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Using Trademarked Keywords on the Internet

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Savvy online vendors dramatically increase their sales by purchasing “keywords” from online search engines. Here’s how it is typically done. A vendor creates an ad. The vendor then selects or “bids on” keywords, which are words or phrases related to its business that it thinks customers will likely use when searching online for a business or item. When people search using one of the vendor’s keywords, the vendor’s ad appears next to the search results. The purchased keywords allow a vendor to more easily attract online customers. However, sometimes those keywords may be trademarked terms, including trademarks of the vendor’s competitors. What happens when purchase of another’s trademark as a keyword actually drives consumer traffic to the competing vendor’s ad?

Search engines place the responsibility on vendors to ensure that their ads do not violate the trademark rights of others. This can be a tricky business. Initially, it was unclear whether the use of another’s trademark as a search engine keyword to trigger one’s own product advertisement could potentially violate the Federal Lanham Act (15 U.S.C. §1127). But, in *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 127 (2d Cir. 2009), the Second Circuit decided that the use of another’s trademark as a keyword was indeed a “use in commerce” under the Lanham Act and, if the other factors were met, liability for trademark infringement could follow. Since *Rescuecom*, the focus in most keywords cases has not been on whether keywords are subject to trademark law, but rather under what circumstances their use is “likely to cause confusion, or to cause mistake, or to deceive.” 15 U.S.C. §1114. (emphasis added). In other words, under what circumstances will the use of a keyword confuse a consumer about the origins of a product?

The only federal circuit to have considered the issue, so far, is the Ninth Circuit here in California. In *Network Automation, Inc. v. CBM-CW Advanced Systems Concepts, Inc.*, 638 F.3d 1137 (9th Cir. 2011), both the plaintiff and the defendant were designers of “task management” software. There was no dispute that the parties were direct competitors. Plaintiff’s product was sold under the registered trademark

“ActiveBatch.” The issue in the case was defendant’s decision to purchase and use “ActiveBatch” as a keyword (at both Google AdWords and Bing). Based on use of this keyword alone, the district found a likelihood of confusion and issued a preliminary injunction. The Ninth Circuit reversed. In the context of key words, the Ninth Circuit held that “the most relevant factors to the analysis of the likelihood of confusion are: (1) the strength of the mark; (2) the evidence of actual confusion; (3) the type of goods and degree of care likely to be exercised by the purchaser; and (4) the labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page.” *Id.* at 1154. Analysis of these factors

is required in every case; likelihood of confusion may not be inferred from the use of a trademarked keyword alone.

Analyzing those factors, the Ninth Circuit rejected the assumption that “mere diversion” of a competitor’s customers to one’s website or advertisement via keywords is enough to prove initial interest confusion. *Id.* at 1149. This is one of the most significant aspects of the decision. Because, in some sense, the *point* of purchasing keywords is to “divert” potential customers to one’s website, it is a good thing for advertisers that diversion alone is not enough to prove cus-

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tomers confusion. The Ninth Circuit's analysis provides insight regarding the future landscape for trademark infringement cases based on the use of keywords. The formal opinion actually *attaches* screenshots of the web pages *to the opinion* because, as the Court stated, "in the keyword advertising context the 'likelihood of confusion will ultimately turn on what the consumer saw on the screen and reasonably believed, given the context.'" *Id.* at 1153. This provides some clues as to how the courts may now expect these cases to be handled: not with blanket assumptions regarding deceptiveness, but rather with a case-by-case assessment of the actual ad, or webpage, at issue. The Court's opinion implies that just as savvy vendors can use keywords to drive online sales, internet users are also savvy and not automatically confused by search results that return multiple competitors' ads. *Id.* at 1150-53.

Equally interesting, the Court explicitly rejected the district court's determination "there is generally a low degree of care exercised by Internet consumers." *Id.* at 1143-44. This was an important departure from previous cases. Before use of the Internet became a "ubiquitous marketing channel," Internet users were presumed to be careless. *Id.* at 1151, 1153. But, as the Court held, we may no longer rely on "a conclusion reached by our court more than a decade ago in *Brookfield* and *GoTo.com* that Internet users on the whole exercise a low degree of care." *Id.* at 1153. The Court appears to be recognizing on a number of levels that use of the Internet is now commonplace and that even members of the general public have the ability to navigate numerous search results without necessarily being confused.

The Court's decision reflects a new and growing understanding regarding the Internet and its users (*i.e.*, all of us). Consumers are no more likely to be confused when they go online and see competing advertisements than when they enter a grocery store and see competing cereal boxes on the same shelf. This is good news for vendors seeking to engage in some good, old-fashioned comparative advertising, using the latest technology, keywords.