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Bidding on Trademarked Keywords in Search Engines: A Trademark Law Update

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BIDDING ON TRADEMARKED KEYWORDS IN SEARCH
ENGINES: A TRADEMARK LAW UPDATE

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ABSTRACT

In March 2011, the Ninth Circuit modified the list of the most relevant factors for courts to consider when evaluating whether a business's keyword bid on a competitor's trademark causes a likelihood of confusion under the Lanham Act. Over ten years earlier, in Brookfield Communications v. West Coast Entertainment, the Ninth Circuit had held that using a competitor's trademark in a website metatag for the purpose of achieving a more prominent place in search results creates "initial interest confusion" for consumers in violation of the Lanham Act. The Brookfield opinion formed what became known as the "Internet troika" test: a three-factor test for evaluating initial interest confusion in Internet cases. In a 2011 case, Network Automation, Inc. v. Advanced Systems Concepts, Inc., the Ninth Circuit reversed a lower court decision that applied the "Internet troika" test and held that the test fails to discern whether there is a likelihood of confusion in keywords cases. Instead, the Ninth Circuit adopted a new four-factor test for analyzing the likelihood of confusion in keyword bidding cases: (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 surrounding

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context on the page displaying the results. This Article examines the new four-factor test and discusses the importance of the Network Automation decision in affirming the legality, in most instances, of bidding on trademarked keywords in Google and Bing search engine advertising.

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INTRODUCTION

The Ninth Circuit recently reversed a district court decision applying the “Internet troika” test in a case involving bidding on trademarked keywords in Google Adwords,¹ and held that a new four-factor test should be used to analyze whether there is a likelihood of confusion in cases where a business bids on a competitor’s trademarked keyword. The court concluded that the Internet troika test is best restricted to domain name disputes.² The troika test is ill equipped to adjudicate trademark violation claims

¹ Google sells text ads that are displayed in its search results through its Adwords service. *Adwords*, GOOGLE.COM, <http://www.google.com/adwords> (last visited April 7, 2013).

² *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, 638 F.3d 1137, 1148 (9th Cir. 2011).

in the search engine keyword context because two out of the three factors will always weigh against online search engine advertisers, resulting in a nearly *per se* rule against bidding on trademarked keywords.³ The new four-part test espoused in *Network Automation, Inc. v. Advanced Systems Concepts, Inc.* (the “keyword quadruple” test), rather than stymieing keyword advertisers, facilitates online advertising by providing more clarity to companies on how to construct keyword ads in a fashion that will not expose them to liability under the Lanham Act.⁴ This Article examines the keyword quadruple test’s factors and discusses how the factors instruct keyword advertising best practices.

I. THE SWIFTLY ANTIQUATED INTERNET TROIKA TEST

The Internet troika⁵ test originated over a decade ago, in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*,⁶ and quickly became untenable as Internet use grew commonplace. To prevail on a trademark infringement claim under the Lanham Act, a plaintiff must prove two elements: (1) that the plaintiff has a protectable ownership interest in the mark, and (2) that the defendant’s use of the mark is likely to cause consumer confusion.⁷ The Internet troika test is designed to determine whether a defendant’s use of a word is likely to cause consumer confusion with a valid mark. The three factors of the test are (1) the similarity of the mark and the infringing word, (2) the

³ See Jonathan Moskin, *Virtual Trademark Use – The Parallel World of Keyword Ads*, 98 TRADEMARK REPORTER 873, 897–898 (2008) (arguing that the simplicity of the test could lead to a *per se* rule against bidding on trademarked keywords).

⁴ 15 U.S.C. § 1051 (2012) (effective November 2, 2002).

⁵ Ninth Circuit opinions subsequent to *Brookfield* coined the test as the “controlling troika” and “Internet trinity.” See *Interstellar Starship Services, Ltd. v. Epix, Inc.*, 304 F.3d 936, 942 (9th Cir. 2002).

⁶ 174 F.3d 1036 (9th Cir. 1999).

⁷ *E.g.*, *Dep’t of Parks & Recreation v. Bazaar Del Mundo Inc.*, 448 F.3d 1118, 1124 (9th Cir. 2006); 4 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:6 (4th ed. 2013).

relatedness of the goods or services, and (3) the simultaneous use of the Web as a marketing channel.⁸

Not long after its 1999 inauguration, the Internet troika test became incompatible with the realities of Internet commerce and search engine advertising. The test failed to allow for a realistic evaluation of whether the defendant's use of a mark was likely to cause consumer confusion among Internet users.⁹ The Ninth Circuit inadvertently overprotected brand names online and restricted commercial speech above levels seen in other marketing platforms.

Also apparent at the inception of the Internet troika test was an inability of the *Brookfield* court to predict the current function and purpose of search engines. The Ninth Circuit analogized a website's metatags¹⁰ to a more common form of advertising:

Suppose West Coast's competitor (let's call it "Blockbuster") puts up a billboard on a highway reading—"West Coast Video: 2 miles ahead at Exit 7"—where West Coast is really located at Exit 8 but Blockbuster is located at Exit 7. Customers looking for West Coast's store will pull off at Exit 7 and drive around looking for it. Unable to locate West Coast, but seeing the Blockbuster store right by the highway entrance, they may simply rent there. Even consumers who prefer West Coast may find it not worth the trouble to continue searching for West Coast since there is a Blockbuster right there.¹¹

The court's hypothetical is an example of initial interest confusion, an alternative route to trademark violation. The customer is not actually confused about the origin of the business's products.

⁸ *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1054 n.16 (9th Cir. 1999).

⁹ See Moskin, *supra* note 3, at 897–98.

¹⁰ Metatags are HTML keywords inserted into websites to drive results in search engines. See *Brookfield Communications, Inc.*, 174 F.3d at 1045.

¹¹ *Id.* at 1064.

Rather, the business violates the competitor's trademark because it trades on the competitor's goodwill.¹²

The reality of search engine results, however, is that they are nothing like billboards on the side of a highway. Internet users navigate back and forth between websites with ease, and often search for trademarks expecting to see competitors in the results so that they may comparison shop. Furthermore, few Internet users today would compare the display of a competitor's advertisement in a search result for a business's name to a deceitful billboard lying to them about where the business they searched for can be found. A better analogy for the court might have been to suppose Blockbuster purchased an ad in the Yellow Pages specifically placed right next to West Coast's name and phone number in the directory. In this hypothetical, Blockbuster would still capitalize on West Coast's goodwill, but it would not be to the degree courts find illegal. West Coast's only harm in this hypothetical is a more competitive marketplace. It is for this reason that the Internet troika test is ill suited for evaluating anything other than domain name disputes.

II. THE NEW AND IMPROVED KEYWORD TEST (THE "KEYWORD QUADRUPLE")

In March 2011, the Ninth Circuit clarified the most relevant factors for courts to consider when evaluating whether a business's keyword bid on a competitor's trademark causes a likelihood of confusion under the Lanham Act. In *Network Automation*, the Ninth Circuit reversed a district court's preliminary injunction prohibiting the maker of project management software from bidding on a competitor's business name as a keyword in Google and Bing search engine advertising.¹³ The plaintiff, Advanced Systems Concepts, sold its product under the trademark ActiveBatch. The defendant, Network Automation, sold its software under the trademark AutoMate. Network Automation purchased the keyword ActiveBatch to display its website,

¹² See 4 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23:6 (4th ed. 2013).

¹³ 638 F.3d 1137 (9th Cir. 2011).

www.NetworkAutomation.com, as a sponsored link in Google and Bing results pages. The district court applied the Internet troika test in reaching its decision to issue an injunction. The Ninth Circuit, however, reversed, holding that (1) the keyword ads were not likely to cause initial interest confusion, and (2) that the “troika” is a particularly poor fit” for evaluating whether a keyword ad infringes another’s trademark under the Lanham Act because it omits important factors.¹⁴

Working to remedy the application of the ill-suited Internet troika test, the Ninth Circuit examined the landmark case that gave rise to the original eight-factor test for determining likelihood of confusion.¹⁵ Over three decades earlier, in *AMF Inc. v. Sleekcraft Boats*, the Ninth Circuit devised eight specific factors for courts to use in evaluating likelihood of confusion in trademark cases.¹⁶ In examining these eight factors the court in *Network Automation* announced its adherence to two long stated principles: (1) that the *Sleekcraft* factors are non-exhaustive and (2) that the factors “should be applied flexibly, particularly in the context of Internet commerce.”¹⁷ The court concluded that the trial court, in applying the Internet troika test to a keyword case, had not applied the *Sleekcraft* factors flexibly because the Internet troika test was intended only for Internet domain name infringement cases.¹⁸

After rejecting the application of the Internet troika test to keyword bidding cases, the court pronounced a new subset of *Sleekcraft* factors as “the most relevant.”¹⁹ These four factors are: “(1) the strength of the mark; (2) the evidence of actual confusion; (3) the type of goods and the degree of care likely to be exercised by the purchaser; and (4) the labeling and appearance of the

¹⁴ *Id.* at 1148 (citing Moskin, *supra* note 3, at 892–93).

¹⁵ *Id.* at 1149.

¹⁶ 599 F.2d 341, 348-49 (9th Cir. 1979) (Those eight factors are (1) strength of the mark; (2) proximity of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) type of goods and the degree of care likely to be exercised by the purchaser; (7) defendant’s intent in selecting the mark; and (8) likelihood of expansion of the product lines).

¹⁷ *Network Automation, Inc.*, 638 F.3d at 1149.

¹⁸ *Id.* at 1154.

¹⁹ *Id.*

advertisements and the surrounding context on the screen displaying the results page.”²⁰

A. *The Strength of the Mark*

The strength of the mark is a fundamental factor to be considered in all trademark disputes because the Lanham Act affords more protection to trademarks that are unique and more likely to be remembered.²¹ In keyword cases, the court held this factor to be particularly relevant because “a consumer searching for a generic term is more likely to be searching for a product category.”²² Conversely, a user searching for a strong trademark is more likely to be looking for a particular company, “and therefore could be more susceptible to confusion when sponsored links appear that advertise a similar product from a different source.”²³

Although this factor will often favor the trademark holder and cut against keyword advertisers, it is not dispositive. In *Network Automation*, the Ninth Circuit held that ActiveBatch was a strong mark but went on to hold that there was not a likelihood of confusion in the defendant’s keyword ad.²⁴ Additionally, anecdotal evidence suggests that keyword advertisements for competing companies of strong marks make regular appearances on Google and Bing, demonstrating that major businesses feel comfortable with the legality of bidding on strong marks.²⁵

²⁰ *Id.*

²¹ See *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1058 (9th Cir. 1999) (citing *Kenner Parker Toys, Inc. v. Rose Art Indus., Inc.*, 963 F.2d 350, 353 (Fed. Cir. 1992) and *Nutri/System, Inc. v. Con-Stan Indus., Inc.*, 809 F.2d 601, 605 (9th Cir. 1987) (“The stronger a mark—meaning the more likely it is to be remembered and associated in the public mind with the mark’s owner—the greater the protection it is accorded by the trademark laws.”)).

²² *Network Automation, Inc.*, 638 F.3d at 1149 (citing *Brookfield Communications*, 174 F.3d at 1058 n.19).

²³ *Id.* (citing *1-800 Contacts, Inc. v. Lens.com, Inc.*, 755 F. Supp. 2d 1151, 2010 WL 5150800 at 17 (D. Utah 2010)).

²⁴ *Id.* at 1137.

²⁵ At the time this Article was published, Google displayed keyword ads for Mercedes-Benz on the search term “BMW,” and keyword ads for Travelers and

B. The Evidence of Actual Confusion

Evidence that consumers are actually confused about the source or origin of a product from a keyword ad will weigh strongly against a defendant advertiser.²⁶ But a showing of actual confusion is not a necessary condition for showing a likelihood of confusion.²⁷ Courts recognize that proving actual confusion is difficult, given the practical limitations of acquiring clear and substantial evidence of confusion from a wide number of consumers.²⁸

Advertisers should carefully craft keyword advertisements that do not mislead Internet users about the source of the advertiser's products. Although it may be difficult for a plaintiff to show actual confusion, judges and juries will naturally be influenced by their own reaction to keyword ads. Ads that are deceptive will almost certainly expose an advertiser to liability, regardless of whether a plaintiff acquires evidence of actual confusion.²⁹

Lastly, in some circumstances, the strength of a plaintiff's mark may actually reduce the likelihood that a keyword ad will be confusing. Consumers searching for strong, easily identifiable marks are unlikely to be misled by a keyword ad clearly identifying itself as an ad from a competitor of the strong mark. Similarly, the benefit is the same when a defendant advertiser's

Amica on the search term "Allstate insurance."

²⁶ *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1126 (9th Cir. 2004) (citing *Thane Int'l, Inc. v. Trek Bicycle Corp.*, 305 F.3d 894, 902 (9th Cir. 2002) ("[A] showing of actual confusion among significant numbers of consumers provides strong support for the likelihood of confusion.")).

²⁷ *Academy of Motion Picture Arts & Sciences v. Creative House Promotions, Inc.*, 944 F.2d 1446, 1456 (9th Cir. 1991) (citing *American Int'l Group, Inc. v. American Int'l Bank*, 926 F.2d 829, 832 (9th Cir. 1991)).

²⁸ *See AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 352 (9th Cir. 1979) ("Proving actual confusion is difficult . . . and the courts have often discounted such evidence because it was unclear or insubstantial.").

²⁹ *See F.T.C. v. Cantkier*, 767 F. Supp. 2d 147 (D.D.C. 2011) (denying defendant's motion to dismiss when defendant's ad text used official government program names to mislead consumers as to the source of the ad). Although the Lanham Act was not at issue, the case nonetheless demonstrates the pitfalls of using deceptive keyword ads.

mark is strong. This demonstrates that in some cases where an ad clearly identifies its source, a plaintiff with a strong showing in the first factor (the strength of the mark) will have trouble showing evidence of actual confusion.

C. The Type of Goods and Degree of Care Likely to Be Exercised by the Purchaser

The general rule has been that the more expensive a product is, the greater the care an Internet user will exercise in scrutinizing keyword ads for those products.³⁰ Consequently, consumers are less likely to be misled by keyword advertisements for expensive products on trademarked search terms. This factor is a concern for advertisers bidding on trademarked keywords to advertise inexpensive products. But there is reason to believe that this factor is becoming outmoded in the keyword context; which suggests that this factor may not be as detrimental to keyword advertisers as it appears.

Rather than assume that consumers searching for inexpensive products are more likely to exercise less care in identifying a product's source, the Ninth Circuit has suggested that Internet users as a class are generally scrupulous and careful.³¹ In a 2010 case the Ninth Circuit held that:

[I]n the age of FIOS, cable modems, DSL and T1 lines, reasonable, prudent and experienced internet consumers are accustomed to such exploration by trial and error. . . . They fully expect to find some sites that aren't what they imagine based on a glance at the . . . search engine summary. . . . Outside the special case of . . . domains that actively claim affiliation with the trademark holder, consumers don't form any firm expectations about

³⁰ See *Sleekcraft*, 599 F.2d at 353 (“[W]hen the goods are expensive, the buyer can be expected to exercise greater care in his purchase.”).

³¹ *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1179 (9th Cir. 2010).

the sponsorship of a website until they've seen the landing page – if then.³²

The court in *Network Automation* agreed with this sentiment, restating the earlier court's principle that "[u]nreasonable, imprudent and inexperienced web-shoppers are not relevant" in determining whether a keyword ad on a trademarked search term violates that trademark.³³ Because Internet commerce is now commonplace, it is probably safe to bid on trademarked keywords related to inexpensive products as long as the ads are clear and non-deceptive.

*D. The Labeling and Appearance of the Advertisements
and the Surrounding Context on the Screen
Displaying the Results Page*

This new factor, devised by the court in *Network Automation* to apply specifically to keyword ads, will favor advertisers that run their ads on reputable search engines, like Google and Bing. Keyword ads that are partitioned from search results and labeled as advertisements or sponsored links inform Internet users that the keyword ad might not originate from the holder of the trademarked term for which they originally searched. The court in *Network Automation* suggested that such segregation in search engines might insulate a keyword advertiser that does not even identify itself in the ad from liability for trademark infringement:

[E]ven if [the defendant] has not clearly identified itself in the text of its ads, Google and Bing have partitioned their search results pages so that the advertisements appear in separately labeled sections for "sponsored" links. The labeling and appearance of the advertisements as they appear on the results page includes more than the text of the advertisement, and must be considered as a whole.³⁴

³² *Id.*

³³ *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, 638 F.3d 1137, 1154 (9th Cir. 2011) (quoting *Toyota Motor Sales*, 610 F.3d at 1176).

³⁴ *Id.* at 1154.

Advertisers should be wary of bidding on keywords on websites that do not inform users that such links are sponsored. Any ads placed on such websites should clearly inform Internet users of the source of the product being advertised in the ad itself. For trademark disputes involving keywords, “the ‘likelihood of confusion will ultimately turn on what the consumer saw on the screen and reasonably believed, given the context.’”³⁵

CONCLUSION

As Internet commerce has grown commonplace, Internet users have become accustomed to seeing advertisements for competitors on searches for trademarked keywords. Searches for a variety of trademarked terms on Google and Bing regularly show keyword ads for competitors of those companies in the search results. Recently, the Ninth Circuit has begun to acknowledge that such a practice by advertisers is unlikely to expose those advertisers to liability under the Lanham Act.³⁶ In *Network Automation*, the Ninth Circuit held that ads for project management software that displayed when its competitor’s name was typed into Google or Bing were not likely to cause initial interest confusion. Advertisers interested in bidding on trademarked keywords should feel comfortable doing so as long as the keyword ads are clear and non-deceptive.

PRACTICE POINTERS

- Courts are less likely to find keyword ads on Google and Bing to be violations of the Lanham Act because both search engines separate their keyword ads from their organic search results and label the ads as “sponsored links.”
- The *Sleekcraft* factors are flexible and non-exhaustive. If context-specific factors other than the “keyword quadruple”

³⁵ *Id.* at 1153 (quoting *Hearts on Fire Co. v. Blue Nile, Inc.*, 603 F. Supp. 2d 274, 289 (D. Mass. 2009)).

³⁶ *See id.* at 1137.

factors are relevant to showing the likelihood that a keyword ad is confusing, a court will consider the factor(s) in its analysis.

- Given the ever-growing adoption of Internet commerce by consumers, older district court cases finding keyword ads to be confusing to Internet users might be irrelevant today.
- Even if the “keyword quadruple” factors from *Network Automation* weigh in favor of a keyword advertiser, the factors will not insulate the advertiser from liability if its trademark infringes on the plaintiffs mark because the mark itself is confusingly similar. These four factors are best applied to a keyword advertiser with a mark distinctive from its competitor.