HOSPITALITY ONLINE: PROTECTING YOUR VALUABLE KEYWORDS

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I. SCOPE OF ARTICLE

This article covers the topic of pay-per-click and keyword advertising using hotel trademarks. First, the article examines how this issue affects the hotel industry. Next, the article reviews the legal issues arising out of keyword advertising. Finally, the article concludes with suggestions on how hoteliers can best protect their online brands.

II. KEYWORD ADVERTISING AND THE HOTEL INDUSTRY

With more and more consumers researching and booking their hotel rooms online and search engines such as Google and Yahoo playing a critical role in how people obtain information and make their online travel decisions, it's essential that hotel owners and operators understand the legal issues involved in keyword, or pay-per-click, advertising. For example, if your competitor's paid advertisement appears when someone runs a search on Google using your hotel's trademark, is this a deceptive business practice or simply smart marketing? Is it trademark infringement or fair competition?

Or, as one legal commentator frames the debate:

> "[W]here keyword placement of . . . advertising is being sold, the portals and search engines are taking advantage of the drawing power and goodwill of these famous marks. The question is whether this activity is fair competition or whether it is a form of unfair free riding on the fame of well-known marks".

J. Thomas McCarthy, *McCarthy on Trademarks & Unfair Competition* § 25:70.1 (2004).

The answers to these questions are not purely academic — they have a direct and immediate impact on a hotel's bottom line. One recent study noted that in 2007, for the first time ever, online travel bookings actually surpassed offline bookings (PhoCusWright's U.S. Online Travel Overview, Seventh Edition). In addition, Internet advertising continues to post record figures with revenues totaling over $21.2 billion in 2007 (IAB Internet Advertising Revenue Report). An estimated 50 million U.S. consumers research travel online every month resulting in online travel revenues exceeding $60 billion (Comscore 2006b). Nearly three out of four travel buyers consult search engines before making a purchase (DoubleClick, 2005). Indeed, search engines have been called the "gatekeepers" for online travel consumers (Heilbronner and Green, Profits and Pitfalls of Online Marketing (2006)).

Consider the following example. A family that wants to vacation at a Best Western in Miami runs a search on Google by typing in the words "Best Western Miami." Thereafter, a search results page appears with bold, highlighted listings at the top of the page and a separate column of listings on the right hand side of the page entitled "Sponsored Links." If the family clicks on one of the Sponsored Link listings, it will be transported not to the official Best Western website but, rather, to an online travel

company which also has listings for other nearby Miami hotels including Best Western's competitors. If the family decides to book a room at one of these other hotels, Best Western loses a customer. Even if the family does book with Best Western, the hotel's profit margin will be significantly reduced because Best Western will have to pay a commission of approximately 18-30% to the online travel agency.

Unbeknownst to many consumers, the Sponsored Link search results are simply paid advertisements sold by the search engine to the highest bidder on a particular keyword. In our example, the reason why the online travel company's website appears as a sponsored link when the family types in the search term "Best Western" is because the online travel company was one of the highest bidders on the "Best Western" trademarked keywords. As a result, the online travel agency obtained the right to have its paid listing appear whenever someone enters Best Western as a search term. Whenever a consumer clicks through on this sponsored link, the online travel agency pays the search engine its bid price for the keyword. This industry known as paid search, "pay-per-click" or keyword advertising has become a huge money making enterprise on the web and accounted for about 99 percent of Google's $16.6 billion in revenues in 2007.

Keyword advertising has dramatic implications for the hotel industry. Since a hotel's own branded web site produces the highest average daily rate, it is clearly in the hotel's best interest to drive internet business to its own site rather than to an online travel agent. Accordingly, hotels are increasingly focused on selling their rooms directly on their own web sites by offering best rate guarantees and other incentives to avoid the cost of sales through third party intermediaries. On the other hand, online travel agents seek to divert customers away from on-line brands to their own websites to maximize their profits at the hotels' expense.

III. LEGAL CHALLENGES TO KEYWORD ADVERTISING

While there have been a number of legal challenges to keyword advertising, courts have struggled to apply traditional trademark principles to this new and evolving technology. This has resulted in conflicting and inconsistent decisions and sharply divergent views. See Buying For The Home, LLC v. Humble Abode, LLC, 459 F.Supp.2d 310 (D.N.J. 2006) ("[A]s both the Plaintiff and Defendant candidly point out, the law is unsettled regarding whether the purchase of another's protected mark as a search engine keyword can constitute unfair competition or infringement"); Rhino Sports, Inc. v. Sport Court, Inc., 2007 WL 1302745 (D. Ariz. May 2, 2007) (denying motion to modify injunction "in light of the uncertain state of the law" concerning trademark keyword purchase); Eric Goldman, *Technology & Marketing Law Blog*, Oct. 20, 2006 ("The question of whether buying/selling keywords constitutes a trademark use in commerce" is "a bit of a jurisprudential disaster… Basically, courts can't agree . . . .").

The following is a summary of the relevant case law in this area.

A. Pop-Up Advertising Cases

Initially, lawsuits alleging on-line trademark infringement were brought against companies delivering pop-up advertisements to competitors' websites. Since these lawsuits involved many of the same legal issues subsequently addressed in the keyword advertising cases, they are summarized below.

1. U-Haul International Inc. v. WhenU.com, Inc., 279 F. Supp.2d 723 (E.D. Va. 2003)

Plaintiff U-Haul alleged that WhenU, the pop-up advertising company, infringed U-Haul's trademarks by sending competitors' pop-up ads to U-Haul's website. Although the Court acknowledged that the average computer user who accessed U-Haul's website would not expect to find a pop-up ad from U-Haul's competitor appearing on the website, the Court nevertheless dismissed the lawsuit because it found that WhenU's pop-up ads did not constitute a "use in commerce" of U-Haul's trademarks as required under the trademark infringement provisions of the Lanham Act. First, the Court noted that the pop-up ad opened in a "WhenU branded window" which was separate and distinct from the window in which the U-Haul website appeared. Second, the appearance of WhenU's ads on a user's computer screen at the same time as the U-Haul web page was simply the result of "how applications operate in the Windows environment" and did not constitute trademark "use". Third, the incorporation by WhenU of the U-Haul URL in its directory to generate competitor's pop-up ads was merely a use of the marks for the "pure machine-linking function" and in no way advertised or promoted U-Haul's web address or any other U-Haul trademark. Finally, the pop-up ads did not interfere with the use of U-Haul's website by its customers and dealers because the program did not interact with U-Haul's computer servers or systems and was a user installed program in which the user made a conscious decision to install the program.

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

Under similar circumstances, the Court held that WhenU did not "use" Wells Fargo's marks in commerce when it delivered competitor's pop-up ads to Wells Fargo's website. The Court stated:

> [Wells Fargo's] trademarks do not appear in WhenU ads or coupons. The only trademarks that appear in a WhenU ad are WhenU's own marks and the marks of its advertisers. *Thus, this is not the "usual trademark case" where "the defendant is using a mark to identify its goods that is similar to the plaintiff's trademark.*"

Id. at 757-58 (emphasis added).

The Court noted that WhenU did not hinder access to Wells Fargo's web site and only used Wells Fargo's marks in its internal directory (which consumers did not have access to) in order to determine which advertisements to deliver. This did not constitute a use in commerce because WhenU did not use any of Wells Fargo's trademarks to indicate anything about the source of the products and services it advertised. The fact that some WhenU ads appeared on a computer screen at the same time that Wells Fargo's website was visible in a separate window on a participating consumer's computer screen was a legitimate form of comparative advertising. In addition, the Court held that Wells Fargo had failed to establish that consumers were likely to be confused by WhenU's activities or to conclude that Wells Fargo was the source of the ads they were receiving.

3. 1-800 Contacts, Inc. v. WhenU.com, 309 F.Supp.2d 467 (S.D.N.Y. 2003), rev'd, 414 F.3d 400 (2d Cir. 2005)

A contact lens retailer named 1-800 Contacts sued WhenU after it sent pop-up ads to the 1-800 Contacts website from Vision Direct, a direct competitor of 1-800 Contacts.

Initially, the District Court ruled in favor of 1-800 Contacts and held that WhenU used plaintiff's mark in commerce in two different ways. First, by causing pop-up ads to appear when consumers specifically attempted to find or access the 1-800 Contacts website, WhenU was "using" plaintiff's marks that appeared on plaintiff's website. Second, WhenU included plaintiff's URL, www.1800contacts.com, in the proprietary WhenU.com directory of terms that triggered pop-up ads on users' computers. In so doing, the Court held that WhenU "used" plaintiff's mark by including a version of the 1-800 Contacts mark to advertise and publicize companies that were in direct competition with plaintiff. 309 F.Supp.2d at 489.

This decision turned out to be short lived, however, because approximately eighteen (18) months later, the Second Circuit Court of Appeals reversed and dismissed the trademark infringement claims in their entirety. In contrast to the District Court, the Court of Appeals stated that it found the "thorough" analyses by the courts in U-Haul and Wells Fargo to be "persuasive and compelling". 414 F.3d at 408. The Court of Appeals stated:

> *At the outset, we note that WhenU does not "use" 1-800's trademark in the manner ordinarily at issue in an infringement claim: it does not "place" 1-800 trademarks on any goods or services in order to pass them off as emanating from or authorized by 1-800.* The fact is that WhenU does not reproduce or display 1-800's trademarks at all, nor does it cause the trademarks to be displayed to a [computer] user.

414 F.3d at 409 (emphasis added).

Rather, the Court of Appeals noted that WhenU only reproduces 1-800's website address, www.1800contacts.com, which is similar, but not identical, to 1-800's 1-800CONTACTS trademark and that the only place this appeared was in the WhenU internal directory.

Although the directory resided in the computer user's computer, it was inaccessible to both the computer user and the general public. Thus, the appearance of 1-800's website address in the directory did not create a possibility of visual confusion with 1-800's mark.

The Court explained:

> A company's internal utilization of a trademark in a way that does not communicate it to the public is analogous to a individual's private thoughts about a trademark. Such conduct simply does not violate the Lanham Act, which is concerned with the use of trademarks in connection with the sale of goods or services in a manner likely to lead to consumer confusion as to the source of such goods or services.

Id.

In addition, the Court of Appeals noted that the pop-up ads appeared in a separate window which was prominently branded with the WhenU mark and that they had "absolutely no tangible effect on the appearance or functionality of the 1-800 website". Id. at 410. Thus, the Court stated that WhenU's activities did not "alter or affect" 1-800's website; did not "divert or misdirect" computer users away from 1-800's website; or alter in any way the results a computer user would obtain when searching with the 1-800 trademark or website address. Id. at 411. Significantly, the Court of Appeals noted that "unlike several other internet advertising companies", WhenU did not "sell" keyword trademarks to its customers or otherwise manipulate which category related advertisements would pop-up in response to any particular terms on the internal directory. Id. at 411-412 (*distinguishing* GEICO v. Google, 330 F.Supp.2d 700 (E.D.Va. 2004).

B. Keyword Advertising Cases

1. Playboy Enterprises, Inc. v. Netscape Communications Corporation, 354 F.3d 1020 (9th Cir. 2004)

Playboy sued Netscape Communications for selling advertisers the use of the trademarked terms "playboy" and "playmate" to generate banner ads for "adult" products on the search engine's web site. Playboy claimed that consumers who saw clearly unlabeled ads were likely to be confused about whether Playboy had sponsored them.

The Court of Appeals summarily concluded that there was "no dispute" that Netscape used the marks in commerce and proceeded instead to analyse the "core element of trademark infringement", likelihood of confusion. The Court of Appeals held that Playboy strongest argument for a likelihood of confusion was under the "initial interest confusion" doctrine previously articulated by the Ninth Circuit in Brookfield Communications, Inc. v. West Coast Entertainment Corporation, 174 F.3d 1036 (9th Cir. 1999). Pursuant to this doctrine, initial interest confusion was customer confusion which

created initial interest in a competitor's product. Although dispelled before an actual sale occurred, initial interest confusion impermissibly capitalized on the goodwill associated with a mark and therefore constituted trademark infringement.

In this case, the Court of Appeals held that Playboy could establish initial interest confusion by showing that consumers who were seeking Playboy's site may initially believe that unlabeled banner ads were linked or affiliated with Playboy. The court noted that although the consumers who clicked on these ads might thereafter realize that they were not at a Playboy sponsored site, they might nevertheless be willing to remain on the advertiser's site and purchase their competing product. The court concluded that since the consumer would have reached the competitor's site because of Netscape's use of Playboy's mark, this could constitute trademark infringement.

However, the Court of Appeals limited its decision as follows:

> [W]e note that we are 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. *We are also not addressing a situation in which advertisers or defendants overtly compare [Playboy's] products to a competitor's -- saying for example "if you are interested in Playboy, you may also be interested in the following message from [a different, named company]*." Rather, we are evaluating a situation in which defendants display competitors' unlabeled banner advertisements, with no label or overt comparison to [Playboy], after Internet users type in [Playboy's] trademarks.

Id. at 1030 (emphasis added).

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

Under similar circumstances, defendants moved to dismiss on the grounds that the complaint failed to allege that defendants used GEICO's trademarks in a way that identified the user as the source of a product or indicated the endorsement of the mark owner. In addition, defendants argued that because they only used the trademarks in their "internal computer algorithms" to determine which advertisements to show, this use never appeared to the computer user who therefore could not be confused as to the origin of goods.

The Court rejected both of these assertions stating that it believed that the Playboy decision was better reasoned that the U-Haul and Wells Fargo decisions and that the complaint sufficiently alleged trademark "use". The Court stated:

> Contrary to defendants' argument, the complaint is addressed to more than the defendants' use of the trademarks in their internal computer coding. The complaint clearly alleges that defendants use plaintiff's trademarks to sell advertising, and then link that advertising to results of searches. Those links appear to the user as "sponsored links". Thus, a fair reading of the complaint reveals that plaintiff alleges that defendants have unlawfully used its trademarks by allowing advertisers to bid on the trademarks and pay defendants to be linked to the trademarks.
>
> [D]efendants' offer of plaintiff's trademarks for use in advertising could falsely identify a business relationship or licensing agreement between defendants and the trademark holder. In other words, when defendants sell the rights to link advertising to plaintiff's trademarks, defendants are using the trademarks in commerce in a way that may imply that defendants have permission from the trademark holder to do so. *This is a critical distinction from the U-Haul case, because in that case the only "trademark use" alleged was the use of the trademark in the pop-up software – the internal computer coding. WhenU allowed advertisers to bid on broad categories of terms that included the trademarks, but did not market the protected marks themselves as keywords to which advertisers could directly purchase rights*.

Id. at 703-04 (emphasis added).

Accordingly, the Court held that plaintiffs had sufficiently alleged facts to support their claims that advertisers made a "trademark use" of GEICO's marks and that Google could be held liable for such use. However, the Court stated that any final determination would have to await the completion of discovery.

b. GEICO v. Google, 2005 WL 1903128 (E.D.Va. Aug. 8, 2005)

In a subsequent ruling from the bench at trial, the Court held that GEICO had failed to establish a likelihood of confusion stemming from Google's use of GEICO's trademark as a keyword so long as the headings or text of the advertisement did not contain GEICO's trademark. On the other hand, if the GEICO trademark did appear in the headings or text, the Court held that Google would be liable for trademark infringement.

Since the Court's decision was based upon its rejection of the particular survey evidence presented by GEICO, the effect of the decision is limited. Indeed, in a written opinion subsequently issued by the Court to explain the basis for its ruling, the Court stated:

> *Aware of the importance of these issues to the ongoing evolution of Internet business practices and to the application of traditional trademark principles to this new medium, the Court emphasizes that its ruling applies only to the specific facts of this case, which include the unique business model employed by plaintiff and the specific design of defendants' advertising program and search results pages.* In addition, the Court has not addressed several remaining legal issues, including whether Google itself is liable for the Lanham Act violations resulting from advertisers' use of GEICO's trademarks in the headings and text of their Sponsored Links, as accomplished through Google's Adwords program.

Id. at *7 (emphasis added).

3. Google Inc. v. American Blind & Wallpaper Factory, Inc., 2005 WL 832398 (N.D. Cal. Mar. 30, 2005)

The Court denied Google's motion to dismiss trademark infringement claims arising out of Google's alleged use of American Blind's trademarks to trigger the display of sponsored link advertising from American Blind's competitors. At this early stage of the proceedings, the Court declined to accept Google's assertion that American Blind had failed to allege the required use in commerce of its marks. The Court stated:

> The Court has given careful consideration to the arguments and authorities presented by Defendants, as well as to their attempts to analogize this case to non-Internet situations in which they assert that there would be no question as to the absence of any viable trademark claims. However, in light of the uncertain state of the law, the Court does not find Defendants' arguments sufficient to warrant dismissal of American Blind's counterclaims and third-party claims at the pleading stage.

Id. at *5.

4. **Rescuecom Corporation v. Computer Troubleshooters USA, Inc., 2005 WL 4908692 (N.D. Ga. Sep. 16, 2005)**

On similar facts, the Court denied defendant's motion to dismiss stating:

> The Court agrees with the approach of the Northern District of California [in Google Inc. v. American Blind & Wallpaper Factory, Inc., supra]. The pending case triggers a novel legal question with factual underpinnings that are not yet clear to this court. The Court's limited understanding of the matter suggests that this dispute does not seamlessly mesh with traditional Lanham analysis and that the transposition will require more factual development of the record than has been done at this early stage of the proceedings. Indeed, the question whether trademark infringement occurs when an Internet search engine uses a trademarked term to generate "Sponsored Links" appears to be an open question in the Eleventh Circuit. Id. at *3.

5. **Edina Realty, Inc. v. TheMLSonline.com, 2006 WL 737064 (D. Minn. Mar. 20, 2006)**

Edina Realty, the largest real estate brokerage firm in the Midwest, sued its competitor, TheMLSonline.com, alleging that defendant unlawfully used plaintiff's mark by purchasing it as a keyword search term from Google and Yahoo, using it in the text of ads that appear on the search engines and using it in the hidden links and text on its website. In response to defendant's assertion that this alleged conduct did not constitute a "use in commerce", the Court stated:

> *While not a conventional "use in commerce," defendant nevertheless uses the Edina Realty mark commercially. Defendant purchases search terms that include the Edina Realty mark to generate its sponsored link advertisement.* See Brookfield Communications, Inc. v. West Coast Entertainment Corporation, 174 F.3d 1036 (9th Cir. 1999) (finding Internet metatags to be a use in commerce). Based on the plain meaning of the Lanham Act, the purchase of search terms is a use in commerce.

Id. at *3 (emphasis added).

In addition, the Court rejected defendant's assertion that its use of plaintiff's mark was permitted under a "fair use" defense known as the nominative fair use doctrine because defendant allegedly used the mark to advertise the fact that defendant legitimately

included Edina Realty's listings on its website. The Court stated that none of defendant's uses required the Edina Realty mark; that defendant could easily describe the contents of its website by saying that it includes all real estate listings in the Twin Cities; and that defendant could rely on other search terms such as Twin Cities real estate to generate its advertisement. In addition, the Court stated that the use of the mark did not reflect the true relationship between the parties. Thus, the Court noted that defendant's advertisement placed the Edina Realty mark in the headline which was underlined and in bold font while the name of defendant's company was listed in much smaller font at the bottom. The Court concluded that defendant could have done more to prevent an improper inference regarding the relationship.

6. Merck & Co., Inc. v. Mediplan Health Consulting, Inc., 425 F.Supp.2d 402 (S.D.N.Y. 2006)

Literally ten days after the decision in Edina Realty, the Court in Merck reached the exact opposite result. Merck sued a number of online pharmacies alleging trademark infringement based on the purchase of the keyword "Zocor," Merck's popular anticholesterol medication, which triggered the display of sponsored links to defendants' websites. The Court held that such purchases did not constitute the requisite use in commerce of plaintiff's mark stating:

> Here, in the search engine context, defendants do not "place" the ZOCOR marks on any goods or containers or displays or associated documents, nor do they use them in any way to indicate source or sponsorship. Rather, the ZOCOR mark is "used" only in the sense that a computer user's search of the keyword "Zocor" will trigger the display of sponsored links to defendants' websites. This internal use of the mark "Zocor" as a key word to trigger the display of sponsored links is not use of the mark in a trademark sense.

Id. at 415.

In support of its holding, the Court relied upon the 1-800 Contacts, U-Haul and Wells Fargo decisions but also acknowledged the contrary decisions in GEICO, American Blind and Playboy. In addition, the Court noted that it was significant that defendants actually sold Zocor (manufactured by Merck's Canadian affiliates) on their websites. Under these circumstances, the Court concluded that there was nothing improper with defendants' purchase of sponsored links to their websites from searches of the keyword "Zocor."

7. Motions for Reconsideration in Edina and Merck

a. Edina Realty, Inc. v. TheMLSonline.com, 2006 WL 1314303 (D. Minn. May 11, 2006)

Defendant requested leave to file a motion for reconsideration citing the contrary decision in Merck, ten days later. The Court denied the request stating that Merck provided no support for reconsideration on the issue of nominative fair use because it was distinguishable in its procedural posture and set forth no new law. As for the use in commerce standard, the Court stated that Merck "applie[d] controlling law of its circuit while identifying numerous well-reasoned opinions consistent with this Court's Order." Id. at *1.

b. Merck & Co., Inc. v. Mediplan Health Consulting, Inc., 431 F.Supp.2d 425 (S.D.N.Y. 2006)

Plaintiff moved for reconsideration based on two grounds: i) the Court failed to consider the decision in Edina Realty and ii) overlooked the differences between a "keywording" situation and a "pop-up ad" situation. The Court denied the motion stating:

> The Edina Realty decision does not cause me to change my conclusions on this issue. I recognize that the issue is a difficult one. In the Opinion, I already cited several decisions that ruled similarly to Edina Realty. I disagreed with the conclusion reached in these cases. Instead, I relied on, *inter alia*, and applied the Second Circuit's decision in 1-800 Contacts, Inc. v. WhenU.com, 414 F.3d 400 (2d Cir. 2005). Notably, the court in Edina Realty, in recently denying a motion for reconsideration that was based in part on the Opinion in this case, recognized that Second Circuit law was inconsistent with its holding.

Id. at 426-27.

In addition, the Court stated that it did not overlook the differences between a "keyword" situation and a "pop-up ad" situation. The Court stated that there was a difference but, in its view, not a meaningful one for these purposes. Indeed, the Court stated that, if anything, "keywording [was] less intrusive than pop-up ads as it involves no aggressive overlaying of an advertisement on top of a trademark owner's webpage". Id. at 428.

8. 800-JR Cigar, Inc. v. GoTo.com, Inc., 437 F.Supp.2d 273 (D.N.J. 2006)

Relying upon the GEICO decision and distinguishing the pop-up advertising cases, the Court held that the sale of plaintiff's mark as a keyword by the search engine, GoTo.com,

constituted a "trademark use." The Court noted that GoTo gave prominence in search results to the highest bidder by linking advertisers with certain trademarked terms. Indeed, the Court noted that GoTo accepted bids for the marks of JR Cigar, a prominent seller of discount cigars, from at least eleven of JR's competitors and ranked their priority on search results listings from highest to lowest based on who paid the most money. The Court held that such conduct was "qualitatively different" from the pop-up advertising context where the use of trademarks in internal computer coding was neither communicated to the public nor for sale to the highest bidder. Id. at 284-85.

The Court further stated:

> Here, GoTo makes trademark use of the JR marks in three ways. First, by accepting bids from those competitors of JR desiring to pay for prominence in search results, GoTo trades on the value of the marks. Second, by ranking its paid advertisers before any "natural" listings in a search results list, GoTo has injected itself into the marketplace, acting as a conduit to steer potential customers away from JR to JR's competitors. Finally, through the Search Term Suggestion Tool, GoTo identifies those of JR's marks which are effective search terms and markets them to JR's competitors. Presumably, the more money advertisers bid and the more frequently advertisers include JR's trademarks among their selected search terms, the more advertising income GoTo is likely to gain.

Id. at 285.

Although the Court concluded, as a matter of law, that GoTo made trademark use of JR's marks, it held that there were disputed issues of fact concerning the likelihood that consumers would be confused by the use of plaintiff's marks. The Court further stated:

> As summary judgment is inappropriate on JR's claims for trademark infringement and unfair competition, the Court need not consider GoTo's affirmative "fair use" defense, except to note that use of JR's marks by GoTo is probably fair in terms of its search engine business: *that is, where GoTo permits bids on JR marks for purposes of comparative advertising, resale of JR's products, or the provision of information about JR or its products. However, fairness would dissipate, and protection under a fair use defense would be lost, if GoTo wrongfully participated in someone else's*

> *infringing use*. Thus, the factual issue of whether GoTo's conduct supports a fair use defense is for the trier of fact.

Id. at 292-93 (emphasis added).

9. Rescuecom Corporation v. Google, Inc., 456 F.Supp.2d 393 (N.D.N.Y. 2006)

In contrast to JR Cigar, the Court held that Google's sale of plaintiff's "Rescuecom" trademark as a keyword was not a "trademark use" and dismissed the trademark infringement claims. The Court noted that the Second Circuit Court of Appeals had not yet considered whether the purchase or sale of a trademark as a keyword that triggers the appearance of an advertisement was a trademark infringement (distinguishing the Second Circuit's decision in 1-800 Contacts as a "pop-up" advertising case) and that several district courts had reached "different conclusions on this issue." Id. at 398. Nevertheless, the Court relied heavily on the reasoning in 1-800 Contacts in arriving at its conclusion.

First, the Court held that:

> Even if plaintiff proved, as it alleges, that defendant is capitalizing on the goodwill of plaintiff's trademark by marketing it to plaintiff's competitor's as a keyword in order to generate defendant's own advertising revenues, that plaintiff's competitors believed defendant is authorized to sell its trademark, or that Internet users viewing the competitors' sponsored links are confused as to whether the sponsored links belong to or emanate from plaintiff, none of these facts, alone or together, establish trademark use. . . . Although these facts may suffice to satisfy the "in commerce" and likelihood of confusion requirements at the pleading stage, without an allegation of trademark use in the first instance, they cannot sustain a cause of action for trademark infringement.

Id. at 400-01 (citing 1-800 Contacts, supra).

In addition, the Court stated that Google's alleged activities preventing Internet users from reaching plaintiff's website were insufficient to establish trademark use. The Court noted that the links among the search results did not display plaintiff's trademark and that defendant's activities did not affect the "appearance or functionality" of plaintiff's website. Id. at 401. The Court also held that Google's alleged "alteration" of search results did not show a trademark use. Instead, the Court noted that plaintiff's trademark was not displayed in any of the sponsored links (thereby distinguishing GEICO) and that defendant's activities did not prevent a link to plaintiff's website from appearing on the

search results page. Finally, the Court held that defendant's internal use of plaintiff's trademark to trigger sponsored links was not a trademark use because defendant did not place plaintiff's trademark on any goods, containers, displays or advertisements and its internal use was not visible to the public. The Court concluded that "Such conduct simply does not violate the Lanham Act, which is concerned with the use of trademarks in connection with the sale of goods or services in a manner likely to lead to consumer confusion as to the source of such goods or services." Id. at 403.

10. Buying For The Home, LLC v. Humble Abode, LLC, 459 F.Supp.2d 310 (D.N.J. 2006)

An online retailer of bedroom furniture brought an action against its competitor alleging that its purchase of plaintiff's "Total Bedroom" mark as a keyword constituted trademark infringement.

First, the Court noted that "as both the Plaintiff and Defendant candidly point out, the law is unsettled regarding whether the purchase of another's protected mark as a search engine keyword can constitute unfair competition or infringement." Id. at 321. In addition, the Court stated that "The Third Circuit has not spoken on the issue of whether the purchase and/or sale of keywords that trigger advertising constitutes the type of "use" contemplated by the Lanham Act, and decisions from other courts that have addressed the issue are conflicting." Id. at 322. Moreover, the Court noted that "[s]imilar actions brought against defendants who engage in the sale of the search terms, as opposed to the purchasers of those terms, have likewise reached differing conclusions concerning 'use.'" Id. at 322-23.

The Court further stated:

> *The Court is mindful of the challenges that sometime arise in applying existing legal principles in the context of newer technologies.* As expressed by the Edina Realty court . . . Defendants' alleged use of Plaintiff's mark is certainly not a traditional "use in commerce". Nonetheless, the Court finds Plaintiff has satisfied the "use" requirement of the Lanham Act in that Defendants' alleged use was "in commerce" and was "in connection with any goods or services". First, the alleged purchase of the keyword was a commercial transaction that occurred "in commerce", trading on the value of Plaintiff's mark. Second, Defendants' alleged use was both "in commerce" and "in connection with any goods or services" in that Plaintiff's mark was allegedly used to trigger commercial advertising which included a link to Defendants' furniture retailing website. Therefore, not only was the alleged use of Plaintiff's mark tied to the promotion

> of Defendants' goods and retail services, but the mark was used to provide a computer user with direct access (*i.e.*, a link) to Defendants' website through which the user could make furniture purchases. The Court finds that these allegations clearly satisfy the Lanham Act's "use" requirement.

Id. at 323 (emphasis added).

However, the Court "stress[ed]" that its finding did not mean that the use of the mark was unlawful. Id. Instead, the Court stated that this could only be determined upon an examination of all of the elements of plaintiff's claims including whether the use of the mark was likely to confuse or deceive consumers about the affiliation of defendants' goods and service with plaintiff.

11. International Profit Associates, Inc. v. Paisola, 461 F.Supp.2d 672 (N.D.Ill. 2006)

The Court granted a temporary restraining order barring defendant from purchasing or using plaintiff's mark as a keyword after concluding that defendants were using terms trademarked by plaintiff as search terms in a manner likely to cause confusion. The Court noted that:

> The law in the Seventh Circuit is silent on whether the use of a trademark as a keyword in an online search program such as Google's Adwords is a use "in commerce" under the Lanham Act as required to establish a claim, but other courts have determined that purchasing a trademarked term as a "keyword" for Google Adwords program meets the Lanham Act's use requirement.

Id. at 677, n. 3 (citing Buying For The Home, supra).

12. J.G. Wentworth, S.S.C. Limited Partnership v. Settlement Funding, 2007 WL 30115 (E.D. Pa. Jan. 4, 2007)

Although the Court held that defendant made trademark use of plaintiff's marks in the Google keyword advertising program, it concluded that this use did not create a likelihood of confusion and, accordingly, dismissed the complaint.

First, the Court rejected defendant's contention that use of plaintiff's marks in a method invisible to potential consumers precluded a finding of trademark use. Instead, the Court stated that defendant's use of plaintiff's marks to trigger ads for itself was a type of use consistent with the Lanham Act requirements. The Court stated "Such use is not analogous to 'an individual's private thoughts' as defendant suggests. By establishing an opportunity to reach consumers via alleged purchase and/or use of a protected trademark,

defendant has crossed the line from internal use to use in commerce under the Lanham Act." Id. at *6.

However, the Court stated that, as a matter of law, defendant's actions did not result in a likelihood of confusion. Although plaintiff asserted that initial interest confusion applied to defendant's use of plaintiffs marks in Google's AdWords program and in its keyword meta tags, the Court disagreed both with plaintiff's position and with the Ninth Circuit's "seminal" decision in Brookfield Communications, Inc. v. West Coast Entertainment Corporation, 174 F.3d 1036 (9th Cir. 1999). Thus, the Court stated:

> I respectfully disagree with the Ninth Circuit's conclusion in Brookfield. The Court asserted that "[w]eb surfers looking for [plaintiff's] 'MovieBuff' products who are taken by a search engine to [defendant's website] will find a database similar enough . . . such that a sizeable number of consumers who were originally looking for [plaintiff's] product will simply decide to utilize [defendant's] offerings instead." Id. *I find this to be a material mischaracterization of the operation of internet search engines. At no point are potential consumers "taken by a search engine" to defendant's website due to defendant's use of plaintiff's marks in meta tags. Rather, as in the present case, a link to defendant's website appears on the search results page as one of many choices for the potential consumer to investigate. As stated above, the links to defendant's website always appear as independent and distinct links on the search result pages regardless of whether they are generated through Google's AdWords program or search of the keyword meta tags of defendant's website. Further, plaintiff does not allege that defendant's advertisements and links incorporate plaintiff's marks in any way discernable to internet users and potential customers.*
>
> *. . . Due to the separate and distinct nature of the links created on any of the search results pages in question, potential consumers have no opportunity to confuse defendant's services, goods, advertisements, links or websites for those of plaintiff. Therefore, I find that initial interest protection does not apply here.* Because no reasonable factfinder could find a likelihood of

> confusion under the set of facts alleged by plaintiff, I will grant defendant's motion to dismiss.

Id. at *8 (emphasis added).

13. Google Inc. v. American Blind & Wallpaper, 2007 WL 1159950 (N.D.Cal. Apr. 18, 2007)

Following the Court's previous denial of Google's motion to dismiss, the Court denied Google's motion for summary judgment on the trademark claims. The Court considered recent developments in trademark law and addressed the current conflict.

First, the Court concluded that the Ninth Circuit's holding in Playboy, supra, made an "implicit finding of trademark use in commerce in the manner at issue here". Id. at *5. Thus, the Court stated:

> Both the majority and concurring opinions in Playboy focus on the likelihood-of-confusion analysis, indicating the Ninth Circuit's sense of where the legal issue in that case lay. Nothing in the majority's discussion of the relevant facts suggests that it questioned whether the plaintiff had shown that there was a use of its trademark in commerce . . . [the concurring opinion by] Judge Berzon does not identify "use in commerce" as an open front in this area of law or suggest that future Ninth Circuit decisions should address the viability of existing Ninth Circuit precedent on the scope of the initial interest confusion doctrine "should the labeled advertisement issue arise later."

Id. at *5 (quoting Playboy, supra).

In addition, the Court found that there was "sufficient evidence to create a triable issue of fact regarding the likelihood of [initial interest] confusion." Id. at *9. In addressing a number of factors for considering likelihood of confusion, the Court stated:

> First, the goods offered by competitors linked by "Sponsored Links" as a result of the purchase of trademarks as keywords are in close proximity with those offered by ABWF [American Blind]. Second, the terms sold by Google in the Adwords program are the trademarked terms, so they are exactly similar to the marks at issue. Third, ABWF has introduced evidence that a low degree of consumer care should be expected of internet consumers and that many cannot identify which results are

> sponsored. Fourth, the evidence suggests that Google used the mark with the intent to maximize its own profit, so the intent factor favors ABWF.

Id. (citation omitted).

14. Hamzik v. Zale Corporation/Delaware, 2007 WL 1174863 (N.D.N.Y. Apr. 19, 2007)

Makers of "The Dating Ring" sued a competing jeweler who purchased a keyword search of the trademarked term. When computer users searched for "dating ring," the result "dating ring – Zales" was returned.

The Court agreed with the reasoning in Rescuecom and Merck that the Lanham Act is not violated when a party does not place the trademarked term on its products or advertisements. However, the motion to dismiss by Zale was denied because there was a factual distinction from the prior decisions: Zale's purchase of keyword terms produced search results that included defendant's website with the plaintiff's trademark. The claim did not contain the "fatal flaw" of 1-800 Contacts that the "ads do not display the [plaintiff's] trademark, . . . the trademarks as used in the defendant's system could not be seen or accessed by a computer user or the general public, and an advertisement could not be triggered by a computer user's having entered the trademark into the search function." Id. at *3.

15. Rhino Sports, Inc. v. Sport Court, Inc., 2007 WL 1302745 (D.Ariz. May 2, 2007)

In a prior proceeding, Sport Court had obtained a permanent injunction against Rhino Sports from using the trademark "SPORT COURT." Rhino Sports sought to modify the injunction, arguing that trademark law for sponsored ads had changed or was changing.

The Court refused to modify the injunction holding that, within the Ninth Circuit, there had not been a significant change in the law to warrant modification. Id. at *7. As to the viability of an initial interest confusion argument, the Court stated:

> The Playboy holding does not indicate that the Ninth Circuit has concurred with the ruling of other courts concluding that initial interest confusion is never present is [*sic*] these types of cases. Playboy only advances the proposition that sponsored links that clearly identify their sources to consumers *might* avoid a finding or likelihood of initial interest confusion. Id. at *7.

Furthermore, the Ninth Circuit had not "squarely addressed" the issue of whether keyword use of a trademark does not constitute use in commerce under the Lanham Act. Id. at *8. In light of the uncertain state of the law, the court concluded that unless the

Ninth Circuit "expressly analyzes and holds" held that keyword use does not constitute "use in commerce", there had been no change in the Ninth Circuit to warrant a modification of the injunction. Id.

16. Site Pro-1, Inc. v. Better Metal, LLC, 506 F.Supp.2d 123 (E.D.N.Y. 2007)

The Court dismissed Site Pro-1's trademark infringement claim because although Better Metal had purchased a sponsored search for the trademarked term, the complaint failed to allege use of the SITE PRO trademark in the sponsored search result. The Court relied on Second Circuit precedent, stating:

> I am persuaded by the reasoning of the district courts in Merck and Rescuecom, as well as by the underlying rationale of 1-800 Contacts. The key question is whether the defendant placed plaintiff's trademark on any goods, displays, containers, or advertisements, or used plaintiff's trademark in any way that indicates source or origin. Here, there is no allegation that Better Metal did so, and therefore no Lanham Act "use" has been alleged.

Id. at 127.

Furthermore, the Court rejected Site Pro's assertion of initial source confusion. The Court noted that 1-800 Contacts had already expressly rejected the argument that mere use of metadata or sponsored searches, which results in an improper diversion of Internet traffic, is sufficient for actionable use in commerce.

17. Fragrancenet.com, Inc. v. Fragrancex.com, Inc., 493 F.Supp.2d 545 (E.D.N.Y. 2007)

Fragrancenet.com sued Fragrancex.com, arguing that internet searches for the Fragrancenet.com domain name resulted in a list of sites including the defendant's sponsored link. Fragrancenet.com moved to amend the complaint to add claims for trademark infringement. The Court denied Fragrancenet.com's motion as futile, holding that internal use of a mark for sponsored linking cannot support claims for trademark infringement. According to the Court, such a use does not constitute Lanham Act "use" because "the use of plaintiff's trademark is strictly internal and, because such use is not communicated to the public, the use does not indicate source or origin of the mark." Id. at 550.

The Court distinguished the facts from a situation in which a company passes off its goods under another company's trademark or name:

> Plaintiff does not allege that defendant is selling its product under plaintiff's name, nor does plaintiff

> allege that defendant is *substituting* its website in response to a request for plaintiff's website; rather, . . . [with sponsored linking,] a link to defendant's website appears both within the search results screen and "immediately proximate to the search results screen" upon a request for plaintiffs website . . . . [When] the individual is presented with a menu of choices . . . such a scenario does not constitute "passing-off."

Id. at 550-551 (citation omitted).

In fact, the Court found that sponsored linking was further removed from the passing off example because the domain name was entered into a search engine and not the web address line: "In the world outside the Internet, individuals in search of a company or product are not blinded to competitive products. In other words, it is not unlawful to strategically place billboards or even store locations next to billboards or store locations of competitors." Id. at 551.

18. S&L Vitamins, Inc. v. Australian Gold, Inc., 521 F.Supp.2d 188 (E.D.N.Y. 2007)

S&L sold discounted tanning products on its websites, including Australian Gold products. S&L provided a "pay for placement" service, whereby product manufacturers could pay to have their product and website listed at the top of the result list if certain terms were included in a search. When users searched for Australian Gold, S&L's webpage was listed at the top. Furthermore, when users used search engines such as Yahoo!, S&L's website appeared as a sponsored result, with the trademark included in the description of the result.

On competing motions for summary judgment, the Court granted limited summary judgment to S&L. In comparing the facts to those in Hamzik and Merck & Co., the Court said:

> One important distinction between this case and Hamzik is that S&L, like the alleged infringer in Merck & Co., actually sells the trademarked Products. ("Moreover, it is significant that defendants actually sell Zocor (manufactured by Merck's Canadian affiliates) on their websites.") In such a situation, "there is nothing improper with [S&L's] purchase of sponsored links to their websites" when searching for the Marks.

Id. at 201 (quoting Merck & Co., supra).

19. Boston Duck Tours, LP v. Super Duck Tours, LLC, 527 F.Supp.2d 205 (D.Mass. 2007)

After a preliminary injunction was entered, barring Super Duck from using the trademark term "duck tours," Super Duck purchased a sponsored link for "boston duck tours." The court held that the sponsored links did not violate the injunction because Super Duck's advertisement clearly differentiated itself from Boston Duck.

In surveying the current split of decisions, the Court noted that while the Second Circuit concludes that "internal utilization" of trademarked terms is not infringement, the "emerging view outside of the Second Circuit is in accord with the plain language of the [Lanham Act]." Id. at 207. Accordingly, the Court held that "sponsored linking necessarily entails the 'use' of the plaintiff's mark as part of a mechanism of advertising [and therefore], it is 'use' for Lanham Act purposes." Id.

20. Storus Corporation v. Aroa Marketing, Inc., 2008 WL 449835 (N.D.Cal. Feb. 15, 2008)

Storus marketed and sold a money clip under the mark "Smart Money Clip". Aroa purchased the term "Smart Money Clip" with Google's AdWords. A search for the trademarked term provided Aroa's sponsored results including a link to Aroa's site with the underlined words "Smart Money Clip" in large text at the top. The Court granted Storus' motion for summary judgment on its trademark infringement claim finding that users would be diverted to the competitor's site.

The Court held that the sponsored link, which included the trademarked term, was infringement:

> [O]n 1,374 occasions, consumers who were searching for a website by using Storus' mark were, in fact, "diverted" to an Aroa website selling money clips that compete with Storus' money clips. Such diversion constitutes the "initial interest confusion" prohibited by the Lanham Act.

Id. at *5.

21. Vulcan Golf, LLC v. Google Inc., 2008 WL 818346 (N.D.Ill. Mar. 20, 2008)

In a class action lawsuit predominated by RICO claims, Vulcan sued companies that purchased domain names similar to www.VulcanGolf.com. The companies also maintained websites with domain listings and offered domain owners the option to link searches to advertisements on the site offered by Google. A defendant's motion to dismiss the trademark infringement claims made by Vulcan was denied because the Court could not make a determination of law without additional fact-finding. Nevertheless, the Court noted that at that stage, which was prior to the completion of discovery, the

trademark claims were plausible and that "'use' has been interpreted broadly in other cases involving the internet and domain names." Id. at *9.

22. North American Medical Corporation v. Axiom Worldwide, Inc., 522 F.3d 1211 (11th Cir. 2008)

Although not a pay-per-click advertising case, Axiom included North American's trademarks, "Accu-Spina" and "IDD Therapy," in its website meta tags. The Court held:

> The facts of the instant case are absolutely clear that Axiom used NAM's two trademarks as meta tags as part of its effort to promote and advertise its products on the Internet. Under the plain meaning of the language of the statute, such use constitutes a use in commerce in connection with the advertising of any goods.

Id. at 1219.

The Court distinguished the holding in 1-800 Contacts, supra, as follows:

> First, unlike the defendant in 1-800 Contacts, Axiom in the instant case did use NAM's two trademarks in its meta tags; it did not merely use NAM's unprotected website address. Second, and again unlike in 1-800 Contacts, the defendant-Axiom in this case did cause plaintiff's trademark to be displayed to the consumer in the search results' description of defendant's site.

Id. at 1219.

Furthermore, to the extent the 1-800 Contacts court based its "use" analysis on the fact that the defendant did not *display* the plaintiff's trademark, the Court stated:

> [W]e think the Second Circuit's analysis is questionable. Thus, Although we believe that the absence of such a display is relevant in deciding whether there is a likelihood of confusion, we believe that, when the analysis separates the element of likelihood of confusion from the other elements, this fact is not relevant in deciding whether there is a use in commerce in connection with the sale or advertising of any goods.

Id. at 1219-20.

Second, the Court concluded that a company's use in meta tags of its competitor's trademarks may result in a likelihood of confusion. Id. at 1222. However, the Court did not need to base its decision on initial interest confusion because use of the trademark in the search result created source confusion analogous to Playboy. In fact, the Court stated:

> [T]he source confusion in the instant case is considerably more pronounced than in Playboy. In Playboy, there was no explicit representation of a relationship between the source of the ad and Playboy, while there is an explicit representation in this case of some relationship between Axiom and NAM.

Id. at 1223.

Finally, the Court emphasized that its holding was narrow and implied that other trademark infringement claims could be treated differently in the future:

> This is not a case … where a defendant's use of the plaintiff's trademark as a meta tag causes in the search result merely a listing of the defendant's website along with other legitimate websites, without any misleading descriptions. This is also not a case where the defendant's website includes an explicit comparative advertisement (e.g., our product uses a technology similar to that of a trademarked product of our competitor, accomplishes similar results, but costs approximately half as much as the competitor's product). Although we express no opinion thereon, such a defendant may have a legitimate reason to use the competitor's trademark as a meta tag and, in any event, when the defendant's website is actually accessed, it will be clear to the consumer that there is no relationship between the defendant and the competitor beyond the competitive relationship.

Id. at 1224, n.10.

23. Designer Skin, LLC v. S&L Vitamins, Inc., 2008 WL 2116646 (D.Ariz. May 20, 2008)

Designer Skin claimed S&L caused initial interest confusion by using "Designer Skin's trademarks in the metatags and source codes of its websites, and as search-engine keywords, to inform internet consumers who are searching for Designer Skin's products that those products are for sale on S&L Vitamins' websites." Id. at *2. The court rejected the claim that initial interest confusion occurred when customers were provided a link to

S&L's website, because potential customers were not lured to a competitor's product. As the court stated, "[d]eception, it bears emphasizing, is essential to a finding of initial interest confusion." Id. at *3.

IV. PROTECTING YOUR ONLINE BRANDS

As the foregoing demonstrates, the law in this area can best be characterized as in a state of uncertainty and flux, if not total disarray. As courts continue to grapple with these issues, it appears that, at least for the time being, a plaintiff is better off bringing its trademark infringement lawsuit in California, not in New York, and is more likely to succeed if its competitor uses its trademark in the headings or text of its sponsored ad without describing or comparing the competing product and without offering it for sale. Under this scenario, a hotel is more likely to prevail in an action against its competitor than against an online travel agent who is reselling its rooms.

In view of these legal uncertainties, what actions, if any, should hoteliers take to protect their online brands? The first thing they should do is recognize that while online travel agents are among the biggest offenders when it comes to keyword advertising, they're also contractual partners of the hotels. If hotels are not saddled with a large excess room inventory, they may not be as dependent upon online travel companies to sell their rooms. Hotels should take advantage of their improved bargaining position by insisting that online travel companies respect their trademarks. Specifically, they should prohibit keyword advertising in their contracts with these companies and make sure that those prohibitions are enforced.

Several years ago, InterContinental Hotels became the first chain to adopt new standards requiring its third party distributors to agree, among other things, not to bid on or purchase placement rights for InterContinental's trademarks. When it was unable to reach an agreement with Expedia and Hotels.com on these standards, InterContinental took the drastic step of severing its relationship with them.

Thereafter, Marriott International also introduced sweeping new standards and guidelines for its third party distributors concerning the use of Marriott's online trademarks. Among other things, the rules provided that online travel companies "may not bid on keyword terms containing Marriott trademarks, whether alone or in conjunction with other terms" and "may not use any Marriott trademark in the text or title of ANY paid search ad." Online travel companies were given thirty days notice to correct initial violations. Subsequent violations would result in the possible suspension or permanent revocation of authorization to sell Marriott rooms, loss of commissions and/or legal action.

Other proactive steps which hotels should take include tracking and monitoring the use of their trademarks on the web; becoming the high bidder on their own trademarks; and when an infringing use is discovered, complaining to both the search engine and the competitor. Although Google originally honored requests from trademark owners to discontinue keyword advertising sales triggered by trademarks, it changed its policy several years ago. Presently, Google permits this practice although if it does receive a

complaint, it may require the advertiser to remove the trademarked term from the text of the ad. In contrast, Yahoo no longer permits competitor keyword trademark bidding.

The bottom line is that keyword advertising poses a serious threat to a hotel's profitability. Since the law in this area is changing as rapidly as the technology, it's essential that hoteliers obtain sound legal advice to protect their online brands.