

Trademarks on the internet – the US perspective

Uncertainty is the name of the game for trademark owners in the US seeking to understand how the internet affects their rights

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In the internet arena, change is the only constant. Companies selling their products and services online are constantly implementing new technologies and developing new business methods and marketing schemes. The legal implications of the internet marketplace are also a constant challenge to courts, lawyers and companies alike.

Companies engaging in internet commerce must face the fact that a certain activity may be considered legal by one court today and an infringement by the same or another court tomorrow. Multinationals must also face the fact that the same activity may have different legal consequences depending on the jurisdiction. This applies particularly to the application of trademark laws to prevent internet business practices that trademark owners consider detrimental and illegal.

Whether a legal action concerns the purchase of competitors' trademarks as keywords to trigger internet advertisements for competing products or the liability of internet auction sites for the sale of counterfeit goods by its users, the outcome is often difficult to predict even within the US, let alone on a global basis. Google and eBay are two companies that face this uncertainty, which has resulted in numerous lawsuits around the world.

The most debated trademark questions in the internet arena currently concern

internet searching, particularly the purchase of competitors' trademarks as keywords from search engines that result in paid advertisements that appear side by side with the natural search results. Trademark owners contend that the keyword-activated paid advertisements divert potential buyers to the keyword purchaser, which usually offers competing products. Other internet trademark issues include keyword-activated banner ads, pop-up ads and metatags.

Banner ads and pop-up ads

Before the explosion of keyword cases, banner ad cases and later pop-up ad cases dominated internet-related trademark litigation. In the banner ad scenario, the online advertiser buys keywords from search engines that trigger the advertiser's ad to appear in banner format above the search results. Because advertisers can buy keywords identical to other company's trademarks, the owners of these trademark naturally dislike the fact that a competitor's ad appears when internet users are searching for their own website or products. They have therefore tried to stop these advertising practices, claiming that such use of keywords infringes their trademark rights. In the most prominent banner ad case, the court suggested that likelihood of confusion is possible if the competitive banner ad is not properly labelled as an advertisement and/or if it does not identify the advertiser.

Unlike the banner ad cases, recent pop-up ad cases do not involve the purchase of keywords. Instead, the ads that popped up in separate boxes on the internet user's screen were triggered by a software program that users had affirmatively agreed to download to their computers, though often unnoticed as part of free software such as

screensavers. The software (sometimes referred to as spyware) then scanned the user's internet activity and tried to match the pop-up ads with the websites visited by the user. After identifying associated products or services, the software displayed randomly chosen pop-up ads from its advertising clients that matched the respective product category. In one prominent US case, the court found that the third-party trademarks or URLs in the software program's directory were used internally in a merely automated, machine-linking function that did not constitute "use in commerce". The court compared this advertising practice to the sales practice of drug stores placing store-brand products, next to the corresponding branded products hoping that customers will buy the less-expensive store brand product. Such internal utilisation of a trademark without communicating it to the public was considered analogous to an individual's private thoughts about a trademark, unlikely to lead to consumer confusion as to the source of the goods or services, the basic element of trademark infringement.

Use of a competitor's trademarks as metatags

In the past, online merchants relied heavily on metatags to improve their ranking in the natural search results of a search engine. A metatag is invisible data on a webpage or in the source code that is recognisable by search engines but not by a normal viewer of the webpage.

Website owners seeking discovery of their sites by search engine web crawlers and looking for prominent display in the list of natural search results may use a competitor's trademark (or even famous marks for unrelated products) once or multiple times as metatags on its website, a tactic also called meta-stuffing. As a result, the website may achieve a more favourable indexing and therefore a better position in the list of search results, allegedly prompting internet users conducting searches to click on the link to this website rather than on the link to the trademark owner's website. In some cases, the site of the website owner using the metatags even appears before the trademark owner's site in the search results.

In those cases where the website owner also visibly displays the trademark on its website, it becomes a standard trademark infringement case, where infringement will be found if such display on the website renders it likely that internet users will mistakenly believe that the products or

services offered on that website either originate from the trademark owner or are sponsored or authorised by the trademark owner. If, however, the trademark infringement claim is exclusively based on the use of the trademark in invisible metatags, then the outcome usually hinges on two questions:

- Does the metatag use constitute trademark use or use in commerce required to establish a claim for trademark infringement or dilution under the Lanham Act?
- If so, does such use create a likelihood of confusion as to source, sponsorship or affiliation?

Although the metatag use may not appear that different from the equally invisible use in the above-mentioned pop-up ad cases, US courts have answered the first question much less consistently than in the pop-up setting and the outcome is often very fact-sensitive. But most courts have found metatag use to be a use in commerce.

Turning to the issue of likelihood of confusion, several courts have applied the concept of initial-interest confusion to metatag cases, though with different results. The initial-interest confusion concept was created as a subset or type of likelihood of confusion in cases where internet users looking for a specific company, product or website are initially misled by metatag-manipulated search results to click on a link that diverts them to a different website. Though the confused internet users quickly notice upon arrival at the other website that it is not the site they want and thus are no longer confused, such initial confusion has been held to constitute trademark infringement.

The supporters of initial-interest confusion consider this brief diversion or temporary confusion sufficient for trademark infringement. They compare this virtual scenario to a highway setting in which customers looking for a specific video store are misled by a competitor's incorrect billboard announcing that the video store is one exit earlier than it really is, while in fact the competitor's video store is located at that earlier exit. Thus, they assume that the customer taking the earlier, wrong exit and not finding the store he was looking for there would then see the competitor's store and simply rent his video there.

Using the initial-interest confusion concept to find trademark infringement in these cases has often been criticised as replacing the required likelihood of confusion with a mere diversion, as well as



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for assuming that the customer is looking exclusively for the trademark owner and its products as opposed to the type of product in general. Because internet users usually realise within seconds that they have accessed a different website from that which they were searching for, and can instantly click the back button, the critics believe that the highway metaphor does not fit the typical internet scenario. Nevertheless, courts continue to apply this concept, depending on whether the specific facts establish a bait and switch scheme that justifies application of the concept.

Infringement claims are sometimes rejected on a fair use theory when the third-party website sells the original products of the trademark owner without suggesting authorisation or sponsorship from the trademark owner. Sometimes infringement is also denied based on the argument that only the naïve few might be confused by such activity, but not the required appreciable number of people.

In any event, many search engine operators have changed the algorithms they use to measure the relevance of a website and to rank the search results. Search engine operators currently assign weight to websites usually based on the number and quality of hyperlinks that connect to them, rather than solely or primarily on the number of keyword hits on that site. Thus, other forms of search engine optimisation have become more popular to influence search results ranking and to create a more prominent position on the list. Indeed, many experts believe that metatags have little or no influence on search results.

For these reasons, some US courts now question the relevance of metatags in influencing search results ranking. For example, in a recent case, a federal appellate court, though holding that the metatag use by a competing medical device manufacturer constituted trademark use and caused a likelihood of confusion, vacated a preliminary injunction issued by a lower court. On the other hand, a California court recently enjoined the competitor of a website design company from further keyword purchases of the plaintiff's trademark and ordered placement of a prominent disclaimer of non-affiliation on its website.

Purchase of keywords to trigger sponsored links

The hot question in today's keyword arena is the legality of internet advertising programmes that create so-called sponsored links. These programmes, such as Google's AdWords, sell keywords to companies

interested in advertising their products on the internet. In buying these keywords, advertisers attempt to secure a prominent placement for their website under the sponsored links section of paid advertisements, located above and/or to the right of the search results.

Google's AdWords programme is undoubtedly the most popular advertising system on the internet. In addition to site-targeted advertising in the form of text and banner ads, it also offers pay-per-click (PPC) advertising. Advertisers interested in PPC ads choose the keywords that will trigger their ads and specify a maximum amount they are willing to pay. When a search for that keyword is performed, ads for these advertisers are shown as sponsored links, with the order of the links depending on the bids from advertisers and the quality score of the ads (calculated according to historical click-through rates and the ads' relevance). Because advertisers are allowed to select competitors' trademarks, the AdWords programme faces many lawsuits. As in most of the rest of the world, the US courts are split over whether such keyword purchases by advertisers constitute use in commerce, though most think they do.

In the US, trademark owners have sued the advertisers who buy the keywords and the search engine operators who sell the keywords, but most cases are brought against the keyword purchasers. Although Google and other search engines usually have deeper pockets than the advertisers and thus would appear to be more attractive in terms of seeking damages, these deep pockets probably cause smaller trademark owners to sue their competitors who purchase the keywords.

Regarding liability for trademark-related keyword sales and purchases in the US, the courts have been inconsistent. The trend seems to be that:

- There is no likelihood of confusion and thus no infringement if the sponsored link does not contain the disputed trademark.
- There is infringement if the sponsored link contains the disputed trademark, unless the trademark is used in a fair use manner (eg, in comparative advertising comparing the owner's products).

However, a few courts have found infringement even if the disputed mark does not appear in the ad.

Liability of internet auction sites for sale of infringing goods

Another relevant area with conflicting

findings concerns the liability of another financial heavyweight in the e-commerce arena.

In June 2008, a French court ordered eBay to pay €40 million to several luxury-goods manufacturers for not having done enough to prevent the sale of counterfeit goods on its auction site. In 2008, the highest civil court in Germany had similarly held that upon notice, an internet auction provider has to stop the sale of infringing items immediately and must also take all feasible and reasonable measures to stop future infringements.

Shortly after these European cases, however, in the first decision of its kind in the country, a US court determined that eBay had taken sufficient measures to stop the sales of counterfeit Tiffany jewellery, stating that it is primarily the trademark owner's burden to police its trademarks. Tiffany may have suffered from the fact that it did not participate in eBay's VeRO programme, by which trademark owners can prompt eBay to remove auction items that infringe their rights, and that eBay had removed 19,000 counterfeit Tiffany items after receiving specified requests to do so. With appeals already filed, the *status quo* may change, providing more consistent and clearer guidelines on the responsibilities of both sides.

Conclusion

There is remarkable uncertainty regarding liability for trademark infringement on the internet, spanning from internet auctions to the purchase and use of trademarks as keywords.

Not only can the purchase of keywords become relevant as possible trademark infringement, but keyword purchase costs can also be awarded as damages in the form of corrective advertising, as one US court recently did. That court awarded the trademark owner costs sufficient to purchase keywords associated with the infringed mark to ensure prominent placement of the trademark owner's website in Google search results for seven years. Damages of US\$350,000 were tripled to a sum in excess of US\$1 million because of the wilful nature of the infringement.

While we can only guess at the profound changes that lie ahead in the world of e-commerce, it is safe to say that new technologies and marketing trends will continue to present challenges. To succeed, brand owners, advertisers and search engine operators must constantly monitor and manage the effects of these changes on their businesses and IP assets.

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