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Joseph N. Welch II on *Google v. American Blind & Wallpaper* Settled Case Doesn't End National Keyword Debate

At the end of August, 2007, Google, Inc. ("Google") and American Blind & Wallpaper Factory, Inc. ("American Blind") settled their dispute that was pending in the federal district court in San Francisco. Google had filed for a declaratory judgment that its sale of American Blind's trademarks as "keywords" was not trademark infringement. A keyword is a term that a computer user enters into an Internet search engine like Google, which triggers the presentation of a paid advertisement in conjunction with the search results. Typically these paid advertisements appear in a "Sponsored Links" section of the search result web page, with a titled link to click on which transfers the user to the advertiser's web page, and a short description of the linked material.

For a long time Google has taken a more aggressive approach than most of its search engine counterparts in selling trademark owners' brands to their competitors as triggers for advertising. Google's total advertising revenue for 2006 reportedly was nearly \$10.5 billion dollars. Yahoo! and MSN take a more measured approach in connection with keywords, permitting competitors and others to purchase trademark owners' brands as keywords when, in the search engine company's judgment, the contextual use is not, for example, likely to cause confusion or is a fair use such as comparative advertising or commentary, or is a non-trademark use of a term in its dictionary sense. Google sells brands as keywords without limitation, instead removing any brand use from the link title and description and the linked advertising content upon receiving a complaint from the trademark owner. In other words, Google views the sale of brands as keywords as lawful and non-infringing, and uses a broad brush to eliminate potential infringements in the triggered advertising when asked.

There are courts who have agreed with Google's position, concluding that sale, purchase and use of keywords in generating paid advertisements is invisible to consumers and is not an actionable "use in commerce" under the federal Lanham Act. In 2005, for example, the Second Circuit concluded a trademark owner's infringement claims had to be dismissed with prejudice, because it was not "use in commerce". The defendant sold directories of websites that computer users had accessed, one of which had plaintiff's brand in the web address, to advertisers to generate contextually relevant pop-up ads when the websites, including plaintiff's, were accessed. *1-800 Contacts, Inc. v. WhenU.Com*, [414 F.3d 400](#) (2d Cir. 2005). "A company's internal utilization of a trademark in a way that does not communicate it to the public is analogous to an individual's private thoughts about a mark. Such conduct simply does not violate the Lanham Act". [414 F.3d at 409](#).

District courts in the Second Circuit have applied that reasoning in keyword cases. See, e.g., *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.*, [425 F. Supp. 2d 402](#) (S.D.N.Y. 2006) (trademark claims dismissed because defendant's purchase of plaintiff's ZOCOR mark as keyword trigger for defendant's generic drug ads was an "internal use", not a "use in commerce"); *Rescuecom Corp. v. Google, Inc.*, [456 F. Supp. 2d 393](#) (N.D.N.Y. 2006) (keyword trademark claims against Google dismissed for failure to demonstrate use in commerce); *FragranceNet.com, Inc. v. FragranceX.com, Inc.*, [493 F. Supp. 2d 545](#) (E.D.N.Y. 2007) (plaintiff not allowed to add keyword trademark infringement claims because this could not be use in commerce). See also *U-Haul Int'l v. WhenU.Com, Inc.*, [279 F. Supp. 2d 723](#) (E.D. Va.

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2003) (proprietary directory of web addresses incorporating trademarks was not use in commerce) and *Wells Fargo & Co. v. WhenU.Com, Inc.*, [293 F. Supp. 2d 734](#) (E.D. Mich. 2003) (same).

In contrast, in the Ninth Circuit, keyword use has been recognized as actionable use in commerce, which can create likely confusion among consumers. In *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, [174 F.3d 1036](#) (9th Cir. 1999), the defendant video rental chain's use of the plaintiff video rental chain's "Movie Buff" trademark in defendant's website metatags was preliminarily enjoined for creating "initial interest confusion". The court defined metatags as "HTML code not visible to Web users but used by search engines in determining which sites correspond to the keywords entered by a Web user". Despite this invisibility, the court concluded that, "using another's trademark in one's metatags is much likely posting a sign with another's trademark in front of one's store", and was likely to unlawfully divert consumer traffic from plaintiff to defendant. Similarly, in *Playboy Enterprises v. Netscape Communications Corp.*, [354 F.3d 1020](#) (9th Cir. 2004), the defendant search engines sold advertisers lists of search terms, including plaintiff's PLAYBOY and PLAYMATE marks, to generate competitive adult-orientated website pop-up ads. This constituted use in commerce and appeared likely to cause confusion, as many of the ads appeared to insufficiently distinguish the adult website from Playboy. Summary judgment for defendant was reversed. The Ninth Circuit noted that the [15 U.S.C. § 1127](#) definition of "use in commerce" was directed to a plaintiff establishing rights in *plaintiff's* mark in connection with the Lanham Act's registration provision, not to a defendant's infringing use of the mark.

A number of district courts have followed the Ninth Circuit's reasoning in finding the use of trademark keyword triggers to be use in commerce. See, e.g. *Government Employees Insurance Co. (GEICO) v. Google, Inc.*, [330 F. Supp. 2d 700](#) (E.D. Va. 2004) (motion to dismiss denied; "when defendants sell the rights to link advertising to plaintiff's trademark, defendants are using the trademarks in commerce in a way that may imply that defendants have permission from the trademark holder to do so"); *800-JR Cigar, Inc. v. GoTo.com, Inc.*, [437 F. Supp. 2d 273](#) (D. N.J. 2006) (sale of plaintiff's trademarks as keyword triggers was use in commerce because: (1) it traded on the value of plaintiff's marks; (2) plaintiff "injected itself into the marketplace" by helping steer potential customers from plaintiff to its competitors; and (3) defendant's "Search Suggestion Tool" specifically marketed plaintiff's marks); *Buying for the Home, LLC v. Humble Abode LLC*, [459 F. Supp. 2d 310](#) (D. N.J. 2006) (purchasing trademark keywords constitutes use in commerce); *Int'l Profit Assocs v. Paisola*, [461 F. Supp. 2d 672](#) (N.D. Ill. 2006) (TRO granted where keyword purchase was a trademark use and likely to cause confusion); *Edina Realty, Inc. v. TheM-Online.com*, [2006 U.S. Dist. LEXIS 13775](#) (D. Minn. 2006) (defendant used plaintiff's mark commercially by purchasing it as a search term).

Located in the Northern District of California in the Ninth Circuit, American Blind presumably had a favorable forum to contest Google's declaratory judgment action. Indeed, before the settlement, the court had ruled in American Blind's favor on Google's summary judgment motion, concluding that the Ninth Circuit's *Playboy* decision implicitly found trademark keyword use to be a use in commerce. It reasoned that analyzing likely confusion in *Playboy* would have been unnecessary if the court had found no use in commerce. *Google Inc. v. Am. Blind & Wallpaper Factory, Inc.*, [2007 U.S. Dist. LEXIS 32450 \(D. Cal. 2007\)](#). Subsequently, however, American Blind was sanctioned for its "willful indifference ... to its discovery obligations." [2007 U.S. Dist. LEXIS 48309](#).

In the end, it appears that the suit simply proved too costly for American Blind. The settlement caused no change in Google's policy, and was deemed by one commentator, "a stunning victory for Google." Eric Goldman, Santa Clara University School of Law, quoted in Auchard, "Trademark Plaintiff Drops Suit vs.

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Google Over Ads", September 4, 2007. American Blind informed the media that it had settled for financial reasons, and because a more sizeable company, American Airlines, had just sued Google over the same issues in the Northern District of Texas. Civil Action No. 4-07CV-487-A. See, e.g. Seyfer, "Google Foe Ends Unique Trademark Suit Over Keywords," September 5, 2007, the Recorder, reprinted at Law.com.

It must be said that the "use in commerce" definition in the Lanham Act relied on by the Second Circuit and other courts in dismissing trademark keyword claims was never intended to apply to a *defendant's* use of a plaintiff's trademark. Section 45, [15 U.S.C. § 1127](#), defines "use in commerce" in terms of a trademark owner's establishing rights in a registration context, *i.e.* use in connection with goods when the mark "is placed in any manner on the goods [etc.]" and "the goods are sold or transported in commerce", or for services, "when it is used or displayed in the sale or advertising of services and the services are rendered in commerce." The misapplication of this Section 45 definition to preclude trademark keyword claims prevents courts from reaching the issue of likelihood of confusion. It therefore defeats a primary purpose of the Lanham Act, *i.e.* to avoid confusion of the public. It remains to be seen whether a higher court decision or legislative amendment is necessary to relegate the misapplication of the Section 45 definition to the dustbin, and to return straying courts to the job of determining whether confusion is likely. The *American Blind* settlement has only deferred the debate and its resolution.

About the Author. Joseph N. Welch II is the managing partner at Pattishall, McAuliffe, Newbury, Hilliard & Geraldson LLP in Chicago, and the co-author of two Lexis Publishing books: the single volume treatise [Trademark and Unfair Competition Deskbook](#), and the law school course book, *Trademarks and Unfair Competition*. He has taught that subject as an adjunct professor at Northwestern University School of Law since 1989. He repeatedly has been recognized by his peers in national publications and national organizations as a leading practitioner in intellectual property law.