

UCLA

UCLA Entertainment Law Review

Title

Can Google be Liable for Trademark Infringement? A Look at the "Trademark Use" Requirement as Applied to Google AdWords

Permalink

<https://escholarship.org/uc/item/08v2z121>

Journal

UCLA Entertainment Law Review, 14(2)

ISSN

1073-2896

Author

Lim, Stephanie Yu

Publication Date

2007

DOI

10.5070/LR8142027100

Copyright Information

Copyright 2007 by the author(s). All rights reserved unless otherwise indicated. Contact the author(s) for any necessary permissions. Learn more at <https://escholarship.org/terms>

Peer reviewed

Can Google be Liable for Trademark Infringement? A Look at the “Trademark Use” Requirement as Applied to Google AdWords

Stephanie Yu Lim*

I. INTRODUCTION.....	265
II. WHAT IS GOOGLE ADWORDS?	266
III. THE CASE LAW	270
A. <i>Google v. American Blind & Wallpaper Factory, Inc.</i>	271
B. <i>GEICO v. Google</i>	272
C. <i>800-JR Cigar v. GoTo.com</i>	273
D. <i>Rescuecom Corp. v. Google</i>	274
IV. WHAT IS “TRADEMARK USE”? : TWO COMPETING INTERPRETATIONS.....	275
V. THE CASE FOR A NARROW INTERPRETATION OF “TRADEMARK USE” AS APPLIED TO CONTEXTUAL ADVERTISING	280
VI. ADWORDS’ PRACTICE OF SELLING TRADEMARKS AS KEYWORDS IS NOT A “TRADEMARK USE”	283
VII. CONCLUSION	284

I. INTRODUCTION

Google has been no stranger to legal controversy in recent years. One of the hotly contested issues courts are currently debating involves the legality of Google AdWords, Google’s lucrative advertising program that is the source of nearly half of its revenue. The AdWords program allows advertisers to purchase words or phrases related to their businesses that will bring up their websites under “sponsored

* J.D. 2007, UCLA School of Law; B.A. 2000, Yale University.

links” when those keywords are typed into Google’s search engine. The issue at the center of the controversy is whether Google can legally sell and advertise those words which are trademarked terms. For businesses looking to protect their trademarks, Google’s practice of selling and advertising trademarked terms has raised questions as to its liability for trademark infringement.

A finding of liability for direct trademark infringement under trademark law first requires that the plaintiff shows a “trademark use” by the defendant; that is, that the defendant used the mark “in commerce” and “in connection with the sale, offering for sale, distribution, or advertising of goods and services.”¹ Thus, if the plaintiff cannot successfully prove that Google AdWords’ practice of selling trademarked terms amounts to a “trademark use,” Google cannot ultimately be held liable for trademark infringement.

Unfortunately, the case law is not clear regarding whether Google’s practice of selling trademarks as keywords amounts to a “trademark use.” Courts that have ruled on this issue are divided as to how broadly the scope of “trademark use” should be interpreted. Those courts that favor a broad interpretation of “trademark use” tend to lean towards a finding of liability for trademark infringement, while those courts that favor a traditional interpretation of “trademark use” tend to absolve Google of any liability.

This paper will examine *direct* trademark infringement claims against Google. Specifically, I will focus on the “trademark use” element in these claims and will analyze the various court decisions to delineate the basic arguments for and against finding “trademark use” in contextual advertising cases. I will examine the competing policies behind the various interpretations of “trademark use” and will argue that “trademark use” should be interpreted strictly. Applying this interpretation, I will argue that Google AdWords’ practice of “keying” does not amount to “trademark use” and that, as such, Google AdWords will not be liable for direct trademark infringement.

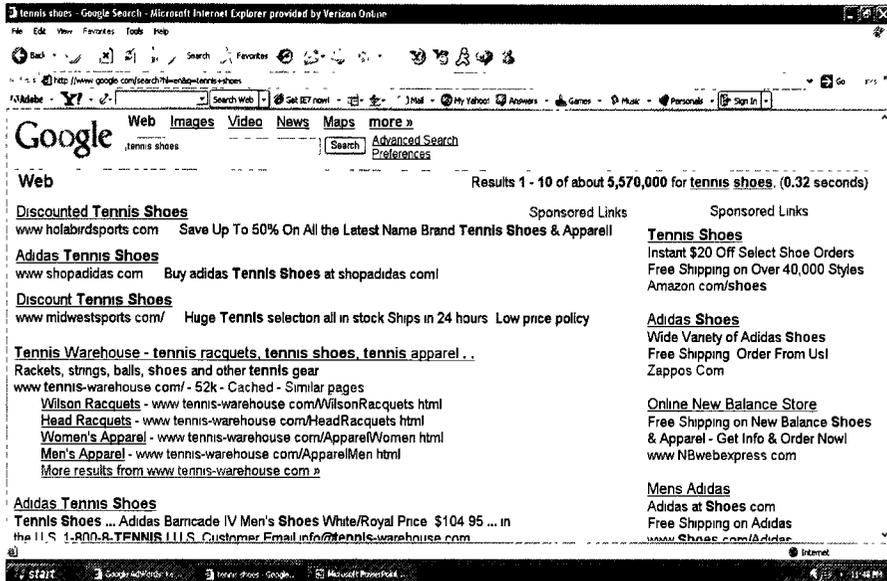
II. WHAT IS GOOGLE ADWORDS?

AdWords is Google’s keyword-triggered advertising program. It allows advertisers to purchase certain keywords, which are words or phrases related to their businesses, that will bring up their websites under “sponsored links” when those keywords are typed into Google’s

¹ See generally, 15 U.S.C. §1114.

search engine.² Thus, when a user types in the words “tennis shoes” in Google’s search engine, a listing of sponsored links containing those words will appear to the right of the listing of the search results. (See Exhibit 1).

EXHIBIT 1



The marketing appeal in placing ads next to the search results is that advertisers will be able to advertise to a targeted audience that is already interested in the business.³ Moreover, the proximity of the ad makes it simple for consumers to click the ad to make a purchase or to learn more about the product being advertised.⁴

One of the features of Google AdWords is the “Keyword Tool.” This tool recommends potential keywords for the ad campaign and reports the Google statistics for those keywords, including search performance and seasonal trends.⁵ The Keyword Tool generates suggested keywords through the “keyword variations” function or through the “site-related keywords” function. The former works as follows: a user types in a keyword and the tool produces a list of possible alternative terms. The latter is similar; however, rather than typing in a word, the

² To view an example of how AdWords works, see the demo at <https://AdWords.google.com/select/Login> (last visited Dec. 16, 2006).

³ *Id.*

⁴ *Id.*

⁵ Google AdWords: Keyword Tool, <https://AdWords.google.com/select/KeywordToolExternal?defaultView=3> (last visited Dec. 16, 2006).

user types in a “URL.” Google AdWords then trawls through the site and generates a list of search terms from that site. The purpose of all of these tools is to improve advertising relevance. Thus, when the advertiser attempts to purchase a generic word like “tennis shoes,” the Keyword Tool will also suggest purchasing the words “Puma Tennis Shoes” and “Prince Tennis Shoes.” (See Exhibit 2).

EXHIBIT 2

The screenshot shows the Google AdWords Keyword Tool interface. The search term entered is "tennis shoes". The tool displays a list of suggested keywords, sorted by relevance. The table below summarizes the data shown in the screenshot:

Keywords	Avg Search Volume [7]	Search Volume Trends (Nov 2005 - Oct 2006) [7]	Highest Volume Occurred In	Match Type [2]
tennis shoes	890		Mar	Add >
head tennis shoes	1		Jan	Add >
prince tennis shoes	2		Sep	Add >
puma tennis shoes	1		Dec	Add >
wilson tennis shoes	2		Mar	Add >
discount tennis shoes	1		Aug	Add >
diesel tennis shoes	1		Mar	Add >
vans tennis shoes	1		Aug	Add >

Thus, using Google’s Keyword Tool, advertisers can purchase words associated with their products and services as well as those words associated with their competitors’ products and services. This has caused some concern for businesses looking to protect their trademarked interests and has also raised questions as to Google’s liability for trademark infringement.

This is a contentious issue because Google profits from selling the trademarks of other companies. The AdWords business model is calculated on a “cost-per-click” or “CPC” basis according to the number of Internet users who click on its advertising customers’ sites. But, unlike other cost-per-click models that place advertisements based on the amount paid for the advertisement, Google determines advertisement placement based on a number of factors in addition to the amount bid by the advertiser for the space.⁶

⁶ Lauren Troxclair, *Search Engines and Internet Advertisers: Just One Click Away from Trademark Infringement*, 62 WASH & LEE L. REV. 1365, 1372 (2005)(citing Pay Per Click Advertising-Search Engine Campaign Management, An Introduction to Pay Per Click Advertising, at <http://www.intrapromote.com/pay-per-click-advertising.html> (discussing the gen-

After the advertiser creates its advertisement, the advertiser must then determine the amount it is willing to pay each time a user clicks its advertisement, which sets the CPC. An advertiser must also set a daily budget, based on the monthly budget set by the advertiser, divided by the number of days in a particular month.⁷ Google determines the positioning of an advertisement as a sponsored link in response to a user's search inquiry based on AdRank, which is based on a combination of several factors, including maximum CPC, "clickthrough rate," and ad text.⁸ The maximum CPC set by the advertiser indicates the maximum amount the advertiser agreed to pay each time a consumer clicks on its advertisement.⁹ Google determines the "clickthrough rate" by dividing the number of clicks the advertisement receives by the number of impressions (the number of times an advertisement appears as a sponsored link) ("Clickthrough Rate"). The Clickthrough Rate increases for well-targeted advertisements and, therefore, allows advertisers with high Clickthrough Rates – and presumably the most popular advertisements – to pay less for advertisements to appear towards the top of sponsored links. Thus, Google's model places advertisers with deeper pockets on equal footing with those advertisers that generate the greatest number of hits and doesn't just give priority to those advertisers who generate the most revenue for Google.¹⁰

The combination of being the world's largest search engine and employing this unique CPC advertising model makes Google a highly profitable business in the industry.¹¹ In 2004, Google reported over \$3.1 billion in revenue – a 118% increase over 2003.¹² All but \$50,000 in revenues was from advertising sales, making advertising revenues 99% of total revenues.¹³ Significantly, of the advertising revenue, half of the revenue is from "sponsored link" advertisements on the Google search results page.¹⁴ Since the inception of the AdWords program in

eral operation of pay-per-click advertising models utilized by numerous Internet search engines).

⁷ Troxclair, *supra* note 6, at 1373.

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.* at 1374.

¹¹ *Id.*

¹² *Id.* (citing Google, Inc., 2004 Income Statement (2005), available at http://investor.google.com/fin_data.html (showing that Google generated 99% of total revenue from advertising sales)).

¹³ Troxclair, *supra* note 6, at 1374 (citing GOOGLE, INC., 2004 INCOME STATEMENT (2005), available at http://investor.google.com/fin_data.html (stating that advertising on Google web sites represents 50% of revenues and advertising on Google network web sites represents 49% of revenues)).

¹⁴ *Id.*

2002, Google experienced a 409% growth rate in 2002 and a 234% growth rate in 2003.¹⁵ These numbers indicate the importance of the AdWords program in Google's business model.¹⁶

III. THE CASE LAW

The Lanham Act,¹⁷ which governs federal trademark infringement claims, defines a trademark as "a word, symbol, or phrase, used to identify a particular manufacturer or seller's products and distinguish them from the products of another."¹⁸ Liability under the Lanham Act requires a showing of several elements. In addition to showing a "trademark use" by the defendant – specifically that the defendant used the mark "in commerce" and "in connection with the sale, offering for sale, distribution, or advertising of goods and services," – trademark holders must also prove a valid trademark, ownership of the trademark, and likelihood of confusion.¹⁹

No circuit court has ruled on the issue of whether the purchase or sale of a trademark as a keyword that triggers the appearance of a competitor's advertisement is a trademark infringement. Nevertheless, several district courts have reached different conclusions on this issue. A survey of the case law reveals four main cases specifically addressing the liability of search engines in selling trademarks as keywords. The fact patterns and allegations in these cases are similar: a trademark owner sues the search engine for selling its trademark to trigger the appearance of links to competitor's websites. In other words, plaintiff sues, alleging that AdWords or a similar advertising service should be liable for trademark infringement because it is using plaintiff's trademarks to divert consumers who wish to find plaintiff's products and services to the web sites of plaintiff's competitors. None of these cases were decided on the merits; rather, all of the cases were decided at a preliminary stage in litigation and all ultimately resulted in settlement. Even so, although these cases do not give a definitive answer as to whether the selling of trademarks as search engine keywords amounts to trademark infringement, they remain key in analyzing how a court should rule on this issue.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ 15 U.S.C. §§1051, et. seq.

¹⁸ 15 U.S.C. §1127.

¹⁹ *See generally*, 15 U.S.C. §1114.

A. *Google v. American Blind & Wallpaper Factory, Inc.*

In *Google, Inc. v. American Blind & Wallpaper Factory, Inc.* (ABWF)²⁰ the Northern District Court in California addressed the issue of whether Google's AdWords advertising program infringes ABWF's trademarks by selling its trademarks as keywords. There, the court found that ABWF made sufficient allegations of direct infringement by Google. In coming to its conclusion, the court relied heavily on the Ninth Circuit Court's reasoning in *Playboy Enterprises, Inc. v. Netscape Communications Corp.*²¹ which addressed the issue of trademark infringement in the context of Internet advertising.

The *Playboy* case involved a practice called "keying" whereby advertisers could target Internet users by linking their advertisements to certain search terms that were grouped into lists by the search engines.²² When a user entered those specific terms into the search engines, advertisements keyed to the terms would appear as banner ads running along the top or side of the search-results page.²³ The defendants were paid a fee by the advertisers for the keying service. In that case, the list of terms that related to sex and adult-oriented entertainment contained two of the plaintiff's trademarks: "playboy" and "playmate."²⁴ When these trademarks were typed into the search engine, they automatically linked to advertisements for sex and adult-oriented entertainment companies. The adult-oriented banner ads often were graphic in nature, were confusingly labeled or not labeled at all, and contained buttons reading "click here" that, when clicked, made the search-results page disappear and opened the advertiser's web site.²⁵ The Ninth Circuit ultimately denied defendant's motion for summary judgment as to trademark infringement. The court found adequate evidence of initial interest confusion in the appearance of the unlabeled banner ads because they led users to competitor advertisers' web sites immediately after users entered plaintiff's trademarks as search terms in the search engines.²⁶ Moreover, the court found "trademark use" of plaintiff's trademarks. By misappropriating the plaintiff's marks, defendants led Internet users to the websites of plaintiff's competitors, who may have been perfectly happy staying on the competitor's web-

²⁰ *Google v. American Blind*, No. C 03-05340 JF, 2005 U.S. Dist. LEXIS 6228, *23 (N.D. Cal. Mar. 30, 2005).

²¹ *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. 2004).

²² *Google*, 2005 U.S. Dist. LEXIS 6228, at *23, citing *Playboy*, 354 F.3d, at 1022-23.

²³ *Google*, 2005 U.S. Dist. LEXIS 6228, at *23.

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.* at 24.

site. Because the Internet user will have reached the site through defendants' use of Playboy's mark, such use was actionable as infringement.²⁷

Google attempted to distinguish the banner ads in *Playboy* from its sponsored links by arguing that its sponsored links clearly identified the sources of the advertisements and thus did not result in confusion. The court found this argument to require factual findings that were inappropriate procedurally. Finding that the facts in the current case were sufficiently analogous to those in *Playboy*, the court held that ABWF could state sufficient facts to allege a trademark infringement claim.²⁸

B. *GEICO v. Google*

In *GEICO v. Google*,²⁹ the court denied Google's motion to dismiss, finding that the plaintiff adequately alleged trademark use. GEICO asserted that when the defendants sell the rights to link advertising to the plaintiff's trademarks, the defendants are using the trademarks in commerce in a way that implies that the defendants have permission from the trademark holder to do so.³⁰

The court went on to distinguish the facts of the case from the *WhenU* line of cases in which the alleged "trademark use" was the use of the trademark in the internal computer coding of pop-up software.³¹ The *WhenU* cases involved a proprietary software called "SaveNow" which, once installed, responds to a computer user's "in-the-moment" activities by generating pop-up advertisement windows that are relevant to those specific activities.³² To deliver the targeted advertising to the users, the SaveNow software employs an internal directory comprising website addresses and address fragments, search terms and keyword algorithms that correlate with a consumer's interests.³³ When the software recognizes a term, it randomly selects an advertisement from the corresponding product or service category to deliver that ad to the user's screen at the time the search result sought by the user appears.³⁴ The *WhenU* cases concluded that such a use did not constitute

²⁷ *Id.*

²⁸ *Id.* at 29-30.

²⁹ *GEICO v. Google*, 330 F. Supp. 2d 700 (E.D. Va. 2004).

³⁰ *Id.* at 704 (citing *People for the Ethical Treatment of Animals, Inc. v. Doughney*, 263 F.3d 359, 365 (4th Cir. 2001)).

³¹ See *U-Haul Int'l, Inc. v. WhenU.Com, Inc.*, 279 F. Supp. 2d 723, 727 (E.D.Va. 2003); *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734, 762 (E.D.Mich. 2003); and *1-800-Contacts, Inc. v. WhenU.Com*, 414 F.3d 400, 404 (2d Cir. 2005).

³² See *1-800-Contacts, Inc. v. WhenU.Com*, 414 F.3d 400, 404 (2d Cir. 2005).

³³ *Id.*

³⁴ *Id.*

“trademark use” under the Lanham Act because the pop-up software did not place the trademarks in question in commerce – it merely used them for a “pure machine-linking function.”³⁵ In comparing the facts in *GEICO* to those in the *WhenU* cases, the *GEICO* court found the *WhenU* cases distinguishable because *WhenU* did not market the protected marks themselves as keywords to which advertisers could directly purchase rights.³⁶

C. *800-JR Cigar v. GoTo.com*

In a similar case, JR Cigar sued the Internet search engine, GoTo.com for trademark infringement. Like Google, GoTo.com sold advertisements that were tied to certain search terms and offered an automated “Search Term Suggestion Tool,” that provided a list of recommended terms – which sometimes includes trademarked terms – for the advertiser’s campaign.³⁷ JR Cigar argued that GoTo.com violated Sections 32(1) and 43(a) of the Lanham Act, 15 U.S.C. §1114(1) and 1125(a), because it (1) profited from the unauthorized sale of its trademarks as search terms to GoTo.com’s customers; (2) used the JR marks to attract search customers to its site; and (3) created and implemented a scheme to divert Internet users seeking to find “jr cigar” to JR Cigar’s competitors and rivals.³⁸

Analyzing the elements of a trademark infringement claim, the court concluded that GoTo’s use of “jr cigar” amounted to a “trademark use” and that there were factual issues that precluded summary judgment in favor of either party with respect to likelihood of confusion. The court found that GoTo made “trademark use” of the JR marks in three ways: (1) GoTo traded on the value of the marks by accepting bids from those competitors of JR desiring to pay for prominence in search results; (2) GoTo injected itself into the marketplace by acting as a conduit to steer potential customers away from JR to JR’s competitors, ranking its paid advertisers before any “natural” listings in a search results list; and (3) through the “Search Term Suggestion Tool,” GoTo identified those of JR’s marks which are effective search terms and marketed them to JR’s competitors.³⁹ As to the “likelihood of confusion” element, the court applied the ten-part analysis known as

³⁵ *Id.*

³⁶ *GEICO v. Google*, 330 F. Supp. 2d 700, 703-704 (E.D. Va. 2004).

³⁷ *800-JR Cigar, Inc. v. GoTo.com, Inc.*, 437 F. Supp. 2d 273, 278 (D.N.J. 2005).

³⁸ *Id.* at 280.

³⁹ *Id.* at 285.

the Lapp factors⁴⁰ and determined that, on balance, a jury could find a likelihood of confusion.⁴¹ GoTo argued that there would be no “likelihood of confusion” because a consumer would not be confused between JR’s retail cigar services and GoTo’s search engine services because they are not related. Nevertheless, the court rejected this argument reasoning that because GoTo directed consumers to goods that were sufficiently similar to JR’s products, it created a relationship between it and JR’s products which would create a relationship within consumers’ minds that could be confusing.⁴²

D. *Rescuecom Corp. v. Google*

Finally, in *Rescuecom v. Google*, plaintiff argued that Google’s actions amounted to trademark infringement because (1) defendant attempted to “free-ride” on the good will associated with Rescuecom and its activities caused confusion; (2) defendant’s activities lured Internet searchers away and prevented them from reaching plaintiff’s website; (3) defendant’s activities altered the search results an Internet user receives; and (4) defendant used Rescuecom’s trademarks internally as a keyword to trigger the appearance of competitors’ advertisements.⁴³

The Northern District Court in New York ruled in Google’s favor, finding that the plaintiff’s allegations could not establish that Google’s AdWords product infringed the plaintiff’s trademarks because there was no allegation of any “trademark use.” The Court pointed out that “a trademark use is one indicating source or origin,”⁴⁴ i.e., “placing trademarks on ‘goods or services in order to pass them off as emanating from or authorized by’ the trademark owner.”⁴⁵ The court emphasized that “use” needed to be alleged as a threshold matter and was separate

⁴⁰ The Lapp factors are (1) similarity of the marks; (2) the strength of the owner’s mark; (3) the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase; (4) the length of time the defendant has used the mark without evidence of actual confusion; (5) the intent of the defendant in adopting the mark; (6) the evidence of actual confusion; (7) whether the goods are marketed or advertised through the same channels; (8) the extent to which the targets of the parties’ sales efforts are the same; (9) the relationship of the goods in the minds of consumers; and (10) other factors suggesting that the consuming public might expect the prior owner to manufacture both products, or manufacture a product in the defendant’s market, or expect that the prior owner is likely to expand into the defendant’s market. *Interpace Corp. v. Lapp*, 721 F.2d 460, 463 (3d Cir. 1983).

⁴¹ *800-JR Cigar*, 437 F. Supp. 2d, at 285.

⁴² *Id.* at 290.

⁴³ *Rescuecom Corp. v. Google, Inc.*, No. J:04-CV-1055 (NAM/GHL), 2006 U.S. Dist. LEXIS 70409, 16 (N.D.N.Y. Sept. 28, 2006).

⁴⁴ *Id.* at 14-15 (*citing* *Pirone v. MacMillan, Inc.* 894 F.2d 579, 583 (2d Cir. 1990)).

⁴⁵ *Rescuecom*, 2006 U.S. Dist. LEXIS 70409, at 14-15 (*citing* *1-800-Contacts, Inc. v. WhenU.Com*, 414 F.3d 400, 408 (2d Cir. 2005)).

from the “in commerce” or “likelihood of confusion” elements. Thus, Rescuecom could not allege “use” via “likelihood of confusion.”⁴⁶ Moreover, the court did not find “use” in either of plaintiff’s allegations that the use of its mark prevented Internet searchers from reaching plaintiff’s website or that it diverted searches away from its site by altering the search results the Internet user receives.⁴⁷

As to plaintiff’s second argument, the court did not find that typing in a trademark in a search engine lured Internet searchers away from plaintiff’s website, because the keyword would bring up a page showing both sponsored links and relevant search results, including a link to the plaintiff’s website. More importantly, the court reasoned that there was no “use” because plaintiff’s trademark was not in any of the links among the search results (except those belonging to plaintiff) and because defendant’s activities did not affect the “appearance or functionality of plaintiff’s website.”⁴⁸

As to the third argument, the court found that the plaintiff failed to allege a trademark use because the plaintiff made no allegation that its trademark was displayed in any of the sponsored links about which the plaintiff was concerned. Moreover, there was no “use” because plaintiff did not allege that the defendant’s activities prevented a link to the plaintiff’s website; a user who enters the trademark “Rescuecom” into Google’s search engine could still go to plaintiff’s website by clicking on the appropriate link on the search results page.⁴⁹

Finally, the court found that an “internal use” of a trademark did not amount to a “trademark use” because an “internal use” did not place the mark on any goods, containers, displays or advertisements and because such a use was not visible to the public.⁵⁰

IV. WHAT IS “TRADEMARK USE”? TWO COMPETING INTERPRETATIONS

The linchpin in the above cases ultimately turns on whether the purchase or sale of a trademark as a keyword that triggers the appearance of links to competitors’ websites amounts to a “trademark use.” Although the “trademark use” requirement is well-established in statutory language and case law, neither provides clear guidelines as to what constitutes “uses of a mark as a trademark” for purposes of infringe-

⁴⁶ *Id.*

⁴⁷ *Rescuecom*, 2006 U.S. Dist. LEXIS 70409, at 17-18.

⁴⁸ *Id.* at 19, 21.

⁴⁹ *Id.* at 22.

⁵⁰ *Id.* at 24.

ment liability.⁵¹ Courts are divided as to whether the “trademark use” is a prerequisite to a finding of liability⁵² or whether it is implicit in the “in connection with the sale, offering for sale, distribution or advertising of any goods or services” in a context that is “likely to cause confusion, mistake or deception” elements of Lanham Act §32(1).⁵³ In addition, courts are divided regarding how “trademark use” should be interpreted. Courts disagree over whether “trademark use” should be interpreted narrowly according to its traditional definitions or whether it should be interpreted expansively to include uses beyond placing the mark visibly on products or services to pass them off as emanating from or authorized by the trademark owner.

In the simplest terms, the “trademark use” requirement refers to the general idea that before there can be an infringing use in violation of the Lanham Act, the accused use must be “use[d] as a trademark.”⁵⁴ “Use as a trademark” means that a party must use a designation in such a way that causes a potential buyer to be confused as to source, sponsorship, affiliation or approval when confronted with two similar designations which tell the viewer that they identify a single source when, in fact, they are from two different sources.⁵⁵ Conversely, if a party does not use the accused designation in a way that confuses a buyer as to source when confronted with two similar designations, there is no “use as a trademark.” *McCarthy on Trademarks* gives the following explanation to illustrate the meaning of “use as a trademark”:

[W]hen the hypothetical CHARTREUSE software company advertises that “Our new GREENBEAN program will run flawlessly on MICROSOFT WINDOWS,” the software company is not using the words MICROSOFT WINDOWS as a trademark to identify itself. Rather, it is using them as trademarks identifying the true owner in order to convey the message of alleged product compatibility. . . . Similarly, use of another’s mark in the post-domain path of defendant’s URL website identifier was held not to be an infringement. In that case, the Sixth Circuit remarked: ‘If defendants are only using [plaintiff’s] trademark in a ‘non-trademark’ way – that is, in a way that does

⁵¹ Margreth Barrett, *Internet Trademark Suits and the Demise of “Trademark Use,”* 39 U.C. DAVIS L. REV. 371, 378 (2006).

⁵² See *1-800-Contacts, Inc. v. WhenU.Com*, 414 F.3d 400, 404 (2d Cir. 2005) (finding that without an allegation of trademark use in the first instance, plaintiffs could not sustain a cause of action for trademark infringement).

⁵³ THOMAS J. MCCARTHY, *MCCARTHY ON TRADEMARKS* §23:11.50, ¶23-60 (4th ed. 2006).

⁵⁴ *Id.*

⁵⁵ *Id.*

not identify the source of a product – then trademark infringement . . . laws do not apply.⁵⁶

In the years following the enactment of the Lanham Act, courts have continued to describe trademark use as involving a defendant's use of the allegedly infringing mark on the goods he sold or materials directly advertising his goods or services to identify the source of goods or services, rather than to serve some other purpose.⁵⁷ Thus, according to this view, a court cannot deem an unauthorized use of the plaintiff's mark to be an infringing use if it clearly serves only to identify or parody the plaintiff,⁵⁸ to express political views,⁵⁹ to describe aspects of the defendant's product or service,⁶⁰ or to indicate an address on the Internet.⁶¹

Nevertheless, with the advent of the Internet, courts have increasingly become more liberal in their interpretation of the use requirement. Courts have evaluated the trademark use requirement in four main Internet contexts: (1) cybersquatting; (2) unauthorized use of marks in forum site domain names; (3) unauthorized use in metatags; and (4) the unauthorized use in contextual advertising.⁶² The trend in these cases has been to interpret "trademark use" broadly to encompass *any* use of the trademarks in commerce that indicate source.

For example, in a cybersquatting case, the Court of Appeals for the Ninth Circuit held that even though registration of a mark as a domain name without more is not a commercial use of a mark, the court found a "trademark use" because defendant made a business of registering trademarks as domain names and traded on the value of the marks by attempting to sell the domain names to the trademark owners.⁶³ Courts have also extended the meaning of "trademark use" to include

⁵⁶ *Id.*, ¶¶23-62-63.

⁵⁷ Barrett, *supra* note 51, at 386.

⁵⁸ *Id.* (citing *New Kids on the Block v. News America Publ'g, Inc.*, 971 F.2d 302, 306-08 (9th Cir. 1992)); see also *L.L. Bean, Inc. v. Drake Publishers, Inc.* 811 F.2d 26, 32-33 (1st Cir. 1987).

⁵⁹ *Id.* (citing *Lucasfilm Ltd. v. High Frontier*, 622 F. Supp. 931, 934-36 (D.D.C. 1985)).

⁶⁰ *Id.* (citing *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 128-30 (1947)); see also *Smith v. Chanel, Inc.* 402 F.2d 562, 563-65 (9th Cir. 1968); and *U.S. Shoe Corp. v. Brown Group, Inc.*, 740 F. Supp. 196, 198-200 (S.D.N.Y. 1990), *aff'd* 923 F.2d 844 (2d Cir. 1990).

⁶¹ *Id.* (citing *1-800-Contacts, Inc. v. WhenU.Com*, 414 F.3d 400, 408-09 (2d Cir. 2005); *Bird v. Parsons*, 289 F.3d 865, 878 (2d Cir. 2002); *Acad. of Motion Picture Arts & Scis. v. Network Solutions, Inc.* 989 F. Supp. 1276, 1280 (C.D. Cal. 1997); and *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 956 (C.D. Cal. 1997), *aff'd*, 194 F.3d 980 (9th Cir. 1999)).

⁶² Barrett, *supra* note 51, at 396.

⁶³ Barrett, *supra* note 51, at 398-99; see also *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998).

use of marks in a forum site that ridicules the trademark owner⁶⁴ as well as use of marks in a forum site that links to others' goods or services.⁶⁵ In the metatag line of cases, Courts examined the issue of whether trademarked terms that were used as "metatags" in websites amounted to a "trademark use." Although most of the decisions did not give a definitive answer to this question, the Ninth Circuit in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.* hinted that such use would amount to a "trademark use," analogizing using another's trademark in one's metatags to posting a sign with another's trademark in front of one's store.⁶⁶

Finally, courts are broadening the meaning of "trademark use" in contextual advertising cases to include uses such as "keying." As discussed above in the *American Blind*, *GEICO* and *800-JR Cigar* cases, plaintiffs in these line of cases are seeking to expand the definition of "use" beyond its traditional interpretation to hold search engines liable even though they are not using the trademarks to advertise their own services, nor competing directly with the opposing party.⁶⁷ In these cases, courts are expanding the meaning of "trademark use" to include any use in commerce involving the plaintiff's trademarks. In *American Blind*, the court interpreted "trademark use" as any use of the plaintiff's trademarks that diverts potential customers away from plaintiff's products or services to those of its competitors; in *GEICO*, the court interpreted "trademark use" as a use that implies the defendants have permission from the trademark holder to use its trademarks; and in *800-JR-Cigar*, the court interpreted "trademark use" to mean any use that uses the trademarks in the marketplace, such as trading on the value of the trademarks or marketing the trademarks in any way.

The issue of how "trademark use" should be interpreted in the Google AdWords cases is far from resolved. Courts are split between the "narrow" interpretation, the interpretation applied in *Rescuecom v. Google* – that defines "trademark use" as "one indicating source or

⁶⁴ Barrett, *supra* note 51, at 422-23; *see also* Planned Parenthood Fed'n of Am., Inc. v. Bucci, 152 F.3d 920 (2d Cir. 1997).

⁶⁵ Barrett, *supra* note 51, at 422-23; *see also* People for the Ethical Treatment of Animals, Inc. v. Doughney, 263 F.3d 359 (4th Cir. 2001).

⁶⁶ Barrett, *supra* note 51, at 427; *see also* Brookfield Commc'ns, Inc. v. West Coast Entm't Corp., 174 F.3d, 1036, 1064 (9th Cir. 1999).

⁶⁷ For example, when someone enters "American Blind," Google's services as a search engine are not being advertised under the "sponsored links" section, but the companies that purchased the term from AdWords are. Moreover, Google's role as a search engine is not in competition with a wallpaper and blinds retailer such as American Blind. *See* Isaiah F. Fishman, *Why are Competitor's Advertising Links Displayed When I Google My Product? An Analysis of Internet Search Engine Liability for Trademark Infringement*, 5 J. MARSHALL REV. INTELL. PROP. L. 430, 430 (2006).

origin,”⁶⁸ i.e., “placing trademarks on ‘goods or services in order to pass them off as emanating from or authorized by’ the trademark owner”⁶⁹ – and the “broad” interpretation, the interpretation applied in the *American Blind*, *GEICO*, and *800-JR Cigar* cases.

Google and proponents of the narrow interpretation of “trademark use” argue that there should be “no liability under the Lanham Act absent the use of a trademark in a way that identifies the products and services being advertised by the defendant.”⁷⁰ Thus, because Google doesn’t use other businesses’ trademarks to identify its own services, the Google AdWords Keyword Tool does not qualify as “use in commerce” under this reading of the law.⁷¹

In contrast, businesses trying to protect their trademarks favor a much broader reading of what constitutes “use in commerce.” These trademark holders argue that although Google does not use the trademarks as an identifier of its products or services, Google uses the trademarks as a product when it sells advertising to companies who want to be associated with said trademark holder. The argument for liberal interpretation ultimately reasons that because the overriding policy of trademark law is to prevent consumer confusion, “the ‘use in commerce’ definition should be interpreted flexibly enough so as to prevent that use.”⁷²

Which interpretation should prevail? In addressing this question, the rest of this paper will evaluate the competing policies behind a narrow versus broad interpretation of “trademark use,” to argue that “trademark use” should not be expanded to include the practice of selling trademarked terms and that, as such, AdWords’ practice of “keying” does not amount to “trademark use.” Therefore, because plaintiff will not be able to satisfy a key element required for a successful Lanham Act violation, Google AdWords will not be liable for direct trademark infringement.

⁶⁸ *Rescuecom Corp. v. Google, Inc.*, No. 8:04-CV-1055 (NAM/GHL), 2006 U.S. Dist. LEXIS 70409, *14-*15 (N.D.N.Y. Sept. 28, 2006) (citing *Pirone v. MacMillan, Inc.* 894 F.2d 579, 583 (2d Cir. 1990)).

⁶⁹ *Rescuecom*, 2006 U.S. Dist. LEXIS 70409, *14-*15 (citing *1-800-Contacts, Inc. v. WhenU.Com*, 414 F.3d 400, 408 (2d Cir. 2005)).

⁷⁰ Sarah J. Givan, *Using Trademarks as Location Tools on the Internet: Use in Commerce?* 2005 UCLA J.L. TECH. 4, 34 n.84 (2005).

⁷¹ *Id.*

⁷² Fishman, *supra* note 67, at 447.

V. THE CASE FOR A NARROW INTERPRETATION OF “TRADEMARK USE” AS APPLIED TO CONTEXTUAL ADVERTISING

One argument for construing “trademark use” narrowly is that an expansive interpretation may have anticompetitive effects because it permits trademark owners to erect substantial barriers to competition.⁷³ According to traditional interpretations, “trademark law strikes a careful balance to ensure that genuinely deceptive (and more recently, dilutive) uses of marks, which increase consumer search costs, are prohibited, while uses to critique or compare the mark owners’ products and thus enhance the flow of useful information to consumers are permitted.”⁷⁴ Overprotection skews that balance by suppressing information essential to a properly functioning market.⁷⁵

One argument for narrow protection of trademarks is the desire to allow competitors to enter the marketplace. Threats of lawsuits to enforce “property-like” trademark rights hinders commercial competitors by disrupting the marketing of new, competing products.⁷⁶ Furthermore, overprotection gives mark owners a competitive advantage by enabling them to differentiate their products, gather excessive market power, and generate the downward sloping demand curve of monopolists without the offsetting efficiency gains that justify more narrowly confined trademark rights.⁷⁷ In addition, overprotection of trademarks may also infringe on the public’s freedom to choose between competing products. In its amicus brief in *1-800 Contacts*,⁷⁸ Google analogized its keying practice to walking into a drug store to purchase a certain type of drug and finding the drug store’s generic brand next to the name brand product.⁷⁹ The generic brand is “riding off” the benefit of the trademarked product by being placed next to the trademarked product; however, it is not a violation of trademark law because the trademark is not placed on the generic product itself, nor does placing a generic product next to a trademarked product confuse consumers as to which product is which. A consumer who chooses to purchase the generic product over the trademarked product in this situation is making an informed and individualized choice. Thus, extending trademark protection to such uses would effectively deny consumers the opportunity to make individualized decisions in the absence of confusion. Likewise,

⁷³ Barrett, *supra* note 51, at 450.

⁷⁴ *Id.*

⁷⁵ *Id.*

⁷⁶ *Id.*

⁷⁷ *Id.*

⁷⁸ Fishman, *supra* note 67, at 447.

⁷⁹ *Id.*

when a consumer enters a keyword into Google's search engine and is presented with a list of sponsored links for similar products or services, the consumer should have the freedom to make an individualized decision in that situation as well.

Another argument in favor of the more traditional interpretation of "trademark use" is that liberal protection of trademark rights may interfere with traditional First Amendment interests in freedom of expression. According to Judge Kozinski:

Trademarks play a significant role in our public discourse. They often provide some of our most vivid metaphors, as well as the most compelling imagery in political campaigns. Some ideas – "it's the Rolls Royce of its class," for example – are difficult to express any other way. That's no accident. Trademarks are often selected for their effervescent qualities, and then injected into the stream of communication with the pressure of a fire hose by means of mass media campaigns. Where trademarks come to carry so much communicative freight, allowing the trademark holder to restrict their use implicates our collective interest in free and open communication.⁸⁰

The purpose of trademark protection was never to grant rights in gross in words. Further expansion of trademark rights threatens to start down on a slippery slope to granting such rights. In the digital world, where words are the building blocks in the information economy and the main vehicles of expression, it is tantamount that trademarked words receive the minimal protection necessary so as not to stifle the dissemination of information or freedom of expression.

A third policy argument in favor of a narrow interpretation of the "trademark use" requirement is that a narrow interpretation strikes a better balance among the competing policies of trademark law than its broader counterpart. The ultimate purpose of trademark protection is to foster competition. As mentioned above, trademark protection does this by preventing misleading uses of marks that may confuse consumers about the source, sponsorship, or affiliation of the products or services they buy. This reduces consumer search costs, promotes marketplace efficiency, and enables producers to reap the benefits of their investment in product quality and business goodwill, thus providing an incentive to strive for quality.⁸¹ On the other hand, the laws of trademark protection also recognize that the goal of fostering competition must be tempered: overprotection of marks may itself impede

⁸⁰ Barrett, *supra* note 51, at 451.

⁸¹ *Id.* at 376

competition as well as First Amendment interests.⁸² As one of the critical elements, the “trademark use” requirement must also be in line with these policies. A broad interpretation would prioritize the goals of protecting the company’s interest over the other interests. This defeats the purpose of trademark law. Thus, courts should interpret “trademark use” narrowly because such an interpretation meets these goals without prioritizing one policy over the others.

Finally, the “trademark use” requirement should be interpreted narrowly because there is “no reason to think that continued application of the requirement will interfere with the effectiveness of trademark law to accomplish its purposes in the Internet context.”⁸³ Trademark protection facilitates a competitive marketplace by enabling consumers to rely on the information that marks provide in making purchasing decisions and to ensure that consumers are able to buy what they want efficiently.⁸⁴ The social importance of a mark lies in its association with a product or service that is being offered for sale. According to one commentator:

Search engines’ use of marks to trigger contextual advertising merely offers a more effective way for competitors to do what they have always done. Locating one’s shop or purchasing advertising in the proximity of a competitor’s shop or advertising has long been understood to be a legal and appropriate way to compete for business. A search engine’s hidden use of marks to accomplish this in the Internet context poses no threat to the effectiveness of marks to communicate to consumers information about the source, quality, or characteristics of the user’s goods or services.⁸⁵

Thus, if a mark is being used in a way that does not expose it to consumers or does not associate it with the user’s goods or services, then there is no reason for the law to intervene to grant broader protection to the mark.⁸⁶

Given these reasons, courts should not interpret “trademark use” expansively. Rather, courts should apply the *Rescuecom* interpretation, that “trademark use” must require that the trademark be placed visibly on goods or services so as to confuse the consumer as to the actual source of the goods.

⁸² *Id.* at 378

⁸³ *Id.* at 452.

⁸⁴ *Id.*

⁸⁵ *Id.* at 455-56.

⁸⁶ *Id.* at 452.

VI. ADWORDS' PRACTICE OF SELLING TRADEMARKS AS KEYWORDS IS NOT A "TRADEMARK USE"

Having established that a narrow interpretation of "trademark use" should be applied in contextual advertising cases, Google AdWords' practice of selling trademarks as keywords does not rise to the level of "trademark use" under this interpretation.

First, Google AdWords' practice of selling and keying ads to trademarked terms is not a "trademark use" because the trademarks do not appear in the links among the sponsored links; thus, Google does not place the trademarks on "goods or services." Furthermore, because the trademarks do not appear in the links, Google cannot pass off the trademarks to consumers as emanating from or authorized by the trademark owners. In addition, according to *Rescuecom v. Google* and the *WhenU* line of cases, where trademarks are used internally, purely as a "machine-linking function," there is no trademark use and no infringement. Because Google does not use the marks to identify or distinguish the source of goods or services, but rather only uses the terms in its internal algorithm to bring up the sponsored link search results, there is no "trademark use."

Finally, there is no "trademark use" because a consumer is not confused regarding Google's practice as a search engine. As discussed above, the key test in finding a "trademark use" is whether a consumer is likely to be confused about the source. For example, if a generic shoe company were to place the Puma trademark on its shoes, a consumer is likely to be confused as to source because the consumer may presume that the generic shoes were Puma shoes. This is a "trademark use." But, when a consumer enters a trademark as a search term into Google's search engine, the consumer is not likely to be confused about the source vis à vis Google because he/she understands that Google is producing a list of relevant search results and sponsored links. The fact that Google is not the competitor of either the businesses who own the trademarks or the businesses who buy the trademarked domain names and that Google is not using trademarks to sell its own products or services weighs heavily against a finding of confusion as to the source and a finding of "trademark use."

Given the reasons above, AdWords' practice of selling trademarks as keywords is not a "trademark use." Thus, because there is no "trademark use," Google AdWords cannot be liable for trademark infringement.

VII. CONCLUSION

The above policy arguments outline the multitude of reasons in support of a narrow interpretation of “trademark use.” Ultimately, any analysis on the issue of whether Google AdWords’ practice of selling trademarked terms as keywords is a “trademark use” under trademark law must balance the interest in protecting businesses from unfair competition with the interest in ensuring a free flow of information. Failure to balance these interests will defeat the purpose of trademark law.

Specifically applied to Google AdWords, an expansive interpretation of “trademark use” skews the balance in favor of the interests of trademark owners and overlooks the negative repercussions of this imbalance, such as potentially stifling competition in the free marketplace and restricting freedom of speech and expression. A narrow interpretation, however, ensures a better balance between these competing interests and is consistent with traditional interpretations of the “trademark use” requirement.

Applying the narrow interpretation, a court will not be able to establish that Google AdWords uses the trademarks “as a trademark” because the trademarks are only used internally within Google’s algorithm and are not used in any way that is visible to the consumer. Thus, there is no “trademark use.” Because “trademark use” is a necessary element in a successful claim for trademark infringement, if there is no “trademark use,” there can be no infringement and Google cannot be liable as such.