

RECENT KEYWORD ADVERTISING DEVELOPMENTS

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June 2009

April 03, 2009

Second Circuit Says Google's Keyword Ad Sales May Be Use in Commerce--Rescuecom v. Google

By Eric Goldman

[Rescuecom Corp. v. Google Inc.](#), 562 F.3d 123 (2d Cir. April 3, 2009)

The Second Circuit has issued its long-anticipated opinion in *Rescuecom v. Google* over Google's sale of trademarked keywords as ad triggers. In a disappointing but not surprising conclusion, the Second Circuit reversed the lower court and says that *Rescuecom* properly alleged that Google's keyword ad practices constituted a "use in commerce." This ruling merely reverses the 12b6 dismissal for Google, but it raises some important questions--including whether this ruling effectively eliminates any future "use in commerce" defense in keyword advertising cases and whether Google and other search engines could reform their practices so that they are no longer deemed uses in commerce.

1-800 Contacts v. WhenU Distinguished

The most interesting part of the opinion is how this panel distinguishes its [2005 1-800 Contacts v. WhenU precedent](#), which held that an adware vendor did not make a use in commerce through its keyword ad triggering processes. The court says that Google is different in two main respects:

"First, in contrast to 1-800, where we emphasized that the defendant made no use whatsoever of the plaintiff's trademark, here what Google is recommending and selling to its advertisers is *Rescuecom's* trademark. Second, in contrast with the facts of 1-800 where the defendant did not "use or display," much less sell, trademarks as search terms to its advertisers, here Google displays, offers, and sells *Rescuecom's* mark to Google's advertising customers when selling its advertising services. In addition, Google encourages the purchase of *Rescuecom's* mark through its Keyword Suggestion Tool."

The court appears to be making two distinctions. First, *WhenU* didn't sell trademarked keywords directly but instead rolled up search queries into product categories that didn't contain the trademark anywhere but in an internal database table, so there was an additional layer of abstraction away from trademarks built into *WhenU's* matching process. Second, the court clearly doesn't like Google's Keyword Suggestion Tool, which I think has also frustrated trademark owners and been repeatedly cited against Google in pleadings.

In theory, then, Google could eliminate its trademark use in commerce by adding a product category abstraction--although this may not be a good idea, as it would not work with long-tail queries--and by modifying or dropping the Keyword Suggestion Tool.

The case also discusses Google's "sponsored link" label and distinguishes it from WhenU's labeling of its pop-up ads. The court gives credence (as it must on a 12b6) to Rescuecom's allegations that Google's placement of ads above the organic results might confuse consumers into thinking those ads were organic. In contrast, in WhenU, the "pop-up ad appeared in a separate browser window from the website the user accessed, and the defendant's brand was displayed in the window frame surrounding the ad, so that there was no confusion as to the nature of the pop-up as an advertisement, nor as to the fact that the defendant, not the trademark owner, was responsible for displaying the ad, in response to the particular term searched." Personally, I think Google's interface is sufficiently clear to consumers, but this is a factual assertion not ready for judicial review in this case yet.

One oddity: the court repeatedly says that WhenU displayed ads "randomly" chosen in response to searcher behavior. I'm not sure what the court was trying to say, but the ads were hardly chosen at random, and this is a pretty significant factual error on the court's part.

Finally, the court discusses the analogies to shelf-space adjacency in the retail context. This is a topic of special interest because I've parsed this issue in gory detail in my [Brand Spillovers paper](#). The court, without any citations, reaches the conclusion that

It is not by reason of absence of a use of a mark in commerce that benign product placement escapes liability; it escapes liability because it is a benign practice which does not cause a likelihood of consumer confusion. In contrast, if a retail seller were to be paid by an off-brand purveyor to arrange product display and delivery in such a way that customers seeking to purchase a famous brand would receive the off-brand, believing they had gotten the brand they were seeking, we see no reason to believe the practice would escape liability merely because it could claim the mantle of "product placement."

Fair enough—if consumers purchase a passed-off good, that would be actionable. However, the court sidesteps all of the nuance in concluding that shelf-space adjacency is a "benign practice that does not cause...consumer confusion." Retailers are hardly "benign" in their practices; see my [Brand Spillovers paper](#) for more on that. Further, and perhaps more importantly, it's unclear how Google's ads misdirect anyone. The court had to accept Rescuecom's allegations of diversion as true, but I think those bear very close scrutiny on remand.

What Is a Use in Commerce?

The opinion also contains a scholarly appendix, expressly labeled as dicta, explaining its statutory analysis of the Lanham Act's use in commerce phrase. Not surprisingly, at the end of the appendix it says "It would be helpful for Congress to study and clear up this ambiguity." Although it is dicta, I expect many other courts will follow and embrace this appendix when discussing use in commerce. I also expect that this will put an end to the cottage industry of law review articles debating what the phrase means in the keyword context.

Implications of this Ruling

1) This opinion narrows the 1-800 Contacts v. WhenU opinion substantially to a very specific set of facts. I'm not sure how many courts will be favorably citing that precedent in the future.

2) This case jeopardizes the half-dozen or so district court cases (in Second Circuit-controlled jurisdictions) that have held that keyword advertising *purchases* aren't a trademark use in commerce. This case involves Google's sale of keyword advertising, not an advertiser's purchase of keyword advertising, but I think those cases are now very shaky precedent. (The court particularly says that the [Merck](#) and [S&L Vitamins](#) cases "overread" the 1-800 Contacts precedent). The Second Circuit still could find a way to distinguish ad buys from ad sales, but I would be surprised if it did so.

3) This case also jeopardizes the rulings in those cases that keyword metatags aren't a trademark use in commerce. The court says specifically "We did not imply in 1-800 that an alleged infringer's use of a trademark in an internal software program insulates the alleged infringer from a charge of infringement, no matter how likely the use is to cause confusion in the marketplace." I'm not sure how this applies to keyword metatags, which can't cause consumer confusion under any circumstance. Nevertheless, if the keyword metatags don't have the layer of abstraction that WhenU used, I don't think the court would regard them favorably.

4) Although this is clearly a loss for Google because Google no longer has a reliable way to kick out cases on a 12b6, Google might still prevail in the case. Google had won on a 12b6, and the court merely said that Rescuecom alleged enough in its complaint to survive the 12b6. Google could still win on summary judgment or trial, or the parties might settle. Either way, Rescuecom merely lives to fight another day. (In theory, Google could also appeal this ruling to the Supreme Court; I would be surprised if they went that route or if the Supreme Court would take it).

5) Accordingly, I don't expect this ruling to do much for cases like [American Airlines v. Yahoo](#). Indeed, perhaps anticipating this loss, Yahoo didn't try to get the case into the Second Circuit. I suspect that's because Yahoo had already decided not to expect the use in commerce defense to go in its favor.

6) I'm interested to see what this ruling will do to state efforts to attack keyword advertising, such as [Utah's ill-fated forays in this area](#). In theory, this ruling might alleviate some of the pressure state legislators feel that they have to do something. However, I suspect state legislators are only mildly interested in legal proceedings elsewhere, so I doubt this will make state legislators second-guess their own brilliance.

7) As the court says, it would make a lot of sense for Congress to clean up the statutory drafting muddle over use in commerce in the Lanham Act. I don't think this is likely because of the political gridlock that would emerge over the topic. As I discuss in my [Deregulating Relevancy paper](#), a more pragmatic approach would be for Congress to expressly provide a safe harbor for search engines selling keywords analogous to the safe harbor for domain name registrars selling domain names, but I doubt Google has the muscle for that either. As a result, I don't anticipate legislative intervention to overturn this ruling.

May 11, 2009

Google Hit With Major Class Action Trademark Lawsuit Over Trademarked Keyword Ad Sales--FPX v. Google

By Eric Goldman

FPX, LLC v. Google, Inc., 2:2009cv00142 (E.D. Tex. [complaint filed](#) May 11, 2009)

In retrospect, it seems so obvious. Why were the lawyers for these chickenscratch plaintiffs ([Rescuecom](#)? Check 'n' Go?) suing Google over trademarked keyword ad sales on behalf of *just one* aggrieved trademark owner client when they could sue Google on behalf of *thousands* of trademark owners? GOBOGH! (Go big or go home). After all, even if Rescuecom wins an injunction on its own behalf, Google will just excise Rescuecom from the database without any real change, so Rescuecom's leverage over Google isn't huge. But if a plaintiff's lawyer could win an injunction on behalf of every trademark owner in the state of Texas, that could bring Google to its knees. Surely Google would be willing to write over a few billion dollars to prevent that from happening....

So a two-bit plaintiff, Firepond (who?), brought a trademark infringement lawsuit against Google and some of its distribution partners in Marshall, Texas (where?) alleging that Google's flagship (and only real) revenue generator, AdWords, infringes the trademark of all Texas trademark owners. (Note: I expect copycat lawsuits of this complaint will be filed by other plaintiffs' lawyers seeking some spoils for themselves, all of which should get consolidated into a single action). This is a well-structured lawsuit that squarely raises the long-contentious debate over the legitimacy of selling trademarked keywords. (I won't recap that debate here, but I still think [this article of mine](#) best explains why plaintiffs' whining about competitive diversion from search ads is fundamentally misguided). Should this lawsuit reach a final judgment on the merits, we will have a very important answer about what search engines and other keyword sellers can and can't do.

But, I don't think this lawsuit will give us that answer because the judge is very unlikely to certify the class. As we saw in the Vulcan Golf lawsuit, where [the court denied class certification](#) over Google's domain name parking program, trademark issues are just too complicated and individualized for class adjudication. Every trademark is different, the identity of each competitive (or other) advertiser is different, every AdWords ad copy is different, the informational needs of every trademark owner's customers are different (for more on this, see [Hearts on Fire's complicated standard](#) for evaluating consumer confusion), trademark defenses are idiosyncratic, etc. Perhaps the reason no one has sought a trademark class action over AdWords before is that it probably can't be done. (Although I realize a prediction like that just fans the flames of a plaintiff class action lawyer).

While on the surface this lawsuit sounds like bad news for Google, Google might look at it as an opportunity, not a threat. Similar to the way it got favorable solutions from the [click fraud class action](#) and the [Google Book Search settlement](#), Google could decide it *wants* to form the class so

that it can permanently end all trademark owners' beefs at once. If the class forms, then Google can either (a) make its stand in a single case, fight to the death and try to win the lawsuit outright, effectively eliminating further challenges, or (b) more likely, settle up by paying an amount that represents a pinprick to its financial well-being but makes a few lawyers in Marshall, Texas rich enough to buy more cow pasture than they can shake a rattlesnake at. The settlement would then bind all trademark owners governed by the class, eliminating their right to sue. This could be cheap one-stop shopping for Google.

The Marshall, Texas origins of this lawsuit are interesting for another reason. As most of you know, Marshall has become the patent litigation capital of the United States due to patent owners' perceptions that it has plaintiff-friendly judges and juries. However, I've been reading reports that the pace of new patent lawsuits in Marshall is slowing down. Could it be that the plaintiff's patent bar in Marshall now has a little extra time on their hands and is looking for a new revenue stream? Could Marshall, Texas become the new home of dubious class action trademark litigation by repurposed plaintiff patent lawyers?

May 15, 2009

Firepond "Copycat" Lawsuit Filed Against Google--John Beck Amazing Profits v. Google
By Eric Goldman

John Beck Amazing Profits, LLC v. Google Inc. 2:2009cv00151 (E.D. Tex. [complaint filed](#) May 14, 2009). The [Justia page](#).

Earlier this week, a group of lawyers filed a class action lawsuit against Google and its distribution partners ([FPX v. Google](#)) alleging that Google's AdWords infringed the rights of Texas trademark owners. The same group of lawyers has now filed a second putative class action lawsuit against Google in the Eastern District of Texas.

I didn't do a word-for-word comparison, but two main differences were obvious. First, a smaller number of Google's distribution partners are targeted. Second, and more importantly, this complaint alleges a class comprised of all US trademark owners, instead of restricting the class just to Texas.

I don't fully understand why the same group of class action lawyers would file two separate class action complaints covering the same basic defendants and issues, but it's not the first time we've seen this tactic (the [advertisers suing Yahoo over "syndication fraud"](#) pulled the same stunt). I suspect it has something to do with trying to ensure lead dog position if/when a judge consolidates multiple copycat lawsuits from other plaintiffs' lawyers.

In any case, this lawsuit covering all US trademark owners now squarely offers Google the option to resolve and clean up any past trademark liability for past AdWord sales should it choose to accept this battle. In light of Google's liberalized AdWords trademark policy

announced last night (which I'll blog shortly), it doesn't seem like Google is looking for an easy way out.

May 29, 2009

Another Lawsuit Over Google AdWords--Stratton Faxon v. Google

By Eric Goldman

Stratton Faxon v. Google, Inc. (New Haven Superior Ct. [complaint filed](#) May 27, 2009)

Today's lawsuit combines two trends:

Trend #1: Lawyers-as-plaintiffs suing Google for their own account. I don't have a complete inventory of these lawsuits, but other examples include the [Field](#), [Feldman](#), [Person](#) and [Bradley](#) lawsuits. Ironically, I believe all of these lawsuits were shot down in inglorious flames--lawyers-as-plaintiffs often seem to do even worse than other plaintiffs.

Trend #2: Lawsuits over Google AdWords. Heck, two were filed earlier this month (the [Firepond](#) and [John Beck](#) lawsuits).

This lawsuit is brought by a Connecticut plaintiff-side law firm that discovered a rival law firm was keying AdWords ads to the law firm name. Trademark owners faced with this situation might normally contact the rival and ask them to stop (which the rival firm [claims to have done](#) as soon as it heard of the lawsuit) and take advantage of Google's trademark policy. But, if you're a plaintiff's lawyer, it sure is tempting to sue first and ask questions later...

And this lawsuit does raise a lot of questions, including:

- * why didn't the plaintiff sue for trademark infringement? The plaintiff claimed interference with business relations and unfair competition, but both claims fundamentally sound in trademark law and would be preempted if there was a robust trademark preemption doctrine. Perhaps a trademark claim is coming.
- * why didn't the plaintiff sue the advertiser instead of Google? Among other things, the plaintiff complains that its rival firm is mimicking other offline marketing efforts. If the problem is with the rival firm, wouldn't they be the more appropriate target?
- * why did the plaintiff seek a prejudgment \$50,000 lien against Google instead of just filing a complaint? Maybe Connecticut law has some quirks that encourage or require this procedural step. Otherwise, is the firm concerned that Google won't have \$50,000 to pay off the plaintiff if it wins?

* did the plaintiff really just discover that its competitors are advertising on its name? The plaintiff was quoted as saying that the [Firepond lawsuit prompted him to check the search results](#) for the first time. What is this, 2002?

All of these questions make me wonder if this lawsuit is really intended to get some publicity and maybe prompt some calls from potential plaintiffs to form a new class action suit. Otherwise, Connecticut law may differ from California law, but under CA law this lawsuit would almost certainly be DOA. For example, even without relying on 47 USC 230, under CA law I don't see any possibility that the plaintiff could establish the requisite scienter to make the interference with business relations claim stick. For a good analogous example of a failed misdirected attempt to smack a search engine for unwanted advertising, see the [Heartbrand Beef](#) case, where Yahoo was excused (without relying on 230) from a false designation of origin claim for selling trademarked keywords.

Stated differently, lawsuits like this--from lawyers who are clearly new to our community--simultaneously make me feel really smart and really stupid. Their allegations are so unmoored from our normal legal discussions that either the lawyers know something I don't, or they have no idea what they are doing. I'll let you to form your own conclusion about this lawsuit.

Clearly, this lawsuit isn't a clone of the Firepond lawsuit, but I think it's fairly characterized as a spawn of it in that the Firepond lawsuit helped educate another plaintiff lawyer about the desirability of suing Google. I expect other plaintiffs' lawyers are getting the same message as we speak.

In theory, if the plaintiff firm really wanted to tweak its rival, it might also complain to the bar regulators about impermissible advertising under rules about lawyer advertising. This prompted me to wonder: have any bar association opinions on the permissibility of buying trademarked search keywords? I am not aware of any, but I may be forgetting something. Please let me know if you've seen such an opinion.

May 15, 2009

Google Liberalizes US Trademark Policy: "What, Me Worry?" Part 2

By Eric Goldman

In my [Deregulating Relevancy article](#) from a few years ago, I explained how trademark law was having pernicious consequences for online conversations. Among other unwanted effects, trademark law hinders online discussions about trademarks even when both conversationalists found the discussion relevant.

I don't think things have gotten better since I wrote the article in 2005. Perhaps we have a better understanding of trademark law's capacity for harm, but we continue to see misguided lawsuits from trademark owners and mixed results from judges.

While the courts do not automatically support online trademark-mediated discourse, the bigger practical threat to online trademark law comes from extrajudicial privately enforced trademark policies, such as the search engines' "voluntarily" adopted trademark policies. These policies minimize search engines' exposure to trademark liability for their ad sales, but they effectively resolve a huge percentage of trademark owners' "problems," almost always in the trademark owner's favor, without any judicial oversight at all.

Thus, I was delighted to see Google's announcement that it was liberalizing its trademark policy to allow a group of "special" advertisers to reference third party trademarks in the advertisers' ad copy, even if the trademark owner objects. See Google's [official announcement](#). The "special advertisers" includes resellers, review sites, and sellers of compatible/complementary/replacement products.

In practice, this means that these advertisers and consumers can now use the same trademark to speak with each other. In contrast, today, the advertiser can purchase the trademark as the triggering keyword but can't use the trademark to explain why the consumer was seeing the ad. Personally, I had always thought the "blind" nature of the ad copy had the potential to confuse consumers, and Google has taken a big step forward in solving that apparent problem.

Having said that, I wish Google had gone further. There are two obvious groups of advertisers who should be able to reference the trademark in the ad copy but still will not be able to do so: (1) competitors making comparative claims, and (2) grippers who wish to complain about a trademark owner's practices. These two advertiser groups can still buy third party trademarks, but they will still be forced to speak in code in the ad copy to explain why they did so. Nevertheless, we shouldn't let these omissions detract from what is otherwise very good news from Google.

While I think the policy change is good news, I don't expect trademark owners will agree. Trademark owners already are wary of Google due to the widespread perception that Google's trademark policy is less trademark owner friendly than Microsoft or Yahoo. (Google will not disable a trademark as a keyword at the trademark owner's request; while Yahoo and Microsoft will do so in many circumstances). Google's move could antagonize trademark owners further.

Should the battle move into the courtroom, I think Google's move is legally defensible on two fronts: (1) The group of special advertisers generally should be protected by the nominative use doctrine, and (2) to the extent the ads are no longer "blind," there may be less consumer confusion about the ads than there has been in the past.

Even so, I expect trademark owners to be even more aggressive about suing Google. First, some trademark owners will bring trademark lawsuits to control their online channels (see, e.g., the [Mary Kay case](#) and the many cases I cite therein), so special advertisers like resellers are an irresistible target for trademark owners trying to reduce competition among their retailers. Second, the [Rescuecom decision](#) eliminated Google's ace-in-the-hole to eliminate trademark lawsuits early, so trademark owners may feel like their odds of success have gone up.

Indeed, in what I think is a completely unrelated move, this week a group of plaintiffs' lawyers initiated two class action trademark lawsuits against Google ([1](#), [2](#)). I would not be surprised to see other trademark owners decide they've had it with Google. I could also see trademark owners deciding to push legislative solutions, especially in Google-hating Utah. (Although, some of the special advertiser groups in Google's new policy would not have been able to take advantage of [Utah HB 450](#), Utah's most recent foray in disrupting the online advertising business). It could take years for all of the legal shenanigans to shake out.

I think the biggest question is why Google is making this change now. After all, Google has not had any good news recently on the trademark front. If anything, the [Rescuecom decision](#) might have counseled Google to become *more* restrictive, not less. Further, it's clear from the Firepond lawsuits that trademark owners aren't afraid to sue Google over Google's multi-billion-dollar cash cow. And, although Google is now in line with Microsoft and Yahoo's policies with respect to their trademark policies as applied to the special advertiser groups, none of those voluntary trademark policies are successfully battle tested in court; Google has no precedent to confirm that it will win in court if challenged. Collectively, it's not like a cloud of doubt about the trademark law implications of Google's policy changes has magically lifted.

Indeed, the timing is interesting given last week's announcement that [Google was liberalizing its trademark policies for 190 countries](#). On the surface, it looks like the two liberalized policy announcements may be connected because both could have the same effect of increasing Google's ad revenues. In other words, perhaps Google is feeling the effects of the market downturn and looking for easy sources of new revenues, and what is easier than taking cash from customers who are already asking to buy ads but Google is voluntarily refusing?

Personally, I don't think this is a cash grab by Google. If nothing else, if the policy change also leads to an increase in expensive lawsuits, the change may not be cash-flow positive for Google any time soon. (Though it should be immediately cash-flow positive for Google's outside trademark counsel!) Instead, I'm willing to accept Google's argument that the policy change is actually about allowing advertisers and consumers to speak the same language, which simultaneously improves the consumer experience and should lead to better ad performance for advertisers. And, in my opinion, that's exactly what trademark law should be about.

May 05, 2009

Google's International Trademark Policy Change: "What, Me Worry?"

By Eric Goldman

I've had a number of discussions with folks about what Google would do in light of its [adverse ruling in Rescuecom](#). Personally, I didn't expect them to do much of anything right now. I still think they have a good shot at winning the Rescuecom case in the end, and if they do, they probably won't feel any reason to change their practices. If they lose the Rescuecom case, then we'll have to see why the loss occurred before evaluating corrective changes.

Meanwhile, in a probably unrelated move that is nevertheless interesting especially due to its timing, [Search Engine Land reports](#) that Google has liberalized its trademark policy in 190 countries to conform to its current policy in the US, Canada, Ireland and the UK (the latter two may have been liberalized in response to the favorable UK [Mr. Spicy case](#)). Thus, in 190 additional countries, Google will no longer block the sales of trademarked keywords. Notorious litigation hot-spot France remains on the list of places where Google will block trademarked keyword sales.

I'm not sure what, if any, legal developments have changed in these 190 countries to give Google comfort on the trademark front. However, I *am* sure this move will be unpopular with trademark owners!