

Time to Revisit the Legality of Bidding on Competitors' Trademarked Search Terms



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Greek mythology teaches us that in the beginning there was only confusion and chaos. That's a good starting point for understanding the current state of the law with respect to an advertiser's use of competitors' trademarks in keyword search ads. Courts have stumbled over two key points: 1) whether bidding on a competitor's trademark is a "use in commerce" so as to trigger federal trademark laws; and 2) if the mere use of the competitor's trademark as a search term alone (as opposed to using it in the displayed text) results in liability.

USE IN COMMERCE

Since the federal Lanham Trademark Act is derived from Congress' authority to regulate interstate commerce, the threshold element of any Lanham Act claim is that it involves a "use in commerce" of the disputed trademark. This would appear to be a no-brainer since we all know that keyword search advertising is big business, with revenue exceeding \$50 million per day worldwide in 2007. In this context, most courts have had little difficulty in concluding that the purchase

of keyword search advertisements satisfies the threshold of a use in commerce.

The Second Circuit Court of Appeals (which covers Connecticut, New York and Vermont) however, has taken a more literal interpretation of the statute, finding that there is no use in commerce in keyword search terms since the trademark is neither placed "on any product, good or service," nor is the use of the mark visible to the consumer.

ESTABLISHING LIABILITY

Establishing "use in commerce" merely gets you in the courthouse door, as a plaintiff still must prove use of a trademark by a party in a manner that "is likely to cause confusion, or to cause mistake, or to deceive [a consumer] as to the affiliation... origin, sponsorship, or approval" of such goods or services. Since this is inherently a subjective test, courts have created a series of factors to be weighed in evaluating whether there is a likelihood of confusion that includes the strength of the trademark, the degree of similarity between the marks at issue, the competitive proximity of the goods or services involved, evidence of actual confusion, the defendant's intent and the sophistication of the buyers for the goods or services involved.

Unfortunately for online advertisers, the real likelihood of confusion occurs when courts attempt to apply this standard in the keyword search context; they have struggled to find appropriate offline analogies to guide their decisions—and this may be the problem.

The lead case on this issue was decided in 1999 at a time when less than half of U.S. households had Internet access. In *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, the Ninth Circuit compared West Coast Video's use of Brookfield's "MovieBuff" trademark in

