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With Google AdWords, Anything's Game

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DO A GOOGLE SEARCH on Ford, or any big company, and at the top of the search results you'll find a shaded box with paid search results. There may be one at the bottom too. Similar ads run down the side.

This is how Google makes money. Lots of it.

Now, what if you Googled Ford and links for Chevys appeared instead? It could happen if Chevy bought the Ford keyword as an advertising trigger before Ford did. Could Ford then sue Chevy for trademark infringement?

It could, but in the 10th Circuit the case would be tossed on summary judgment following a recent decision that may be the first time a federal appeals court has said a company can buy a competitor's trademark as an advertising keyword.

Trademark attorneys say it's a significant ruling, but also one that reflects the way the winds are blowing on this issue.

The decision also could be the death knell for a legal doctrine created in the early days of the Internet to deal with efforts by competitors to manipulate search engine results in their favor.

In the case before the 10th Circuit, 1-800 Contacts, the world's leading retailer of replacement contact lenses, sued Lens.com, a competitor that sells primarily online.

1-800 accused Lens.com of buying keywords for Google ads that are variations of 1-800's name, which is trademarked.

When someone enters one of these keywords in a Google search, links to Lens.com's websites pop up in the paid search results.

1-800 said this creates what's known as initial-interest confusion. That is, a consumer wanting to buy contacts from 1-800 may assume the paid links that show up in a Google search are for 1-800.

1-800 sued Lens.com for direct infringement of its mark and also accused it of failing to prevent its advertising affiliates from engaging in the same practice. These affiliates also bought keywords to trigger ads for Lens.com and earned a commission on sales resulting from clicks on these ads.

The trial court tossed all of 1-800 claims on summary judgment. The 10th Circuit upheld this decision on all claims



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except for one related to the affiliates.

The appellate court, like the trial court judge, didn't buy the argument that consumers might be confused by the ads.

The court anchored its decision on two points:

First, with one exception, the ads triggered by the contested keywords didn't mention 1-800, so there's no reason to suspect consumers would be confused into thinking the ads were for 1-800.

Second, only a small percentage of people actually clicked on the ads, so there's

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little evidence that consumers searching for 1-800 were misled into visiting Lens.com's websites instead.

The court did find, however, that 1-800 may have a case against Lens.com for contributory infringement over an ad run by one of its affiliates that included the phrase 1800 Contacts in the advertising text.

Lawsuits have been filed against Google accusing it of contributory infringement, which is akin to aiding and abetting. The argument is that Google enables others to violate trademarks by selling keywords



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that prompt ads.

The courts have rejected this claim, saying Google can't be expected to police every ad, although if it is made aware of a trademark infringement, it should take action.

“The obvious rationale for ordinarily requiring that the defendant know the identity of the infringer is that otherwise the defendant could not halt the infringement without also stopping perfectly proper conduct — throwing the baby out with the bath water, so to speak,” Judge Harris Hartz wrote in the court's opinion.

In this case, 1-800 had complained to Lens.com several times before filing suit, putting it on notice that some of its affiliates might be infringing on 1-800's mark.

Lens.com acknowledged that if it knew one of its affiliates was using 1-800's mark in the text of an ad, it would be obligated to find out which affiliate was responsible and have the ad removed.

“Why then can it not be held liable for failing to take the far easier step of ordering an e-mail blast that would necessarily reach the publisher and stop the publication and would not interfere with any lawful conduct of other affiliates?” Hartz wrote. “When modern technology enables one to communicate easily and effectively with an infringer without knowing the infringer's specific identity, there is no reason for a rigid line requiring knowledge of that identity, so long as the remedy does not interfere

with lawful conduct.”

The court's decision answers a question that trademark attorneys have long wanted answered: Can a company buy a competitor's mark as a keyword to trigger paid links in search engine results? The answer is yes.

Other courts have danced around this question because it wasn't squarely before them. Even in this case, Lens.com didn't buy 1-800's exact name as a keyword. But it's clear from the court's ruling that even if it had, there's no infringement provided the mark doesn't show up in the text of the ad.

“The claim that use of competitor's trademark by itself to create a sponsored ad that does not use the mark, the claim that that action constitutes trademark infringement in the 10th Circuit is dead,” said attorney Marc Levy, a trademark law expert at Faegre Baker Daniels. It won't survive a summary judgment motion.

The ruling also suggests that the days may be numbered for the initial-interest confusion argument itself.

“Most of us trademark lawyers think that initial-interest confusion is just about dead,” said Sabrina Stavish, an attorney at Sheridan Ross. “They didn't kill it totally here,” she said, but the court didn't leave it much breathing room.

The decision reflects the fact that over the years online consumers have grown savvy enough to recognize the difference between an organic search result and a paid ad, Stavish said, especially where the ads are clearly marked, as they are on Google.

Although it wasn't a defendant in this case, the decision is a big win for Google and other search engines that sell keyword-based advertising, attorneys said. Levy and Stavish both said the ruling reflects the way judges have been leaning on this issue and they expect courts in other districts to follow suit. •

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