
Intellectual Property

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Trademarks on the Internet – Fair Play or Fair Game?

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When it comes to use of trademarks on the Internet, it's all about fairness – fairness to the trademark owner, to the consumer, to competitors, and to purveyors of Internet searching and other services.

Fairness has always played a role in determining whether use of a trademark has crossed the line and become unlawful. The test for trademark infringement typically mirrors the test for unfair competition, and the phrase “unfair competition” itself underscores the fact that only certain “unfair” types of competition are prohibited. Furthermore, there is a recognized “fair use” defense to trademark infringement.

But fairness is a subjective and fact-based concept, and the judicial system is currently confronting the question of what is “fair” in regard to trademarks in the dynamic Internet environment.

Internet trademark issues first hit the legal radar screen with the use of trademarks in domain names, and officials reacted by adopting new federal laws and administrative dispute procedures. More recently, with the explosion of new and evolving forms of Internet advertising, the focus has shifted to the use of trademarks by search engines and online advertisers, with only guidelines and principles – and no clear answers – available at this stage of the debate.

The Struggle With Domain Names

When the Internet gold rush was at its peak, companies and individuals rushed out to stake their claims to domain names. Companies who had been peacefully sharing the same name in different fields suddenly found themselves competing for exclusive rights to a particular domain name. Newcomers insisted they had a right to register domain names containing generic or descriptive terms, even if another company had developed brand recognition using those terms in a different industry. Of course, many opportunists – so-called “cybersquatters” – also seized upon the chance to register desirable names in hopes of selling them for profit.

Because a domain name often gives no indication of the products offered on the corresponding website, traditional trademark rules have been difficult to apply to domain name disputes. Trademarks are usually evaluated in the context of the goods or services for which they are used. If the goods or services are distinguishable (e.g., one company uses the trademark on computers and another uses the trademark on fishing poles), then identical trademarks generally are permitted to co-exist because consumers are unlikely to be confused about whether the sources of those products are related. The absence of a likelihood of

confusion creates a situation that is generally deemed to be fair to consumers and to trademark owners.¹

On the Internet, on the other hand, consumers cannot see what goods or services are being offered until they have viewed the webpage associated with a domain name. This new technology presented new legal issues.

To address this new reality, some courts relied upon a concept called “initial interest confusion.”² As applied to the Internet, the concept recognizes that consumers frequently rely on trademarks to find websites – for example, consumers often submit trademarks to an Internet search engine or use trademarks when guessing at a desired website address. Consequently, an opportunistic party can attract consumers to its website by using another party’s trademark (e.g., in the opportunistic party’s domain name, web address, metatags and other hidden source code, or even in the text of its website), thereby benefiting from the consumers’ “initial interest” in locating the trademark owner’s website.

Taking advantage of another’s trademark has been deemed to be unfair, and to curb this new species of misappropriation, courts have cited initial interest confusion to find trademark infringement even in cases where consumers, upon reaching the infringer’s website, quickly realize that the website is unrelated to the trademark that triggered their search. Although courts have applied the initial interest confusion concept somewhat inconsistently to the Internet, their application of the concept generally has been aimed at protecting a trademark owner from a competitor’s unfair use of the trademark.³

Similarly, to reach a fair compromise between trademark owners and domain name opportunists, lawmakers developed the federal Anticybersquatting Consumer Protection Act,⁴ and the internationally organized non-profit corporation known as ICANN (Internet Corporation for Assigned Names and Numbers) created the Uniform Domain Name Dispute Resolution Policy.⁵ Such mechanisms enable

¹ Even if there is no likelihood of confusion, use of a famous trademark is sometimes deemed to be unfair to the owner of that trademark. To address the unfairness in such instances, the concept of “trademark dilution” was developed. See 15 U.S.C. § 1125(c).

² See, e.g., *Brookfield Communications Inc. v. West Coast Entm’t Corp.*, 174 F.3d 1036 (9th Cir. 1999) (ordering preliminary injunction against West Coast Entertainment’s use of MOVIEBUFF and MOVIEBUFF.COM on account of potential initial interest confusion with Brookfield Communications’ MOVIEBUFF trademark).

³ See, e.g., *OBH, Inc. and Columbia Ins. Co. v. Spotlight Magazine, Inc.*, 86 F. Supp. 2d 176 (W.D. N.Y. 2000) (enjoining use of THEBUFFALONEWS.COM by disparaging competitor on grounds of initial interest confusion for consumers expecting to arrive at The Buffalo News website); *Interstellar Starship Servs. v. Epix, Inc.*, 184 F.3d 1107 (9th Cir. 1999) (reversing declaratory judgment that permitted Interstellar’s use of EPIX.COM, and explaining that initial interest confusion could result because parties operate in similar markets and Interstellar might obtain consumers by capitalizing on Epix’s goodwill); cf. *Chatam Int’l Inc. v. Bodum, Inc.*, 157 F. Supp. 2d 549 (E.D. Pa. 2001) (dismissing complaint by producer of “Chambord Liqueur Royale” against Bodum’s use of CHAMBORD.COM for “Cafetiere Chambord” coffeemakers, and finding no initial interest confusion because parties were not competitors and Internet users were not likely to be confused).

⁴ 15 U.S.C. § 1125(d).

⁵ *Uniform Domain Name Dispute Resolution Policy* (Oct. 24, 1999), available at <http://www.icann.org/udrp/udrp-policy-oct99.htm>.



trademark owners to take action against confusingly similar domain names but, in a nod to fairness, require that the trademark owner prove that those domain names were registered “in bad faith.”

Pop-Ups, Pop-Unders, Pop-Overs – Oh My!

As the clamor over domain names diminished with the arrival of the anti-cybersquatting legislation and policies, the judicial focus regarding trademarks on the Internet shifted to expanding forms of advertising.

Driven by the effectiveness of such Internet ads and the competing technological measures designed to thwart them, Internet advertising continues to evolve and includes pop-ups (ads that appear in a separate window in front of the consumer’s Internet browser window), pop-unders (ads that appear in a separate window beneath the Internet browser window so that the consumer sees them once the browser window is closed) and pop-overs (ads that function and look like pop-up ads but are technically displayed in a new layer rather than a new window).

Many ads display trademarks or lead to other websites that display trademarks. Additionally, trademarks are often incorporated into the programming code that triggers targeted ads to appear. With the proliferation of advertising on the Internet, intense competition in cyberspace, and consumers struggling to minimize or eliminate the intrusion of online advertisements, a new legal battleground has emerged for testing fairness in the use of trademarks.

Gator’s Pop-Up Ads Enjoined

One of the first reported decisions involving the use of trademarks in Internet advertising dates back to July 2002, when a federal court in Virginia granted a preliminary injunction against online marketing company The Gator Corporation (“Gator”).⁶

Gator, which is now part of Claria Corporation, distributed ad-related software (“adware”) that became installed on many Internet users’ computers. The adware tracked consumers’ Internet activities and used various criteria, including trademarks, to trigger the display of targeted pop-up ads when a consumer visited specific websites.

Sometimes the Gator ads featured trademarks belonging to competitors of the website that the consumer was visiting. For example, when some consumers visited the WeightWatchers.com website, they received a pop-up ad for DietWatch.com (a result which prompted WeightWatchers to obtain an injunction against DietWatch in June 2002).⁷

But in other instances, Gator’s software displayed ads and trademarks that were not in direct competition with the goods or services offered on the underlying website. Such was the case in a lawsuit brought by The Washington Post and



⁶ *Washingtonpost.Newsweek Interactive Co., LLC, et al. v. The Gator Corp.*, 2002 WL 32153438 (E.D. Va. 2002).

⁷ *Weightwatchers.Com, Inc. v. Dietwatch.Com, Inc.*, 2002 WL 1797753 (S.D.N.Y. 2002).

other publishers against Gator in 2002.⁸ The publishers argued that Gator was luring away their prospective advertisers by suggesting that it was more effective to advertise on a targeted website through Gator than to approach the owner of that website for advertising space.⁹

In a succinct one-and-a-half page order, the District Court in Virginia granted the publishers' request for a preliminary injunction against Gator. The injunction in part prohibited Gator from (1) causing its pop-up ads to be displayed on any website owned by or affiliated with the plaintiffs without the plaintiffs' express consent; (2) making any designations of origin, descriptions, representations or suggestions that the plaintiffs are the source, sponsor or in any way affiliated with Gator's advertisers or the advertisers' websites, services and products; and (3) infringing, or causing any other entity to infringe, the plaintiffs' trademarks and/or other service mark rights.¹⁰

In its brevity, this *Gator* order left some key questions unanswered. For example, it summarily enjoined Gator from "infringing" the plaintiffs' trademarks without clarifying what type of trademark use would constitute infringement in the online world. Similarly undefined was non-infringing "fair use" of a trademark.

Presumably, the *Gator* order reflected the court's attempt to balance the competing interests of the publishers and the online marketing company. In this case, the court concluded that the balance of fairness tilted in favor of the publishers, perhaps because of allegations that Gator was luring away prospective advertisers from the publishers, or perhaps because of the court's apparent belief that Gator's pop-up ads were altering the appearance of the publishers' websites.

WhenU's Pop-Up Ads Deemed Permissible

The dividing line between trademark infringement and permissible advertising practices in the online world was addressed again in 2003 when the federal courts began grappling with three different cases involving one of Gator's competitors, WhenU.com, Inc. ("WhenU"). When the dust settled, WhenU had prevailed in all three.

WhenU distributed a downloadable software program named "SaveNow." Similar to the Gator software, WhenU's software program displayed pop-up ads based on a comparison of the consumer's Internet activities and commonly used search phrases, commonly visited web addresses and various keyword algorithms. The search phrases, web addresses and keywords included other parties' trademarks.

As SaveNow was generally bundled with other software programs, many consumers did not know it was on their computers. Presumably to address concerns arising from such lack of consumer knowledge, WhenU's pop-up ads

⁸ *Washingtonpost.Newsweek*, 2002 WL 32153438.

⁹ *Id.*

¹⁰ *Washingtonpost.Newsweek Interactive Co., LLC., et al. v. The Gator Corp.*, 2002 WL 31356645 (E.D. Va. 2002). Following the court's granting of the preliminary injunction, Gator settled the publishers' lawsuit. A number of businesses (e.g., L.L. Bean, UPS, Extended Stay America, Wells Fargo, Quicken Loans and Teleflora) filed subsequent lawsuits against Gator and Claria Corporation, but such suits were similarly settled.



began featuring the “SaveNow” trademark on the ad’s title bar and including a disclaimer at the bottom of each ad which stated, “This offer is provided by WhenU Software. It is not sponsored or displayed by any web sites you may be visiting. Click ? for more info.” The disclaimer, however, was not enough to help WhenU avoid multiple lawsuits alleging trademark infringement.¹¹

U-Haul International v. WhenU

U-Haul cried foul when visitors to its website were greeted with WhenU pop-up ads for U-Haul competitors. Claiming that the WhenU pop-up ads were based on U-Haul’s web address and its “U-HAUL” trademark, U-Haul sued WhenU in October 2002.¹² While Eastern District of Virginia Judge Lee expressed frustration at being bombarded by pop-up ads, he went on to grant summary judgment dismissing U-Haul’s case.¹³

In finding WhenU’s ads permissible, the court emphasized that WhenU was not placing the U-HAUL trademark in commerce and thus had not engaged in the “use in commerce” required for a finding of trademark infringement. Rather, the court explained, “WhenU merely uses the marks for the ‘pure machine-linking function’ and in no other way advertises or promotes U-Haul’s web address or any other U-Haul trademark.”¹⁴

The court also highlighted several factors which might explain why it dismissed the case: (1) WhenU’s pop-up ads appeared in their own separate, distinct and WhenU-branded window; (2) WhenU’s pop-up ads did not include U-Haul’s name or trademarks; and (3) WhenU did not sell U-Haul’s web address to advertisers.¹⁵ Perhaps most importantly, the court viewed U-Haul’s claims as relating to mere annoyance rather than significant harm and expressly framed the case as “an attempt by a trademark owner and copyright holder to limit annoying pop-up advertising from blotting out its website on the individual computer user’s screen.”¹⁶ Thus, fairness, in this case, appeared to tip the scale in WhenU’s favor.

¹¹ The Federal Trademark Commission has since pursued claims under the Federal Trademark Commission Act (15 U.S.C. § 45(a)(1)) against companies that allegedly downloaded ad-related software onto consumers’ computers without their knowledge or consent. *See, e.g., Fed. Trade Comm’n v. Seismic Entm’t Prods., Inc. et al.*, 2004 U.S. Dist. Lexis 227788 (D.N.H. Oct. 21, 2004) (granting temporary injunctive relief because defendants’ unauthorized downloading of software that delivered pop-up ads likely constituted an unfair or deceptive act or practice in commerce).

Similarly, some states have adopted or are considering legislation to address the downloading of such unauthorized ad-related software (so called “Spyware” or “Adware”). In an effort to provide a uniform federal approach, Congress and the FTC are also working on legislation, including S. 2145 (“SPY BLOCK” introduced Feb. 27, 2004), H.R. 29 (“SPYACT” introduced Jan. 4, 2005) and H.R. 4661 (“I SPY” introduced June 23, 2004).

¹² *U Haul Int’l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723 (E.D.Va. 2003).

¹³ *Id.* at 729. Although U Haul appealed the dismissal of its suit against WhenU, the parties ultimately settled.

¹⁴ *Id.* at 728.

¹⁵ *Id.* at 729.

¹⁶ *Id.* at 725.



Wells Fargo & Co. v. WhenU

Following the *U-Haul* case, WhenU scored another victory in a similar case brought by Wells Fargo and Quicken Loans.¹⁷ Like the court in the *U-Haul* case, the federal court in the Eastern District of Michigan held that WhenU had not “used” the plaintiffs’ trademarks in commerce, and it declined to issue a preliminary injunction against WhenU.¹⁸

Wells Fargo and Quicken Loans made many of the same arguments that U-Haul had made in the Eastern District of Virginia, and the Eastern District of Michigan disposed of them in much the same way. Rejecting the plaintiffs’ claim of initial interest confusion, the court explained that the Sixth Circuit had not adopted that doctrine.¹⁹

As in the *U-Haul* case, lack of significant competitive harm may have been a principal factor in the court’s decision not to steer this developing area of law against WhenU. The court noted that “plaintiffs have failed to come forward with concrete evidence of even a single customer or potential customer who failed to purchase products or services from them because of WhenU.”²⁰ The court also explained that the “dilatatory behavior of the plaintiffs in prosecuting their claims, and their strategic decision to defer a trademark case while they fulfilled the jurisdictional requirements for a copyright claim, are inconsistent with a finding that WhenU’s ads are causing the plaintiffs’ irreparable injury.”²¹

Furthermore, fairness arguably tipped the scale in WhenU’s favor based on the court’s finding that the plaintiff Quicken Loans itself had benefited from WhenU’s software.²² A company related to Quicken had been using WhenU to advertise its products, thereby driving Internet traffic to sites belonging to the Quicken family of entities.²³

1-800 Contacts v. WhenU

WhenU’s latest victory confirms that the scales of fairness have continued to tip in WhenU’s favor. In 2003 in the Southern District of New York, 1-800 Contacts argued it was being harmed by WhenU’s software because visitors to its website were encountering pop-up ads promoting competitor Vision Direct. The district court agreed and, in sharp contrast to the *U-Haul* and *Wells Fargo* cases, issued a preliminary injunction against WhenU.²⁴ Two years later, the Second Circuit Court

¹⁷ *Wells Fargo & Co. v. WhenU.com*, 293 F. Supp. 2d 734 (E.D. Mich. 2003).

¹⁸ *Id.* at 769, 773. Although their request for a preliminary injunction was denied, Wells Fargo and Quicken Loans continued to pursue their lawsuit against WhenU; the case was settled in March 2005. *Wells Fargo Co., et al. v. WhenU.com, Inc.*, 2:03 cv 71906 NGE (E.D. Mich. 2003).

¹⁹ *Wells Fargo & Co.*, 293 F. Supp. 2d at 764.

²⁰ *Id.* at 755.

²¹ *Id.*

²² *Id.* at 755-56.

²³ *Id.*

²⁴ *1-800 Contacts, Inc. v. WhenU.Com and Vision Direct, Inc.*, 309 F. Supp. 2d 467 (S.D.N.Y. 2003). Bolstered by its initial success, 1-800 Contacts also launched a similar lawsuit in March 2004 in Utah against its competitor Coastal Contacts for pop-up ads encountered upon visiting 1-800 Contacts’ website. *1-800 Contacts v. Coastal Contacts*, 04 cv 249 (C.D. Utah 2004). The suit was settled in November 2004.



of Appeal sided with WhenU, vacating the preliminary injunction and remanding with instructions to dismiss 1-800 Contacts' trademark infringement claims.²⁵

The district court emphasized several times that the defendants were profiting and "piggy-backing" on the plaintiff's goodwill and reputation,²⁶ and a belief that WhenU and Vision Direct had crossed the line into unfair conduct appeared to underlie the district court's reasoning and injunction against them.

The Second Circuit disagreed and concluded that WhenU had not "used" 1-800 Contacts' trademarks and was therefore not infringing those trademarks.²⁷ The court explained that WhenU had relied on the web address www.1800contacts.com to trigger pop-up ads, and that a web address, unlike a trademark, is like "a public key" that is fair for WhenU to use in this manner.²⁸

The Second Circuit also emphasized that: (1) the pop-up ads appeared in separate WhenU-branded windows which had "absolutely no tangible effect on the appearance or functionality of the 1-800 website"²⁹; (2) the pop-up ads did not contain or display the trademark 1-800 CONTACTS³⁰; (3) the pop-up ads did not actively divert or misdirect users³¹; (4) the pop-up ads could be triggered by clicking on hyperlinks and not solely by typing in a particular web address³²; (5) WhenU's software is voluntarily downloaded by users³³; (6) WhenU does not sell specific keywords to advertisers³⁴; and (7) WhenU's SaveNow directory is inaccessible to the public thus precluding the possibility of visual confusion.³⁵ "A company's internal utilization of a trademark in a way that does not communicate it to the public is analogous to a [sic] individual's private thoughts about a trademark," the court concluded.³⁶ "Such conduct simply does not violate the Lanham Act"³⁷

In reaching its conclusion, the Second Circuit also analogized the situation to one in which a drug store places its generic brand on the shelf next to its competitor's brand, hoping to "induce a customer who has specifically sought out the trademarked product to consider the store's less-expensive alternative."³⁸ Such competitive product placement is tolerated, the court explained, and "it is routine for vendors to seek specific 'product placement' in retail stores precisely to

²⁵ *1-800 Contacts, Inc. v. WhenU.com, Inc. and Vision Direct, Inc.*, 414 F.3d 400 (2d Cir. 2005).

²⁶ *1-800 Contacts Inc.*, 309 F. Supp. 2d at 498.

²⁷ *1-800 Contacts Inc.*, 414 F.3d at 403.

²⁸ *Id.* at 408-409.

²⁹ *Id.* at 410.

³⁰ *Id.*

³¹ *Id.* at 411.

³² *Id.* at 410.

³³ *Id.* at 404.

³⁴ *Id.* at 409.

³⁵ *Id.*

³⁶ *Id.*

³⁷ *Id.*

³⁸ *Id.* at 411.



capitalize on their competitors' name recognition."³⁹ In essence, WhenU's conduct was deemed fair because similar conduct is considered fair outside the Internet context.

The Search Engines Join the Fray

With online advertising revenue fueling many Internet companies, Internet search engines quickly joined the ranks of advertisers displaying targeted ads. Search engines began selling the right to have ads or "sponsored links" displayed, or to have preferred positioning, on the search results page when a consumer used the engine to search for particular terms or phrases ("keywords"). Because such keywords included other parties' trademarks, infringement lawsuits soon followed.

Playboy Pursues Suit Against Netscape's Keyword-Based Ads

The case of *Playboy Enterprises, Inc. v. Netscape Communications Corps.* challenged Netscape's use of keyword-based banner ads.⁴⁰ While the holding itself was not momentous (the court merely decided that disputed factual issues precluded summary judgment of non-infringement for the defendants), the Ninth Circuit panel used the occasion to express its views on several important Internet commerce trademark issues.

In *Playboy*, Netscape sold adult-oriented advertisers the rights to a list of 400 keywords, and the list included the terms "playboy" and "playmate" (which also function as trademarks of Playboy Enterprises).⁴¹ As a result, when a user searched on Netscape for the term "playboy" or "playmate", the search results screen would display one or more of the adult-oriented advertisers' ads.⁴²

Unlike the courts in the WhenU cases, the Ninth Circuit did not analyze whether Netscape "used" the plaintiff's trademarks. Instead, it appeared to assume that Playboy had proven "use" and went straight to "the core element of trademark infringement; the likelihood of confusion"⁴³ On this key issue, the court found that the "Internet user will have reached the site because of defendants' use of [Playboy's] mark" and it concluded: "Such use is actionable."⁴⁴

The court found that Playboy's strongest argument against Netscape was based on the doctrine of initial interest confusion (which has been adopted in the Ninth Circuit but not in all Circuits, as evidenced by the *Wells Fargo* case).⁴⁵ According to the Ninth Circuit, even though consumers visiting the other party's website might come to realize that it was unrelated to Playboy, the damage was already done once the user had connected to the unrelated website.⁴⁶ "Through initial consumer

³⁹ *Id.*

⁴⁰ 354 F.3d 1020 (9th Cir. 2004). "Banner ads" (in contrast to pop-up, pop-under and pop-over ads) are displayed as part of the webpage that the consumer is viewing in the Internet browser window.

⁴¹ *Id.* at 1023.

⁴² *Id.*

⁴³ *Id.* at 1024.

⁴⁴ *Id.* at 1026.

⁴⁵ *Id.* at 1024.

⁴⁶ *Id.* at 1025.



confusion, the competitor 'will still have gained a customer by appropriating the goodwill that [Playboy] has developed in its mark.'"⁴⁷

Like the Southern District of New York's anti-piggy-backing sentiments in the *1-800 Contacts* case, the *Playboy* decision can be read as indicating that courts will not tolerate use of a trademark that capitalizes on the goodwill of the trademark owner.

However, a concurring opinion by Judge Berzon left open the possibility that trademarks could be used to trigger online ads so long as the ads did not confuse consumers about their source. Specifically, Judge Berzon said that the court was "not addressing a situation in which a banner advertisement clearly identifies its source with its sponsor's name, or in which a search engine clearly identifies a banner advertisement's source."⁴⁸ Therefore, an ad that conveys a readily identifiable and distinguishable source might be permissible.

In response to Netscape's assertion of a "fair use" defense, the court expressed the view that a "fair use" could never be a "confusing use."⁴⁹ Other courts, however, had found just the opposite,⁵⁰ and the United States Supreme Court subsequently weighed in and held that the classic fair use defense (where the trademark owner's mark is used to describe the alleged infringer's product) is available even if there is "some possibility of consumer confusion."⁵¹ Consequently, whether Netscape's keyword practices constitute fair or unfair use remains an open issue.⁵²

Google Draws Fire With Its "AdWords" Program

Several cases involving Google, a popular Internet search engine, demonstrate that the trademark/keywords debate is far from over. Google operates a marketing program called "AdWords" through which an advertiser can buy the right to be associated with particular keywords.⁵³ Through AdWords, the advertiser and its link are displayed in a highly visible position when an Internet user enters the selected keywords into the Google search engine. Google has reported that more than 100,000 advertisers participate in its AdWords program⁵⁴ and that, in 2003, 97 percent of Google's profits come from targeted advertising.⁵⁵ Much is at stake as the battles continue over the fairness of Google's practices.

⁴⁷ *Id.* (quoting *Brookfield Communications Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1057 (9th Cir. 1999)).

⁴⁸ *Id.* at 1030.

⁴⁹ *Id.* at 1029.

⁵⁰ See, e.g., *Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond's USA Co.*, 125 F.3d 28 (2d Cir. 1997) (holding that fair use is a defense even if there is a likelihood of confusion between the marks).

⁵¹ *KP Permanent Make Up, Inc. v. Lasting Impression, Inc.*, 04 C.D.O.S. 10722 (Dec. 8, 2004).

⁵² Netscape settled its case with Playboy in January 2004.

⁵³ See <http://www.google.com/ads/>.

⁵⁴ CNET News.com, *Google Blows Past Estimates* (April 21, 2005), available at http://news.com.com/2100-1030_3-5680097.html.

⁵⁵ See Google Inc.'s "Form S-1 Registration Statement under the Securities Act of 1933" filed with the U.S. Securities and Exchange Commission on August 9, 2004, available at <http://www.secinfo.com/d14D5a.144az.htm>.



American Blind & Wallpaper Factory v. Google

Despite the success of Google's AdWords program, it has drawn criticism from trademark owners who believe that Google and others have unfairly profited from the owners' trademarks. One such owner, American Blind & Wallpaper Factory ("ABW"), notified Google that it was infringing ABW's alleged trademark rights in phrases such as "American Blind & Wallpaper Factory," "American Blind Factory" and "Decorate Today."

In a pre-emptive strike, Google filed a lawsuit in California seeking declaratory relief.⁵⁶ Shortly thereafter, ABW filed its own lawsuit in New York against Google and other companies that used the Google search engine (i.e., America Online Inc., Netscape Communications Corp., CompuServe Interactive Services Inc., Ask Jeeves Inc. and EarthLink Inc.).⁵⁷ In June 2004, the New York court granted Google's motion to dismiss ABW's suit on grounds of improper venue.⁵⁸

However, the dispute between Google and ABW continues in California, where the court recently ruled on Google's motion to dismiss and allowed most of ABW's claims to go forward.⁵⁹ In doing so, the court acknowledged that, given "the uncertain state of the law," there is a need to "consider both the relevant facts and the applicable law in the context of a fuller record."⁶⁰ It also found that ABW's allegations of "use" might be actionable and cited the Playboy decision for the proposition that initial interest confusion could result from Google's use of ABW's trademarks.⁶¹ Consequently, although the court dismissed ABW's claim of tortious interference with prospective business advantage (on the grounds that returning or future customers do not possess the necessary preexisting relationship with ABW to support such a claim)⁶², the court's refusal to dismiss the bulk of ABW's claims evidences a potential expansion of what might constitute "unfair use" of another's trademarks.

GEICO v. Google

In May 2004, insurance company GEICO filed a suit against Google and Overture Services (a subsidiary of Yahoo!) disputing the defendants' trademark-triggered advertising.⁶³ The Eastern District of Virginia began by denying the defendants' motions to dismiss and for summary judgment (thus permitting GEICO's suit to proceed) and ruling that Google's use of trademarks on the search results page constituted an actionable "use in commerce."⁶⁴

⁵⁶ *Google, Inc. v. American Blind & Wallpaper Factory Inc.*, 5:03-cv-05340-JF (N.D. Cal. 2003).

⁵⁷ *American Blind & Wallpaper Factory Inc. v. Google, Inc.*, 1:04 cv 00642 LLS (S.D.N.Y. 2004).

⁵⁸ *Id.*

⁵⁹ *Google, Inc. v. American Blind & Wallpaper Factory Inc.*, 2005 WL 832398 (N.D. Cal.).

⁶⁰ *Id.* at *7, *9.

⁶¹ *Id.* at *5-6.

⁶² *Id.* at *9.

⁶³ *Gov't Employees Ins. Co. v. Google, Inc. and Overture Servs., Inc.*, 330 F. Supp. 2d 700 (E.D. Va. 2004).

⁶⁴ *Id.* at 704-05.



In a subsequent ruling, however, the judge concluded that there was no evidence of consumer confusion as to ads that did not contain GEICO's trademarks.⁶⁵ The judge later held, on August 8, 2005, that GEICO had "established a likelihood of confusion, and therefore a violation of the Lanham Act, solely with regard to those Sponsored Links that use GEICO's trademarks in their headings or text."⁶⁶

The opinion gave both GEICO and Google reason to celebrate. GEICO was undoubtedly pleased that the judge found likelihood of confusion and violations of the law with respect to certain advertisements that contained GEICO's trademarks; and Google was undoubtedly pleased that the judge found that Google's practice of using trademarks as keywords to trigger the appearance of advertisements was lawful in certain instances. "GEICO did not produce sufficient evidence," the judge explained, "to establish that the mere use by Google of the GEICO trademark as a search term or keyword, even in the context of Google's advertising program, violates the Lanham Act"⁶⁷ Google had also revised its policy, prior to the judge's opinion, to address the conduct later held to be unlawful: Google's current policy prohibits the use of a competitor's trademarks in the text of an advertisement if the trademark owner objects.⁶⁸

Following the August 8 opinion, the trial was stayed for thirty days to allow GEICO and Google to consider settlement or face resumption of trial as to damages and a determination of who should be liable: Google or the advertisers.⁶⁹ GEICO and Google promptly settled the matter under confidential terms at the beginning of September 2005, thus leaving the ultimate issues of liability and damages unresolved.⁷⁰ The opinion, however, sends a clear message that the boundary between fair and unfair in this case was drawn at the use of another's trademark in paid advertisements. Indeed, it is arguable that, unlike use of a trademark solely as a keyword to trigger the appearance of an advertisement, the use of a trademark as a keyword to trigger the appearance of an advertisement displaying such trademark is more akin to unauthorized licensing of another's trademark to be used by the owner's competitors.⁷¹

⁶⁵ *Gov't Employees Ins. Co. v. Google, Inc. and Overture Servs., Inc.*, 1:04-cv-507-LMB-TCB (E.D. Va. Dec. 15, 2004). Overture settled in December 2004, but Google continued to defend the case.

⁶⁶ *Gov't Employees Ins. Co. v. Google, Inc.*, 2005 WL 1903128 (E.D. Va. Aug. 8, 2005).

⁶⁷ *Id.* at *1.

⁶⁸ See http://www.google.com/tm_complaint_adwords.html.

⁶⁹ *Gov't Employees Ins. Co.*, 2005 WL 1903128 at *7.

⁷⁰ See Associated Press, *Google Settles Final Piece of Geico Trademark Case* (September 7, 2005), available at http://biz.yahoo.com/ap/050907/google_geico.html?.v=2.

⁷¹ In October 2002, Robert Novak (associated with the PETS WAREHOUSE mark) filed a similar lawsuit in New York against Google, Overture Services and marketing company Kanoodle. *Novak v. Overture Servs., Inc. et al.*, 2:02 cv 05164 DRH JO (E.D.N.Y. 2002). In March 2004, the court denied the defendants' motion to dismiss, thus permitting the case to go forward. *Novak v. Overture Servs., Inc. et al.*, 309 F. Supp. 2d 446 (E.D.N.Y. 2004). The suit was settled in April 2005.

A lawsuit filed by 800-JR-Cigar, Inc. against Overture Services for its trademark-related ad practices was settled in July 2002. *800-JR-Cigar, Inc. v. Find What Com, Inc. et al.*, 2:00 cv 03518 HAA (D. N.J. 2000).



Rescuecom Corporation v. Google

In September 2004, a computer services franchising company named Rescuecom Corporation filed a suit against Google in New York.⁷² The complaint specifically targets Google's AdWords program and claims that Google has permitted Rescuecom's competitors to use "Rescuecom" as a keyword. It also goes further by claiming that Google's Keyword Suggestion Tool has aided Rescuecom's competitors by suggesting that they use "Rescuecom" as a keyword. Google has filed a motion to dismiss, but the deadline for Rescuecom's reply has been suspended to await the Virginia District Court's decision in the GEICO case against Google described above.

Google Also Suffers Lawsuits Abroad

Given its international reach, it is not surprising that Google also has been subject to lawsuits in Europe relating to its advertising practices. And in Europe, where privacy rights are of particular concern, the courts have tended to side with consumers and trademark owners against Google's practices.

In February 2004, a French court issued an injunction against Google on behalf of Louis Vuitton S.A.; a year later the same court ordered Google to pay damages.⁷³ Similarly, in March 2005, a French appellate court held that Google's practices violated France's intellectual property laws, upholding a lower court decision that ordered Google to pay a fine to plaintiffs in the travel industry.⁷⁴

In December 2004, in a lawsuit by hotel chain Le Meridien against Google, yet another French court held that Google had infringed on Le Meridien's trademark rights by allowing Le Meridien's rivals to bid on keywords featuring Meridien's name and to have their own names appear in the related search results.⁷⁵ The court ordered Google to stop linking ads to Le Meridien's trademarks.⁷⁶

Google, however, has had better success in Germany. In 2003, a court in Munich held that Google was not directly or indirectly liable for an advertiser's use of a trademarked keyword.⁷⁷ The court explained that search engines cannot be expected to investigate trademark claims involving online advertising and that it would be overly burdensome to require that Google constantly monitor keywords to determine whether they are trademarks owned by another party.⁷⁸

Additionally, in September 2004, a court dismissed Metaspinner Media's lawsuit against Google despite similar claims that Google had committed trademark

⁷² *Rescuecom Corporation v. Google, Inc.*, 5:04-cv-1055 (N.D.N.Y. 2004).

⁷³ *S.A. Louis Vuitton Malletier v. Société Google, Inc. et S.A.R.L. Google France*, T.G.I. Paris, 3e ch., Feb. 4, 2005, N°RG 04/05745. As of June 2005, Google had not announced whether it had decided to appeal the decision.

⁷⁴ *Société Google France v. Société Viaticum et Société Luteciel*, CA Versailles, 12e ch., March 10, 2005, N°RG 03/00051.

⁷⁵ *Société des Hôtels Méridien v. S.A.R.L. Google France*, T.G.I. Nanterre, Dec. 16, 2004, N°RG 04/03772.

⁷⁶ *Id.* at 6.

⁷⁷ *Nemetschek AG v. Google, Inc.*, No. 33 0 21461/03 (Dist. Ct. Munich 2003).

⁷⁸ *Id.*



infringement by allowing rival companies to purchase ads using trademarked terms.⁷⁹

Trademark Rules of the Road for the Internet Highway

These Internet trademark cases illustrate the difficulties in predicting when trademark “use” crosses the line into trademark infringement. Federal law permits and encourages the use of trademarks in comparative advertising, and consumers are accustomed to seeing competitors’ ads and trademarks presented side-by-side in print advertising. Should the Internet highway be subject to unique rules of the road?

To complicate matters further, the Internet is an international medium, and as evidenced by the European cases against Google, other countries may seek to apply their own sets of rules and laws. Because many search engines and online marketing companies operate abroad or may be subject to other countries’ laws, the potential for multi-jurisdictional liability significantly increases the complexity and uncertainty of these issues.

It is also noteworthy that the targets of litigation are not just advertising, software and search engine companies. Trademark owners are also suing the advertisers.⁸⁰ As a result, companies that are considering whether to use these developing types of advertising face uncertainty. Do the benefits of such advertising mechanisms outweigh the risk of trademark litigation by competitors?

Charting a business course in this area is particularly difficult today because the legal system has not reached a consensus on these issues. While the Internet and new marketing and revenue strategies continue to develop at a feverish pace, the slower-moving legal and legislative process is forced to play catch-up. Moreover, the hope for prompt guidance from the courts has diminished as many of the closely watched cutting-edge lawsuits have been settled.

At this point, the most that can be said is that when it comes time to determine whether trademark use is “fair” in Internet advertising, as in most things, fairness tends to be in the eyes of the beholder. Courts faced with disputes in this evolving arena are endeavoring to implement recognized principles of trademark law, fair use and fair trade practices in order to draw the line between fair and unfair competition involving trademarks on the Internet. But until there is some consistency – and possibly some guidance in the form of federal legislation – everyone is left guessing whether their actions are fair play or fair game for a lawsuit.

⁷⁹ *Metaspinner Media GmbH v. Google Deutschland*, No. 312 0 887/03 (Dist. Ct. Hamburg 2004).

⁸⁰ For example, following its settlement with Google, GEICO promptly began sending “warning letters” to other insurers who had purchased the GEICO name as a keyword for search engine advertising. See WebProNews, *Geico Threatens Sites Over Search Engine Ads* (Sept. 13, 2005), available at <http://www.webpronews.com/insidesearch/insidesearch/wpn-56-20050913GeicoThreatensSitesOverSearchEngineAds.html>.



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