Act (or I-Spy Act)**
 - Provides \$10 million to the Justice Department to target spyware makers.
 - Sponsored by Rep. Bob Goodlatte (R-Ca.)

Part III: Use of Trademarks in Pop-Up and Banner Advertisements

Proposed Legislation – State:

- **California - Consumer Protection Against Computer Spyware Act**
 - Enacted on September 28, 2004.
- **Utah – Spyware Control Act**
 - Enacted in 2004.
 - Effective date delayed because WhenU.com filed suit alleging that the law is unconstitutional because it regulates interstate commerce and limits commercial speech.

Smart in your worldSM
Arent Fox

Part IV: **Strategies**

STAYING ONE STEP AHEAD: TRADEMARKS, ADVERTISING & THE INTERNET

Part IV: Strategies

Strategy for Trademark Owners:

- Misuse of trademarks in competitors ads (versus the keyword that triggered the ad) is actionable.
- Monitor use of marks on Internet, through Internet Watch programs:
 - Systematic
 - Consistent
- Register and protect all important marks and designs.
- Register domain names, misspellings, variations:
 - Docket renew dates
 - Obtain key country domains, .net, .org
- Buy or bid on your own keywords.
- Build a strong mark:
 - Consistent and proper use
- Don't forget copyrights and patents.

Part IV: Strategies

Strategy for Advertisers/Search Engines:

- Indemnity agreements, representations and warranties.
- Avoid suggesting others' trademarks as keyword ads.
- Employ policies requiring advertisers to use trademarks properly.
- Implement a complaint policy.
- Word comparative ads properly.

Smart in your worldSM
Arent Fox

Part V: Q&A



Elizabeth H. Cohen

cohen.elizabeth@arentfox.com
202.857.6166

STAYING ONE STEP AHEAD: TRADEMARKS, ADVERTISING & THE INTERNET

Smart in your worldSM
Arent Fox

Thank you for joining us!



Elizabeth H. Cohen

cohen.elizabeth@arentfox.com
202.857.6166

STAYING ONE STEP AHEAD: TRADEMARKS, ADVERTISING & THE INTERNET