

# Can Use of Another's Trademark in an AdWord Constitute Infringement?

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You have just negotiated a settlement between your client and a trademark infringer. The bad guy has admitted infringement, and you are drafting a settlement agreement when a dispute arises. The bad guy refuses to agree not to purchase AdWords containing your client's trademark to advertise his products through various search engines, arguing that the purchase of AdWords containing your client's trademark does not constitute infringement. You are skeptical, believing that the infringer is attempting to engage in further nefarious behavior. Your client wants to know: *can a trademark owner prevent others from purchasing AdWords or "Sponsored links" containing his trademark?*

To find your answer, it is important to first understand a few principles of U.S. trademark law. The legislative intent of the Lanham Act, 15 USC §1051 *et seq.*, is to give trademark owners broad latitude to protect their trademarks from would-be infringers. A fundamental objective guiding this intent is to protect American consumers from fraud. Consumers readily identify particular brands with quality, based on a reputation built through a history of consistency, integrity and honesty. Consumers place their trust, and thus, their purchasing power, in certain brands. Simply put: the more famous the brand, the more likely it is that consumers will buy it. Consumers rely on the advertising and marketing of each brand to identify authentic goods from counterfeits. Accordingly, the touchstone of whether infringement has occurred is the determination of whether a consumer is "likely to be confused" between the trademarked product or service and the alleged infringing product or service, based on the infringer's illicit use of a trademark or service mark, or of a confusingly similar mark, in commerce.<sup>1</sup> Federal courts nationwide employ a multi-factor test to determine whether a likelihood of confusion exists, which generally include some iteration of the following: (1) the strength of the trademark; (2) the proximity of the trademarked products and the infringing products in the marketplace; (3) the similarity of the infringing mark to the registered trademark; (4) evidence of actual consumer confusion; (5) the marketing channels used; (6) the type of goods and the degree of care likely to be exercised by consumers when purchasing the goods; (7) the alleged infringer's intent in selecting the mark; and (8) the likelihood of expansion of either the trademark owner's product line or the alleged infringer's product line.<sup>2</sup>

## Internet Advertising With AdWords

With the advent of the internet age, brand owners increasingly employ digital means to advertise and market their products and services. Internet search engines have developed a method of digital advertising by permitting the purchase of AdWords. An AdWord is a keyword contained within a "Sponsored link," a website link to a business owner's website, offered for purchase. When purchasing an AdWord, an advertiser may specify the application of the keyword as a "broad match" (the advertiser's Sponsored link will result anytime a consumer searches for "the keyword, its plural forms, its synonyms, or phrases similar to the word."<sup>3</sup>); as a "phrase match" (the advertiser's Sponsored link "will appear when a user searches for a particular phrase"<sup>4</sup>); as an

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<sup>1</sup> Under the Lanham Act, 15 U.S.C. §1127, a service mark is "deemed to be in use in commerce...when it is used or displayed in the sale or advertising of services and the services are rendered in commerce"; a trademark is "deemed to be in use in commerce...when it is placed ...on the goods or their containers or the displays associated therewith...or...on the documents associated with the goods or their sale, and the goods are sold or transported in commerce."

<sup>2</sup> *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979).

<sup>3</sup> *FragranceNet.com, Inc. v. Les Parfums, Inc.*, 672 F.Supp.328, 331 (E.D.N.Y.2009).

<sup>4</sup> *Id.*

"exact match" (the advertiser's Sponsored link will appear "only when the exact phrase bid on is searched on [a search engine]"<sup>5</sup>); or as a "negative match" (the advertiser's Sponsored link will "not appear when certain terms are searched"<sup>6</sup>). The same AdWord may be purchased by multiple buyers with no affiliation to each other. The prominence of an AdWord, i.e. its ranking in a results list, will be determined by the price a buyer is willing to pay.

Currently, no state or federal regulation defines the boundaries of the scope and substance of AdWords. Accordingly, over the last five years, a proliferation of litigation has resulted, driven by the commercial interests of trademark owners who fear the dilution and diminishment of their brands and an increase in consumer confusion between authentic and counterfeit goods, and the commercial interests of digital ad buyers seeking to capitalize on a highly lucrative revenue stream.

A tension between the First Amendment right to free speech and the right of Congress to protect trademarks as an element of interstate commerce lies at the heart of the debate as to whether the purchase and commercial use of a trademark as an AdWord by a buyer who is not the mark owner is licit. A few notable cases contributing to the outcome of this debate are described below.

### Instructive Recent Cases

With its decision in *Mary Kay, Inc. v. Weber, et al.*, the Northern District of Texas was one of the first courts to articulate the principle that it is not a foregone conclusion that the purchase of an AdWord by an entity other than the trademark holder for the online sale of goods is automatically an infringing use, but that it may rather be a nominative, non-infringing use.<sup>7</sup> To qualify as a fair use, the mark must be used in a manner that does not "create a likelihood of confusion as to source, sponsorship, affiliation, or approval."<sup>8</sup> The relationship between search terms and Sponsored links in and of itself is not strong enough to create an impression of affiliation in a consumer's mind.<sup>9</sup>

In *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, the Ninth Circuit considered whether the use of another's trademark as an AdWord linking a consumer to one's own sponsored website or advertisement violates the Lanham Act.<sup>10</sup> Importantly, the *Network* court recognized that a previous test to determine the likelihood of consumer confusion on the Internet, known as the "Internet troika," is "appropriate for domain name disputes" but is not applicable to all Internet infringement disputes.<sup>11</sup> In fact, the court concluded that the "Internet troika" test is inadequate for analyzing trademark infringement claims based on search engine keyword advertising.<sup>12</sup> The *Network* court carved out an analysis using the *Sleekcraft* factors, enabling it to examine the *sine qua non* of trademark infringement, namely, whether a consumer would be confused, not merely diverted, by the use of the marks at issue. The *Network* court identified the following *Sleekcraft* factors as those worthy of the most consideration in the context of determining a likelihood of confusion in a keyword/Ad Word case: (1) the strength of the mark; (2) the evidence of actual confusion; (3) the type of goods and degree of care to be exercised by the purchaser; and (4) the labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page.<sup>13</sup> Placing heavy emphasis on the last of these four factors, the appearance of the advertisements and the context on the screen displaying the results of the keyword search, the Ninth Circuit overturned the district court's finding of infringement and remanded the case. This Ninth

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<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> *Mary Kay, Inc. v. Weber, et al.*, 601 F. Supp.2d 839, 855 (N.D.Tex.2009).

<sup>8</sup> *Id.*

<sup>9</sup> *Id.* at 856; The court subsequently engaged in the Fifth Circuit's seven-factor test for confusion and did find the defendant's keyword use to constitute trademark infringement. The Fifth Circuit's seven-factor test, sometimes called the "digits of confusion", is: "(1) the type of mark allegedly infringed; (2) the similarity between the two marks; (3) the similarity of the products or services; (4) the identity of retail outlets and purchasers; (5) the identity of the advertising media used; (6) the defendant's intent; and (7) any evidence of actual confusion." *Scott Fetzer v. House of Vacuums, Inc.*, 381 F.3d 477, 484-85 (5th Cir. 2004).

<sup>10</sup> *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, 638 F.3d 1137, 1148 (9th Cir.2011).

<sup>11</sup> *Id.*

<sup>12</sup> The Internet troika established by established in *Brookfield Commc'ns, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036 (9th Cir.1999), consists of three factors originally set forth in the seminal case of *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir.1979), as follows: (1) the similarity of the marks, (2) the relatedness of the goods or services, and (3) the simultaneous use of the Web as a marketing channel. See *Network Automation, Inc.*, 638 F.3d at 1148.

<sup>13</sup> *Network Automation, Inc.*, 638 F.3d at 1154.

Circuit decision places evaluation of the visual appearance of an AdWord or Sponsored link at the center of the determination whether a consumer will be confused, and ultimately, whether infringement has occurred.

The Tenth Circuit has arrived at a similar conclusion as the Ninth Circuit in *Network*, with adopted a different approach. In a recent case, *1-800 Contacts, Inc. v. Lens.com, Inc.*, the Tenth Circuit affirmed the District Court of Utah's decision that the Defendant's purchase of AdWords containing confusingly similar marks to Plaintiff's "1800Contacts" mark did not constitute trademark infringement. The District Court held that "as a matter of law, a defendant's purchase of a search-engine keyword cannot, by itself, create the likelihood of confusion that is necessary for infringement liability...keyword use can generate a likelihood of confusion only in combination with the specific language of the resulting impressions." *1-800 Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229, 1241 (2013). The Court carefully articulated its reasoning for this determination, stating that consumers only view the results of their searches, having no idea which keywords a particular advertiser has purchased. Thus, a consumer might obtain the same list of advertisements by typing in a keyword containing a trademark, in this case, "1 800 contacts", or by simply typing in a generic keyword, i.e. "contacts," and among the list of advertisements, might be the Lens.com advertisement containing no reference to "1-800 Contacts." The Court concluded that such a consumer is not likely to be confused into thinking that Lens.com has a business association with 1-800 Contacts merely because an ad for Lens.com appears in a results list for a search on the keyword "1-800 Contacts."

### Summary

In the context of these recent AdWord cases, it is clear that courts will carefully weigh an advertiser's First Amendment right to free speech against a trademark owner's right of ownership in a mark. The mere purchase of a trademark by a non-owner advertiser does not equate to an automatic finding of infringement. Trademark owners may still be successful in pursuing advertisers not sanctioned to use a given mark, but only after clearly demonstrating a likelihood of consumer confusion by meeting the burden of providing evidence to satisfy each factor in the multi-factor test adopted by whichever circuit the trademark owner brings suit.

In conclusion, trademark owners like your client should remain vigilant in efforts to monitor the use of their marks by third party advertisers. If any misuse or infringement is suspected, your client should conduct further investigation and pursue advertisers until resolution is reached -- doing nothing will ensure the erosion of your client's ability to mitigate the consequences of illicit activities by third party infringers, and will likely result in dilution of your client's mark.

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