

**Targeting with Others' Trademarks:
The Uncertain Law of Keyword-Based Online Advertisements**

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Targeted advertising seems to represent the future of online advertising. Online consumers leave digital tracks as they browse. More reliable and less edible than the breadcrumb tracks left by Hansel and Gretel, those tracks indicate not only where the consumer has been on the Internet, but also what he or she is interested in. Thus, advertisements keyed to those tracks can directly address the consumer's interests.

It is not yet clear where targeted advertising is headed, either in the business world or the legal sphere. Some activists have sought regulation, and the Federal Trade Commission has started to push online advertisers toward self-regulation as to collection and use of consumers' online browsing footprints.¹ There is, however, one area of the law, involving a kind of targeted advertising—the use of others' trademarks, used in searches, as the triggers for targeted advertisements—where the legal development is well underway yet stubbornly inconclusive.

Online advertisements responding to keyword searches are a unique form of advertising. Instead of being fixed and posted in a particular place, keyword advertisements are generated and posted in response to use by Internet users of certain keywords as search terms. The keyword triggers are limited only by a language's vocabulary, which invariably leads to the use of trademarked terms. Most internet search services sell "sponsored listings," which provide prominent positioning for ads keyed to searches using purchased keywords. For the most part, internet search services place minimal restrictions on who may use trademarked keywords.

The legal system is presently undecided on how to address the use of keyword searches using trademarked terms that prompt advertisements of entities that do not have rights to the trademark. Most significantly, there is currently a serious split in decisions on the key threshold issue of whether using a trademarked keyword to return an ad from an unaffiliated entity involves cognizable trademark "use."

Lawsuits concerning keyword-based advertising have arisen in two contexts: suits by the trademark owner alleging direct infringement by competitors who purchased keyword ads, and suits by the trademark owner based on contributory infringement or some other derivative liability theory against the search service that implemented the keyword ads.²

¹ Federal Trade Commission Staff, "Online Behavioral Advertising: Moving the Discussion Forward to Possible Self-Regulatory Principles," Dec. 20, 2007, <http://www.ftc.gov/os/2007/12/P859900stmt.pdf>.

² A discussion of the secondary liability of search services can be found in *800-JR Cigar, Inc., v. Goto.com, Inc.*, 437 F. Supp. 2d 273, 280-81 (D.N.J. 2006).

I. *Playboy v. Netscape*

The first few keyword cases forced courts to grapple with the question of whether keyword-based ads might confuse consumers. The first reported keyword-advertising case in the United States, *Playboy Enterprises, Inc. v. Netscape Communications*,³ highlighted the difficulty of making assumptions about keyword-prompted paid listings and advertisements. Playboy Enterprises (sometimes referred to as “PEI”) had complained about the sale of advertisements by the Netscape and Excite search engines that were linked to user searches for “playboy” and “playmate.” The district court granted summary judgment to the search engines, concluding that because “playboy” and “playmate” were words in common use in the English language, Playboy Enterprises could not claim trademark infringement based upon their use.⁴ Necessarily implicit in the district court’s analysis was the premise that Internet users frequently searched for a man devoted to the pursuit of pleasure (the dictionary definition of “playboy”) and for a child’s play companion (the definition of “playmate”). That premise was insupportable in fact, as is apparent to anyone familiar with men’s attraction to *Playboy* magazine’s photographs, including its photos of its monthly featured “playmate.” On appeal, the Ninth Circuit characterized the district court’s theory as “absurd.”⁵

The Ninth Circuit, however, did not itself steer totally clear of assumptions in its analysis of the keyword advertising in *Playboy Enterprises, Inc. v. Netscape Communications*. On an admittedly sparse summary judgment record, the court assumed that consumers might well assume that banner ads were connected with the owner of the trademark that was used as the search term.⁶

The *Playboy* case arose not long after Overture, the search engine (later acquired by Yahoo!) that then powered the Netscape and Excite search services, began offering advertisements keyed to particular search words. In the *Playboy* case, Overture-affiliated search services had sold the keywords “playboy” and “playmate” to adult-oriented website owners as part of a package of more than 400 keywords. When Internet users searched for any of those words, the advertiser’s site would be displayed in a banner advertisement. As is typical, a user who clicked on the banner ad would be taken immediately to the advertiser’s website – in this case, an adult-oriented website.

Playboy argued that the practice meant that its PLAYBOY and PLAYMATE trademarks were being used to take Internet users to competitors’ websites. It also argued that some users would inevitably be confused, and thus the key likelihood of confusion element of trademark law would be satisfied, on the theory that a legally significant percentage of consumers would think that the banners were associated with Playboy.

³ 354 F.3d 1020 (9th Cir. 2004).

⁴ *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 2000 WL 1308815 (C.D. Cal. Sept. 13, 2000). The district court had previously denied Playboy a preliminary injunction. *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 55 F. Supp. 2d 1070 (C.D. Cal. 1999).

⁵ *Playboy Enterprises*, 354 F.3d at 1027 n.32 (9th Cir. 2004) (“Indeed, to argue that they use the marks for their primary meaning, as defendants did below, is absurd. Defendants obviously do not use the term ‘playmate,’ for example, for its dictionary definition: ‘a companion, especially of a child, in games and play.’”).

⁶ *Id.* at 1025 (assuming that initial interest confusion may occur due to unlabeled banner advertisements).

The Ninth Circuit decision repeatedly referenced several facts that the panel found important. First, Netscape mandated that adult advertisers buy the package of more than 400 keywords, which included “playboy” and “playmate,” and these terms could not be deleted from the package, even though almost all of the other words in the package were descriptive non-trademark words. This probably signaled to the court that Netscape was attempting to profit from Playboy’s valuable marks. Second, many of the resulting banner advertisements were either “confusingly labeled” or unlabeled – thus promoting, or at least doing nothing to avoid, consumer confusion.⁷

In conducting its trademark analysis, the Ninth Circuit initially noted that Playboy’s strongest argument was for “initial interest confusion,” the doctrine first applied to the Internet in the Ninth Circuit’s ruling in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*⁸ It summarized the *Brookfield* rule as follows: “Although dispelled before an actual sale occurs, initial interest confusion impermissibly capitalized on the goodwill associated with a mark and is therefore actionable trademark infringement.”⁹ Playboy argued that keyword-based advertisements initially confuse Internet users, who, after conducting a search for Playboy’s trademarks, are confronted with unlabeled advertisements pertaining to adult material that invite the user to “click here.” As the court described Playboy’s theory, “[U]sers may follow the instruction, believing that they will be connected to a PEI site.”¹⁰ When they are connected to the advertiser’s site, they will realize it is not Playboy’s site, but under the “initial interest confusion” theory, the harm is done at that point, because the advertiser has been introduced to a new potential customer.¹¹ The court agreed with this theory, finding the keyword advertisement factually indistinguishable from the metatags involved in *Brookfield*.¹²

The *Brookfield* “initial interest confusion” doctrine is controversial. It has been used by trademark owners to challenge the use of their marks in domain names, metatags, invisible text, and other Internet contexts, and often where no traditional trademark confusion exists, but where the courts have viewed the challenged trademark use as improper. In a concurring opinion in *Playboy v. Netscape*, Judge Marsha S. Berzon criticized the doctrine and recommended that it be reconsidered.¹³

Brookfield involved two similarly named websites, with some overlapping functionality. The court found that the junior trademark user’s use of the trademark MOVIE BUFF in metatags could lead users to the senior user’s website, where they might linger, even though they would realize it wasn’t their intended destination.¹⁴ The court in *Brookfield* analogized the situation to one where an ambiguous sign leads a driver off the highway, where he finds, instead of his desired commercial destination, a competitive establishment, which he then patronizes because

⁷ *Id.*

⁸ *Playboy Enterprises*, 55 F. Supp. 2d at 1070.

⁹ *Playboy Enterprises*, 354 F.3d at 1025.

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.* at 1025-26.

¹³ *Id.* at 1034-36 (Berzon, J., concurring).

¹⁴ *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1061-62 (9th Cir. 1999).

of its convenience.¹⁵ The driver is not misled when he enters the establishment, but was diverted to its vicinity by trademark confusion. Judge Berzon acknowledged, as the full panel had held, that the keyword advertising situation was “analytically similar” to the situation found to present initial interest confusion in *Brookfield*, but, using real world analogies, Judge Berzon suggested that the doctrine penalizes the sound retail practice of offering consumers useful choices.¹⁶

Judge Berzon asked the reader to consider a hypothetical shopping trip to Macy’s department store, where a consumer sought out Calvin Klein goods, and, on her way to that section, was confronted with Macy’s less expensive house brand, deliberately designed to appeal to Calvin Klein buyers.¹⁷ Has Macy’s infringed Calvin Klein’s mark? More pointedly, Judge Berzon described Internet merchants like Amazon.com that deliberately present consumers with choices of other products based on consumers’ searches.¹⁸ Her decision questioned whether the law should penalize such presentations of choices, particularly given, in the keyword advertisement context, “the minimal inconvenience in directing one’s web browser back to the original list of search results.”¹⁹ While recognizing *Brookfield* as controlling law, Judge Berzon called it “unsupportable” and illogical, and openly invited *en banc* reconsideration of the decision.²⁰

Perhaps because of Judge Berzon’s concerns, and the possibility of reconsideration of *Brookfield*, the Ninth Circuit panel did not rest its decision in *Playboy v. Netscape* solely on initial interest confusion. Rather, it determined that “to be certain” of the result, it needed to “test PEI’s theory using this circuit’s well-established eight-factor test for the likelihood of confusion.”²¹ This referred to the *Sleekcraft* factors, the Ninth Circuit’s version of the basic trademark infringement factors.²² The court first focused on the most important factor, evidence of actual confusion. Playboy had submitted an expert consumer study that it asserted found 22 to 29 per cent of consumers confused (at least initially) by the keyword-based advertisements.²³ The search services had submitted no contrary study, and though Playboy’s study was subject to

¹⁵ *Id.* at 1063-64.

¹⁶ *Playboy Enterprises*, 354 F.3d at 1034-36 (Berzon, J., concurring).

¹⁷ *Id.* at 1035.

¹⁸ *Id.*

¹⁹ Both the initial interest confusion doctrine and the issue of keyword sales inevitably lead to battles over the most applicable analogies. The *Brookfield* court’s highway analogy portrays an initial diversion as an almost-conclusive move, because of the trouble it takes to reenter the highway. Judge Berzon’s analogy of competing department store displays suggests, by contrast, that the consumer can readily proceed as she originally desired even if presented with possible diversions to competing products. One commentator has noted, “As with many Internet situations, the result depends on what analogy you draw. A keyword buy, for instance, is less like [an analogy to a waiter suggesting that a customer who orders Coke accept Pepsi instead] than like a waiter *actually serving* Pepsi in response to orders for Coke, a practice that has been found to violate trademark rights.” Bruce P. Keller & Peter Johnson, *Are the “New” Cyberspace Legal Developments Really So New?*, 3 LIBEL DEFENSE RESOURCE CENTER BULLETIN 167, 183 (1999) (emphasis in original). Analogies can be helpful, but ultimately in trademark law the right approach depends on how one answers the key question: what does the consumer expect? Does the consumer expect Macy’s to offer her house-brand alternatives to the designer brand? Does the Internet user expect the search engine to serve up advertisements only for the company whose trademark he has just searched?

²⁰ *Playboy Enterprises*, 354 F.3d at 1036 (Berzon, J., concurring).

²¹ *Id.* at 1026.

²² *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979).

²³ *Playboy Enterprises*, 354 F.3d at 1026.

criticism, it created a genuine issue of material fact on this key element. Thus, on this factor alone, the appeals court found the district court's summary judgment improper.²⁴

The court found most of the other trademark-infringement factors to favor Playboy.²⁵ Its analysis on some of these factors may be challenged as being results-oriented. For example, the court assumed that Internet users searching for adult-oriented material are "easily diverted."²⁶ This assumption was based on no empirical evidence, and one could as easily assume that Internet users are savvy about banner advertisements and are unlikely to be unwillingly diverted. Similarly, the court in circular fashion presumed that some banner ads infringed Playboy's mark, then held that the search engine's intent to profit from such conduct was illegitimate, and then found that this bad intent supported a finding of infringement.²⁷

At several points, the court pointed to facts that it found troublesome. Chief among these were the facts that the search engines required that "playboy" and "playmate" be purchased as part of the adult-oriented keyword package, and that the search engines did not either require the advertiser to label its advertisements, or provide such labels themselves.²⁸ The court indicated that if the ads were labeled (for example, with the name of a Playboy competitor, such as Penthouse), such labels would dispel consumer confusion.²⁹

After finding at least a genuine issue of fact on consumer confusion under both the initial interest confusion test, and the standard multi-factor test, the court then turned to the search engines' defenses.³⁰ The key defense was "nominative use," the situation where it is essential to use a trademark to identify what one is referencing. One can hardly refer to "Disney World," for example, without using the DISNEY WORLD trademark. In this case, the court found that the search engines were not using "playboy" or "playmate" in their nominative sense, for example, to compare their advertisers' products to those of Playboy Enterprises, but rather the search engines and advertisers were using the marks "to identify consumers who are interested in adult-oriented entertainment."³¹

The court also rejected a "fair use" defense on the ground that a confusing use can never be a fair one, and it found inapplicable the search engines' "functional use" defense; that doctrine prevents one party from monopolizing a functional design, and Playboy's trademarks contained no unprotectable functional attributes.³²

The court also dealt with Playboy's trademark dilution claim, and similarly found issues of fact that precluded the summary judgment that the district court had granted.³³

²⁴ *Id.* at 1027.

²⁵ *Id.* at 1027-29.

²⁶ *Id.* at 1028.

²⁷ *Id.*

²⁸ *Id.* at 1023, 1029, 1030.

²⁹ *Id.* at 1025.

³⁰ *Id.* at 1029.

³¹ *Id.* at 1029-30.

³² *Id.* at 1030-31.

³³ *Id.* at 1032.

Because of the summary judgment status that the case presented on appeal, the Ninth Circuit's decision did not definitively resolve keyword-based advertising. Both the trademark infringement and the dilution issues were remanded to the district court, albeit with a clear sign that the Ninth Circuit disfavors the practice, at least where the trademarks are sold in packages and the resulting banner ads are unlabeled or confusingly labeled.³⁴ However, the decision left room for a full evidentiary record on consumer confusion at trial, and the evidence could well have developed differently from the Ninth Circuit's assumptions, particularly if it showed that Internet users understood that banner ads aren't necessarily sponsored by the companies whose marks were searched. The case, however, settled shortly after the Ninth Circuit decision.³⁵

Ultimately the Ninth Circuit's decision, while rejecting the District Court's untenable assumption and insisting on empirical evidence of consumer understanding, advanced the keyword-based advertising issue only by a few small steps. It provided little guidance on how user understandings should be measured, and the panel's emphasis on a few particulars, such as the source labeling or the lack of labeling of the banner advertisements, may even cause future litigants to give undue emphasis to those facts, whether or not they prove significant to actual users. Finally, by utilizing the "initial interest confusion" theory, a theory that invites assumptions, the court in effect countermanded its own demand for clear empirical evidence.

Playboy, in short, left almost all of the development of the law of keyword-based advertising to future cases.

II. Post-*Playboy* Legal Approaches

In the wake of the appellate decision in *Playboy*, leaving undecided the question of keyword use, litigants and courts have taken several different approaches in addressing claims of keyword-based trademark infringement.

1. Non-Trademark Use

Not all uses of a trademark constitutes trademark use. The keyword situation really does not fit neatly into traditional infringement analysis. So defendants in some keyword cases have asserted that their keyword use of the plaintiff's trademarks does not qualify as trademark use.

Pop-up advertising, another unusual Internet situation, gave rise to the key precedents employed by those who assert the pop-up advertising defense. In the pop-up situation, a user's activity, which may relate to the plaintiff's trademark, triggers a pop-up advertisement. In *1-800 Contacts, Inc. v. WhenU.com, Inc.*,³⁶ certain Internet users had permitted the defendant WhenU.com's "Save Now" software to be installed on their computers (although in many cases the users probably were not even aware of having given their permission). That software generates pop-up advertisements that are keyed to the user's activities. When, for example, a

³⁴ See *id.* at 1023, 1025, 1029, 1030.

³⁵ "AOL Settles Playboy Suit," *ClickZNetwork*, Jan. 23, 2004, available at <http://www.clickz.com/news/article.php/3303251>.

³⁶ 414 F.3d 400 (2d Cir. 2005).

user visits the website of the plaintiff, 1-800 Contacts, Inc., the Save Now software examines that website, including its domain name (1800Contacts.com), compares the results to Save Now's Internet directory of website addresses, address fragments, search terms, and keyword algorithms, and generates a pop-up ad that appears to correlate with the consumer's interest.³⁷ Not surprisingly, when the website of 1-800 Contacts, a distributor of contact lenses and related goods, is visited, Save Now generates a pop-up ad from a competitive optical goods supplier.

The issue in *1-800 Contacts*, and in several related pop-up advertising cases, is whether WhenU.com's software that generated the pop-up ads made *trademark use* of the plaintiff's trademark. WhenU.com argued that it had only listed the plaintiff's public domain name, among many others, in its software's directory, and used that directory for the purpose of determining the computer user's interests.³⁸ WhenU.com did not disclose the contents to its directory to its clients, nor did it sell its clients pop-up ads keyed to certain trademarks or domain names.³⁹ For those reasons, the Second Circuit decided that WhenU.com's use of the plaintiff's domain name in its software directory did not involve trademark use, an essential prerequisite for trademark infringement:

A company's internal utilization of a trademark in a way that does not communicate it to the public is analogous to a 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 such goods or services.⁴⁰

Similarly, WhenU.com's action of generating a pop-up ad in response to a user's viewing of the plaintiff's website did not involve trademark use, either, the court held.⁴¹ The court viewed the pop-ups as a legitimate marketing scheme in which advertisers take advantage of available knowledge about consumers' interests:

Indeed, it is routine for vendors to seek specific "product placement" in retail stores precisely to capitalize on their competitors' name recognition. 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 C-users [computer users] who have sought out a specific trademarked product about

³⁷ *Id.* at 404.

³⁸ *Id.* at 408-09.

³⁹ *Id.* at 409.

⁴⁰ *Id.*

⁴¹ *Id.* at 410-11.

available coupons, discounts, or alternative products that may be of interest to them.⁴²

More specifically, the court distinguished the pop-up situation from that of keyword-based search service advertising because, “WhenU does not link trademarks to any particular competitor’s ads, and a customer cannot pay to have its pop-up ad appear on any specific website or in connection with any particular trademark,” and thus WhenU.com’s pop-up placement is keyed only to categories of consumer interest, not particular trademarks.⁴³ For this reason, the court found that the pop-up ads did not involve trademark use, and thus could not support an infringement claim. As a result, the court dismissed consumer confusion survey evidence as irrelevant.⁴⁴ Other courts have reached similar conclusions concerning trademark non-use in the pop-up situation.⁴⁵

Despite the *WhenU.com* decision’s passage that distinguished the keyword-based advertising situation from the pop-up ad situation, the trademark non-use argument can be, and has been, asserted by defendants in keyword-based advertising cases. For example, in *Merck & Co. v. Mediplan Health Consulting, Inc.*,⁴⁶ the court dismissed trademark infringement claims directed against keyword-based ads on the ground that no trademark use was involved. The Canadian pharmacy defendants in that case had purchased sponsored links keyed to searches for ZOCOR, a patented drug sold by Merck. The sponsored listings were linked to the pharmacies’ websites, which advertised a generic ZOCOR substitute.

Citing the statutory definition of a service mark use as a “display[] in the sale or advertising of services,” the Court found no trademark use in the keyword-based ad situation:

Here, in the search engine context, defendants do not “place” the ZOCOR marks on any goods or containers or displays or associated documents, nor do they use them in any way to indicate source or sponsorship. Rather, the ZOCOR mark is “used” only in the sense that a computer user’s search of the keyword “Zocor” will trigger the display of sponsored links to defendants’ websites.... This internal use of the mark “Zocor” as a key word to trigger the display of sponsored links is not use of the mark in a trademark sense. *Cf. 1-800 Contacts*, 414 F.3d at 408 (holding that defendant’s inclusion of plaintiff’s website address, www.1800contacts.com, in defendant’s internal directory to trigger pop-up ads was not “use” in trademark sense).⁴⁷

For this reason, the court found the keyword-based ads to be non-actionable under a trademark infringement theory. The court acknowledged that *Playboy* had implicitly held to the contrary

⁴² *Id.* at 411.

⁴³ *Id.*

⁴⁴ *Id.* at 412.

⁴⁵ *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734 (E.D. Mich. 2003); *U-Haul Int’l. Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723 (E.D. Va. 2003).

⁴⁶ 425 F. Supp. 2d 402 (S.D N.Y. 2006).

⁴⁷ *Id.* at 415.

and two other decisions, *GEICO v. Google*⁴⁸ and *Google Inc. v. American Blind and Wallpaper Factory, Inc.*,⁴⁹ had found sufficient use.⁵⁰

In *Rescuecom Corp. v. Google Inc.*,⁵¹ the district court carefully analyzed four different theories of keyword use as actionable “use” under the Lanham Act, and concluded that none of the theories supported true trademark use. The court summarized plaintiff’s four theories of trademark use as follows:

Plaintiff contends that defendant's actions constitute trademark use because: (1) defendant is attempting to "free-ride" on the good will associated with Rescuecom and its activities cause confusion; (2) defendant's activities lure Internet searchers away and prevent them from reaching plaintiff's website; (3) defendant's activities alter the search results an Internet user receives; and (4) defendant uses Rescuecom internally as a keyword that triggers the appearance of competitors' advertisements.⁵²

As to free riding on goodwill, the court followed the reasoning of the court in *1-800-Contacts* to find that this theory failed because it essentially alleged the likelihood-of-confusion element, but not the predicate element of improper trademark use.⁵³ In the same way, the court dismissed plaintiff’s theory that keyword use lured users away from its website as a theory that was putting the cart (confusion) before the horse (improper trademark use).⁵⁴ The court noted that plaintiff’s two-step diversion theory focused on both the initial use of the trademark as a search term, and the subsequent use of a link from the resulting search results page.⁵⁵ The search results page, however, does not display plaintiff’s mark (other than in the organic listings for plaintiff’s own website), so the court concluded that defendant could not be charged with use of plaintiff’s trademark at that point.⁵⁶

With respect to the theory that defendant has altered the search results that an Internet user receives, the court noted that “there is no allegation that plaintiff’s trademark is displayed in any of the sponsored links about which plaintiff is concerned.”⁵⁷ Thus, an Internet user who searches for “Rescuecom” still has every opportunity to reach the Rescuecom website, simply by clicking on the Rescuecom link in the organic search listings. The sponsored links to defendant’s site, though prompted by the trademark search term, merely give the user “other choices,” just as WhenU.com’s pop-up ads presented new material.⁵⁸ The court quoted a passage

⁴⁸ 330 F. Supp. 2d 700, 703-04 (E.D. Va. 2004).

⁴⁹ 2005 WL 832396, at *6 (N.D. Cal. Apr. 1, 2005).

⁵⁰ 425 F. Supp at 415 n.9.

⁵¹ 456 F. Supp. 2d 393 (N.D.N.Y. 2006).

⁵² *Id.* at 400.

⁵³ *Id.* at 400-01.

⁵⁴ *Id.* at 399-400.

⁵⁵ *Id.* at 400-401.

⁵⁶ *Id.* at 401.

⁵⁷ *Id.* at 402.

⁵⁸ *Id.*

from *1-800-Contacts* that analogized the pop-ups to retail product placements, thus suggesting that keyword use is also analogous to the common retail practice of using customers' buying and browsing habits as the basis for bringing competitive products to their attention.⁵⁹

Finally, with respect to the "internal use" argument, the court concluded that mere internal use of a trademark within a search service to trigger sponsored links does not constitute trademark use "because there is no allegation the defendant places plaintiff's trademark on any goods, containers, displays or advertisements, or that its internal use is visible to the public."⁶⁰

The *1-800-Contacts* and *Rescuecom* decisions are becoming key points of reference for other rulings on the trademark-use issue. *Rescuecom* is especially useful because of its discussion of each of the four theories, and its research and citation to prior decisions. In *Hamzik v. Zale Corp./Delaware*,⁶¹ a District Court, relying on *Rescuecom*, held that the mere purchase of keywords did not qualify as Lanham Act use. The plaintiff brought a trademark infringement claim, among others, against the defendant jewelry company Zales for Zales' purchase of the trademarked phrase DATING RING as a keyword on several search services. The sponsored links returned by the search services were displayed as "Dating Rings/Zales." The defendant brought a motion to dismiss, claiming there was no trademark use. However, the court found that because the trademark was shown *in the visible text of the sponsored link*, an actionable claim had been stated.

Several district courts in the Second Circuit have followed *1-800-Contacts* and *Rescuecom* as circuit precedents in the keyword advertising context:

the general rule in [the Second] 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.⁶²

Specifically, several courts in the Second Circuit have taken the position that the "use" requirement of 15 U.S.C. Section 1125(a) "must be decided as a threshold matter."⁶³ In deciding whether there has been a trademark use:

The key question is whether the defendant placed plaintiff's trademark on any goods, displays, containers, or advertisements, or used plaintiff's trademark in any way that indicates source or origin.⁶⁴

⁵⁹ *Id.* at 401-03.

⁶⁰ *Id.* at 403-04.

⁶¹ 2007 WL 1174863 (N.D.N.Y. 2007)

⁶² *S&L Vitamins v. Australian Gold, Inc.*, 521 F. Supp. 2d 188, 199 (E.D.N.Y. 2007) ("[B]y purchasing keywords and sponsored links...[a defendant] has not "used" the Marks in the trademark sense and, therefore, does not provide an independent basis for a trademark infringement claim.")

⁶³ *Fragrancenet.com, Inc. v. Fragrancex.com, Inc.*, 493 F. Supp. 2d 545, 549 (E.D.N.Y. 2007) (motion to amend complaint denied as adding additional counts based on various infringement claims arising from purchase of sponsored link based on trademarked keywords would be "futile" because such use was not trademark use and therefore not actionable).

Relying on *1-800-Contacts*, the district court in *Frangrancenet.com, Inc. v. Frangrancex.com, Inc.*,⁶⁵ in addressing the issue of the defendant's use of the plaintiff's trademark as a keyword, concurred with the rule that 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."⁶⁶ The District Court then went on to find that "use of trademarks in keywords...does not place the trademark on any product, good or service nor is it used in any way that would indicate source or origin...[h]ence, the use of [a] trademark is strictly internal and, because such use is not communicated to the public, the use does not indicate source or origin of the mark."⁶⁷ However, the Second Circuit at this point seems to stand alone in its non-use position, and "[c]ourts in other circuits...have generally found "use" to exist in keyword advertising situations."⁶⁸

Interestingly, none of the leading decisions regarding whether keyword use constitutes trademark "use" has addressed the origin of the key statutory "use in commerce" language. According to one trademark scholar, since that language was added for purposes unrelated to infringement (but rather to eliminate the pre-1988 "token use" tradition that essentially allowed applicants to reserve trademarks before putting them into commercial use), the language does not deserve the central role in initial analysis of infringement claims that *1-800 Contacts* and some other decisions have assigned to it.⁶⁹

Even apart from whether keyword use constitutes trademark use under the Lanham Act, some cases of alleged keyword use may fail for even more basic non-use issues. In the case of multiple-word trademarks comprised of common words, for example, the plaintiff may not be able to establish that the search term that was used was its trademark, as opposed to the individual non-protectable words that comprise it. That was the situation in *Picture It Sold, Inc. v. I Sold It, LLC*⁷⁰, where the court noted that unless plaintiff's multi-word mark was searched within quotation marks, "the search engine would pull up results containing those words and in any order."⁷¹ Especially in that case, where the defendant's name contained two of the same words, the plaintiff could not readily show use by defendant of its mark.

⁶⁴ *Site Pro-I, Inc. v. Better Metal, LLC*, 506 F. Supp. 2d 123, 127 (E.D.N.Y. 2007) (court does not find trademark use when defendant purchased sponsored listing based on keyword tied to plaintiff's trademark as there was no use of plaintiff's trademark to indicate origin or source).

⁶⁵ 493 F. Supp. 2d 545 (E.D.N.Y. 2007).

⁶⁶ *Id.* at 549.

⁶⁷ *Id.* at 550.

⁶⁸ *Id.* See also, *Boston Duck Tours, LP v. Super Duck Tours, LLC*, 527 F. Supp. 2d 205, 207 (D. Mass. 2007) ("[T]he emerging view outside of the Second Circuit is in accord with the plain language of the statute" that "any use 'in the advertising of services' is deemed to be 'use' for purposes of determining [trademark] liability.").

⁶⁹ Glynn S. Lunney Jr., *Trademarks and the Internet: The United States' Experience*, 97 TRADEMARK REP. 931, 964-69 (2007).

⁷⁰ 199 Fed. Appx. 631 (9th Cir. 2006).

⁷¹ *Id.* at 633.

2. Misleading and Non-Misleading Use

Courts sometimes attempt to judge whether a keyword use is misleading or not without the benefit of research. Some courts have attempted to distinguish between misleading and non-misleading keyword use by focusing on the ads of the featured listings, and whether the ad copy and graphics fosters or dispels confusion. In *GEICO v. Google*, for example, the court concluded that ads that used GEICO in their title, in violation of Google's policy at the time of the *GEICO v. Google* trial, were most likely to mislead.⁷² Similarly, in *Edina Realty Inc. v. TheMLSonline.com*,⁷³ the court pointed to the defendant's use of the plaintiff's trademark "in the headline, which is underlined and in bold font" as weighing against a nominative fair use, and in *Hamzik v. Zale Corp./Delaware*, the court found that use of the trademarked term in the text of the ad created a triable issue on infringement.⁷⁴ These findings bring to mind the Ninth Circuit's concern in *Playboy* with banner ads that failed to identify their proponent.⁷⁵ These cases suggest that prominent use of the plaintiff's name or mark, and/or failure to label the ad as coming from the defendant, are likely to weigh against the defendant in a keyword case.

Other indicators of a defendant's intent also influence courts in keyword cases. In one case where the defendant not only purchased keyword ads, but also used the plaintiff's mark on its web page in invisible text, the court was understandably skeptical of the defendant's keyword use.⁷⁶ In other cases, allegations that the defendants have engaged in various different kinds of infringing activities, including use of trademarks as search engine keywords, have permitted courts to focus their analysis on the other, more established, kinds of trademark misuse.⁷⁷

Ultimately, courts must be wary of acting on their own judgment about whether a keyword use is misleading or proper, because only actual consumer understandings matter under trademark law. Clearly different interpretations of keyword-based advertisements are possible. One unreported case involving a lawyer's purchase of featured search listings that were keyed to a competitor's name illustrates the different interpretations one can put on such activities. Ben Cowgill, a Kentucky lawyer, had purchased featured listings keyed to searches for "Peter Ostermiller," his chief competitor in Cowgill's law specialty.⁷⁸ Ostermiller obviously saw the practice as deceptive, and after he complained, the ads were stopped. Cowgill defended his ads, according to a report, by asserting that it was "a matter of putting one's name in the place where people are looking."⁷⁹ A news account quoted one professor as comparing the sponsored link to "putting your name on another lawyer's door," while yet another commentator compared it to

⁷² *GEICO v. Google, Inc.*, 2005 WL 1903128 (E.D. Va. Aug. 8, 2005) (finding Lanham Act violation where GEICO trademarks were used in the heading or text of Google ads).

⁷³ 2006 WL 737064 (D. Minn. Mar. 20, 2006).

⁷⁴ 2007 WL 1174863 (N.D.N.Y. Apr. 19, 2007).

⁷⁵ See *supra*, note 34 and accompanying text.

⁷⁶ *Edina Realty Inc.*, 2006 WL 737064. Invisible text (called "hidden text" in this opinion) is text that is coded to display in the same color as the web page background. Although invisible to Internet users, it is "seen" in the web page's HTML code by search engines.

⁷⁷ See, e.g., *International Profit Associates, Inc. v. Paisola*, 461 F. Supp. 2d 672 (N.D. Ill. 2006) (allegations of keyword use together with domain name use and use of plaintiff's marks in the content of defendant's website).

⁷⁸ *Web Ad For Lawyer Linked To Competitor Spurs Dispute*, LOUISVILLE COURIER-JOURNAL, July 6, 2004.

Similarly, one of Jacoby's competitors as a litigation survey expert has at times purchased featured listings keyed to searches for Jacob Jacoby.

⁷⁹ *Id.*

“standing in front of another lawyer’s office with a sandwich board saying ‘would you consider coming down to my office instead?’”⁸⁰ With such competing interpretations possible, courts should generally be cautious about putting their own “misleading” or “non-misleading” labels on the challenged practices, and should generally take due care to learn how the ads are understood by typical consumers.

3. Triable Confusion Issues

Counterposed against the decisions that hold keyword use to be non-trademark use are several decisions that treat keyword use as trademark use, at least potentially, and thus leave the ultimate issue of confusion or non-confusion to the tier of facts. In an early decision in *Google Inc. v. American Blind and Wallpaper Factory, Inc.*,⁸¹ the court, citing *Playboy*, found that the Ninth Circuit’s analysis must have included an “implicit, preliminary determination” of actionable trademark use.⁸² The court accordingly rejected Google’s non-trademark use argument.⁸³ The court noted that metatags, like keywords, involve somewhat hidden use of trademarks, but suggested that such use may be actionable at least on an initial interest confusion theory:

The purchase of trademarks as keywords for a Web site and the insertion of trademarks as metatags in the code of a Web site, both of which are employed as means of having links to that Web site appear on a search-results page, are sufficiently analogous that it cannot be said that American Blind has failed to allege actionable trademark “use” by Defendants’ advertisers.⁸⁴

The 2005 decision in *Google v. American Blind and Wallpaper* was decided at the motion to dismiss stage, and a year later Google took a second shot at the issue in a summary judgment motion. In its second decision,⁸⁵ the court adhered to its prior view that keyword-based advertisements tied to trademarks used as search terms satisfied the Lanham Act’s “use in commerce” requirement. While acknowledging the intervening decisions that went the other way, and a developing split between district courts in the Second Circuit (finding no trademark use) and several in the Third Circuit (finding trademark use), the court concluded that its decision had to be based on the sole relevant Ninth Circuit precedent, *Playboy v. Netscape*.⁸⁶

Specifically, the court noted that while the Ninth Circuit in *Playboy v. Netscape* never addressed the “use in commerce” element, it must have *assumed* that producing banner advertisements in response to searches using trademarks as keywords satisfied that element.⁸⁷

⁸⁰ *Id.*

⁸¹ 2005 WL 832398 (N.D. Cal. Mar 20, 2005) (the decision was marked as “not citable as precedent”).

⁸² *Id.* at *6.

⁸³ *Id.* at *7.

⁸⁴ *Id.* at *7.

⁸⁵ *Google Inc. v. American Blind & Wallpaper Factory, Inc.*, 2007 WL 1159950 (N.D. Cal. Apr. 18, 2007) (the decision is marked “Not for citation.”).

⁸⁶ *Id.* at *6.

⁸⁷ *Id.* at *5.

Both the majority and concurring opinions, the court held, made an “implicit finding of trademark use in commerce.”⁸⁸ Thus, the district court essentially made that implicit finding of *Playboy v. Netscape* explicit in the case at hand, and reaffirmed its earlier conclusion that trademark “use” is involved in keyword use.

A district court in New Jersey strongly rejected the no-trademark-use analogy to pop-up advertising cases, and found actionable trademark use under several different theories. In *800-JR Cigar, Inc. v. Goto.com, Inc.*,⁸⁹ the court distinguished the pop-up cases on the ground that the trademarks that prompt the pop-up ads are contained only “in internal computer coding that is neither communicated to the public nor for sale to the highest bidder.”⁹⁰ The court suggested that by marketing the rights to use the trademarks as search terms, the search service in *800-JR Cigar* (GoTo.com) was itself selling and profiting from the plaintiff’s trademarks.⁹¹ The court described three ways in which the search service made improper use of the plaintiff’s marks:

Here, GoTo makes trademark use of the JR marks in three ways. First, by accepting bids from those competitors of JR desiring to pay for prominence in search results, GoTo trades on the value of the marks. Second, by ranking its paid advertisers before any “natural” listings in a search results list, GoTo has injected itself into the marketplace, acting as a conduit to steer potential customers away from JR to JR’s competitors. Finally, through the Search Term Suggestion Tool, GoTo identifies those of JR’s marks which are effective search terms and markets them to JR’s competitors. Presumably, the more money advertisers bid and the more frequently advertisers include JR’s trademarks among their selected search terms, the more advertising income GoTo is likely to gain.⁹²

In *Buying for the Home, LLC v. Humble Abode, LLC*,⁹³ the court found trademark “use” in the keyword buys in issue, through which, interestingly, each side accused the other of infringing its trademark rights by engaging in keyword buys of each others’ marks. The court initially expressed its awareness of “the challenges that sometimes arise in applying existing legal principles in the context of newer technologies,” and acknowledged that a keyword buy was “certainly not a traditional ‘use in commerce.’” *Id.* at 323. Nonetheless, the court found that the activity met the Lanham Act’s use requirement. *Id.* First, the alleged keyword purchase “was a commercial transaction that occurred ‘in commerce,’ trading on the value of Plaintiff’s mark.”⁹⁴ Additionally, the alleged use “was both ‘in commerce’ and ‘in connection with any goods or services’ in that Plaintiff’s mark was allegedly used to trigger commercial advertising which included a link to Defendants’ furniture retailing website.”⁹⁵ As a result of this link, the

⁸⁸ *Id.*

⁸⁹ 437 F. Supp. 2d 273 (D.N.J. 2006).

⁹⁰ *Id.* at 285.

⁹¹ *Id.*

⁹² *Id.* (footnote omitted).

⁹³ 459 F. Supp. 2d 310 (D.N.J. 2006).

⁹⁴ *Id.*

⁹⁵ *Id.*

court found that the trademark use was “tied to the promotion of Defendants’ goods and retail services,” and the mark was employed in creating “direct access (*i.e.*, a link)” to Defendant’s retail website.⁹⁶ Based on this literal coverage of the keyword-use activity, and apparently weighing the link provided by the search service as a critical connection between the trademark use and resulting purchases, the court concluded that allegations of keyword trademark use “clearly satisfy the Lanham Act’s ‘use’ requirement.”⁹⁷ The court noted, of course, that overcoming the trademark “use” requirement was only a first step; the plaintiff still needed to prove likelihood of confusion or deception of consumers.⁹⁸

This reasoning was approved and followed in *J.G. Wentworth, LLC Limited Partnership v. Settlement Funding LLC*:⁹⁹

But like the Court in *Buying for the Home*, I recognize that defendant’s use of plaintiff’s marks to trigger internet advertisements for itself is the type of use consistent with the language in the Lanham Act which makes it a violation to use “in commerce” protected marks “in connection with the sale, offering for sale, distribution or advertising of any goods or services,” or “in connection with any goods or services.” 15 U.S.C. §§ 1114(1) and 1125(a)(1). Such use is not analogous to “an individual’s private thoughts” as defendant suggest. By establishing an opportunity to reach consumers via alleged purchase and/or use of a protected trademark, defendant has crossed the line from internal use to use in commerce under the Lanham Act.¹⁰⁰

In *GEICO v. Google, Inc.*,¹⁰¹ similarly, the court found that keyword use of a trademark could constitute infringement, and, in *Bayer Healthcare LLC v. Nagrom, Inc.*,¹⁰² the court held actionable use of plaintiff’s trademark when the defendant “paid at least one search engine to secure highly prominent placement for [defendant’s] was site in search results.”¹⁰³ Although the decision does not make clear whether the particular practice at issue involved paid featured listings, or as the opinion’s wording suggests paid “higher-than-normal listings” within the search source’s organic results listings, and although the court’s did not spell out its keyword analysis, the court seemed to view keyword use as a claim to metatag use, generating at least initial interest confusion.¹⁰⁴

⁹⁶ *Id.*

⁹⁷ *Id.*

⁹⁸ *Id.*

⁹⁹ 2007 WL 30115 (E.D. Pa. Jan. 4, 2007).

¹⁰⁰ *Id.* at *6.

¹⁰¹ 330 F. Supp. 2d 700 (E.D. Va. 2004). The court reasoned that when a search service sells the rights to link advertising to plaintiff’s trademarks, such activity constitutes a use of the trademarks “in a way that may imply that defendants have permission from the trademark owner to do so.” *Id.* at 704.

¹⁰² 72 U.S.P.Q.2d 1751, 2004 WL 2216491 (D. Kan. Sept. 7, 2004).

¹⁰³ *Id.* at *2.

¹⁰⁴ *Id.* at *5.

Similarly in *Edina Realty Inc. v. TheMLSonline.com*,¹⁰⁵ the court concluded that keyword-based ads involve trademark use, just as metatag use does. A few other cases appear to conclude or assume without significant analysis that use of a trademark as a keyword for search-service generated advertisements satisfies the Lanham Act's "use" requirement.¹⁰⁶

4. Proof of Keyword Use Confusion

In those situations where a court finds triable issues of trademark infringement arising from use of keywords for advertising, the plaintiffs must be prepared to submit credible evidence of confusion, and the defendants evidence of non-confusion.¹⁰⁷ Few cases, however, have even addressed the requirements for such proof.

Consumer surveys were conducted, and one of them was submitted and examined by the court, in *GEICO v. Google*.¹⁰⁸ That case arose when the Government Employees Insurance Company ("GEICO"), a seller of motor vehicle insurance, sued Google over its keyword-based advertising. GEICO alleged that "consumers using the GEICO Marks as search terms or keywords on [Google's] search engine are likely to be confused as to whether the 'sponsored listings' ... paid for by the advertisers have some connection or affiliation with GEICO, or are otherwise associated with GEICO."¹⁰⁹ Even if the alleged confusion ultimately was dispelled prior to consumers making their purchase, GEICO argued that consumers interested in learning more about or reaching GEICO would have been hijacked by the sponsored listings, thereby diverting them from reaching GEICO. As summarized by the court, "In the Internet context, this term [initial interest confusion] describes the distraction or diversion of a potential customer from the Web site he was initially seeking to another site, based on the user's belief that the second site is associated with the one he originally sought."¹¹⁰

¹⁰⁵ 2006 WL 737064 (D. Minn. Mar. 20, 2006).

¹⁰⁶ *International Profit Associates, Inc. v. Paisola*, 461 F. Supp. 2d 677, (N.D. Ill 2006) (citing *Buying for the Home, LLC v. Humble Abode, LLC*, No. 03-cv-2783, 2006 WL 3000459, at *7-8 (D.N.J. Oct. 20, 2006)); *Kinetic Concepts, Inc. v. Bluesky Medical Group Inc.*, 2005 WL 3068223 at *8 (W.D. Tex. Nov. 1, 2005) (fact that defendant purchased plaintiff's trademarks as keywords held relevant to unfair competition and trademark infringement analysis where other acts of infringement were also alleged); *Nissan Motor Co., Ltd. v. Nissan Computer Corp.*, 204 F.R.D. 460, 466 (C.D. Cal. 2001):

There appears to be no good cause for not extending these protections and limitations [prohibitions against misleading uses of trademarks as metatags] to cases where one infringes or dilutes another's mark by purchasing a search term--as opposed to using another's mark in one's metatags--for the purpose of manipulating a search engine's results list.

¹⁰⁷ One keyword case suggests that expert evidence other than survey evidence may be admissible to prove confusion in a keyword case. *Edina Realty Inc. v. TheMLSonline.com*, 2006 WL 737064 (D. Minn. Mar. 20, 2006). However, to the extent this decision suggests that soft evidence of consumer confusion such as consumer focus groups may be legally insufficient, it appears out of line with controlling authorities. See, e.g., *Scotts Company v. United Industries Corp.*, 315 F.3d. 264 (4th Cir. 2002) (focus group evidence fails to meet scientific reliability standards).

¹⁰⁸ *GEICO v. Google Inc.*, 2005 WL 1903128 (E.D. Va. Aug. 8, 2005).

¹⁰⁹ First Amended Complaint, ¶6, *GEICO v. Google, Inc. and Overture Services, Inc.*, No. 1:04CV507 (E.D. Va. May 14, 2004).

¹¹⁰ *GEICO v. Google, Inc and Overture Services, Inc.*, 2005 WL 1903128, at *4 (E.D. Va. Aug. 8, 2005).

Given the centrality of the issue of how consumers understood the advertisements generated through Google's AdWords program, both the plaintiff and the defendant retained experts to assess consumer understanding of Google's keyword-based advertisements. The key question was whether Internet users who used the search term "GEICO" were confused or misled by the advertisements that Google generated for its paid advertisers. GEICO's survey expert, Gary Ford, presented a survey in which the respondents typed "GEICO" into the Google search service and were then presented with a Google search results page. Test group members were then asked about sponsored ads that were generated as a result of the "GEICO" search. Control group survey respondents were asked about the different sponsored ads that appeared on their search results page, all relating to Nike athletic apparel. All survey respondents were asked questions about the ads designed to measure confusion. The study concluded that survey respondents found that the GEICO-keyword based ads created "substantial" confusion, on the order of around 68%.¹¹¹

GEICO v. Google went to a bench trial in December 2004 before U.S. District Judge Leonie Brinkema. At the conclusion of GEICO's case-in-chief, Google moved for judgment as a matter of law. After evaluating GEICO's survey evidence, Judge Brinkema granted Google's motion, in part, finding a lack of evidence of consumer confusion as to the situations in which Google followed its stated policy and did not permit advertisements keyed to GEICO trademarks to display GEICO's marks in the advertising heading or text.¹¹² With respect to the remaining situation (those instances where Google's stated policy was not followed) where keywords-prompted advertisements (*i.e.*, sponsored listings) displayed GEICO marks in the headings or text, Google acknowledged that it could not disprove confusion, and Judge Brinkema concluded that the only issues left were "whether Google is liable for such violations, and if so, the measure of damages."¹¹³ Judge Brinkema adjourned the trial after making these determinations, thus encouraging the parties to settle, which they then did.

Judge Brinkema had found numerous flaws in GEICO's survey. The following passage captures the essence of the court's criticisms.

As a threshold matter, the control retained the use of "GEICO" as a keyword, which itself was alleged to be a source of confusion. Further, instead of removing only the references to GEICO in the Sponsored Links, ... the survey removed all references to car insurance and replaced them with clearly unrelated NIKE ads. Thus, the control did not reveal which aspects of the insurance-related Sponsored Links caused respondents' confusion-the use of GEICO's mark in the ads or the ads' mere reference to insurance.¹¹⁴

Google's expert, Jacob J. Jacoby, had prepared a survey which was never tested by the court (the "Google survey"). The Google survey sought to measure whether "initial interest confusion" occurred among consumers who searched for GEICO. It was designed to replicate

¹¹¹ *Id.* at *5.

¹¹² *Id.* at *7.

¹¹³ *Id.* at *1.

¹¹⁴ *Id.* at *5.

actual Internet searching conditions, and used controls to test for plausible alternative explanations for consumer understanding and filter out possible survey-related influences.¹¹⁵ The Google survey concluded that only a negligible percent of consumers using Google were likely to be misled or confused.

In a different case, *Storus Corp. v. Aroa Marketing, Inc.*,¹¹⁶ the district court decided on summary judgment the issue that Judge Brinkema had left for trial in *GEICO* – whether the use of the plaintiff’s mark in the headline or text of a keyword-based ad constituted infringement. There, the defendant had purchased plaintiff’s trademark “Smart Money Clip” as a keyword, and the resulting ad showed that trademark in its headline:

Smart Money Clip

www.steinhausenonline.com Elegant Steinhausen accessories. Perfect to add to any collection.

Relying on the ‘initial interest confusion’ test of *Brookfield*, the district court summarily found the purchase of the trademark keyword constituted trademark use. The district court further found a likelihood of confusion when it considered what it deemed the “most important” factors in determining initial interest confusion: (1) similarity of the marks; (2) relatedness of the goods or services; and (3) the parties’ simultaneous use of the Web as a marketing channel.¹¹⁷ The plaintiff and defendant were competitors in the same market and both advertised extensively on the internet. The plaintiff further introduced evidence that on 1,374 occasions, a consumer had clicked on the defendant’s ad after searching for the trademarked keyword. Combined with the defendant’s use of the “Smart Money Clip” trademark in its sponsored ad, the Court found sufficient evidence that consumers had been “diverted” which constituted “initial interest confusion.”¹¹⁸

Conclusion

If the era of targeted advertising is about to begin, the legal system’s experience with the first manifestation of targeted online advertising—keyword-based ads—is not encouraging for those who desire clear simple legal rules. At present, courts seem split even on the threshold question of whether such advertisements implicate trademark law (*i.e.*, whether they involve cognizable trademark “use in commerce”). And as for those cases where courts find triable trademark claims, there is still little guidance as to how the crucial issue of consumer confusion (or non-confusion) will be proven. Interested parties can only hope that sometime soon an Internet search for “law of targeted keyword advertising” will lead them to a sponsored link where all the answers can be found.

¹¹⁵ The Google survey is discussed in detail in Jacob J. Jacoby & Mark Sableman, *Keyword-Based Advertising: Filling in Factual Voids* (*GEICO v. Google*), 97 TRADEMARK REP. 681, 719-750 (2007).

¹¹⁶ 2008 WL 449835 (N.D. Cal. Feb. 15, 2008).

¹¹⁷ *Id.* at *3.

¹¹⁸ *Id.*