

Country correspondents

The Country correspondents section of *World Trademark Review* is a feature in which leading firms from countries across the globe take a detailed look at a specific topic affecting trademark owners

Advertising

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Keyword advertising issues remain unresolved

The use of another party's trademark in advertising remains controversial in the online context. The US courts have yet to come to an agreement as to the legality of practices such as keyword advertising

Trademark law in the United States has long struck a balance between the rights of trademark owners to protect their marks from confusion and the rights of others to make unauthorized, but nonetheless permissible, uses of those marks. This balance is often tested when a competitor uses another's mark in advertising. The most prominent battlefield for these issues in recent years has been the online practice of keyword advertising. 'Keyword advertising' typically refers to the practice of prompting the delivery of a company's advertisement with search results when internet search engine users enter a specific keyword as a search term. In many cases, the defendant is a competitor that has 'keyed' its advertisements to the plaintiff's trademark. Courts have yet to bring clarity to this debate and are struggling with questions such as the relevance of initial interest confusion, the availability of nominative fair use and whether the purchase of a trademark keyword constitutes actionable use.

Initial interest confusion

Courts have described initial interest confusion as occurring when a consumer seeks a particular trademark holder's product, is diverted to a competitor's product, quickly realizes that the competitor is not related to the trademark holder, but nevertheless decides to purchase the competitor's product. In the online world, this type of confusion allegedly arises when the unauthorized use of a trademark – through use of marks in domain names, metatags or keywords – diverts internet traffic to a competitor's website (eg, see *Australian Gold Inc v Hatfield* (436 F3d 1228 (10th Cir 2006)) about metatags and keywords; *Brookfield Commc'ns Inc v West Coast Entm't Corp* (174 F3d 1036 (9th Cir

1999)) about metatags; and *Promatek Indus Ltd v Equitrac Corp* (300 F3d 808 (7th Cir 2002)) about metatags).

Some federal appeals courts have limited the doctrine's applicability in the online context. In *Savin Corp v Savin Group* (391 F3d 439 (2d Cir 2004), cert denied, 126 S Ct 116 (2005)), a domain name case, the US Court of Appeals for the Second Circuit noted that applying initial interest confusion requires a showing of intentional deception. The court explained that consumers who are diverted and initially confused on the Internet can easily correct their initial confusion by leaving the website they have reached in error.

The Fourth Circuit considered initial interest confusion in a case involving use of a domain name for a criticism website, *Lamparello v Falwell* (420 F3d 309, 311 (4th Cir 2005), cert denied, 126 S Ct 1772 (2006)). The court declined to apply initial interest confusion, describing it as "a relatively new and sporadically applied doctrine". The court noted that cases where the doctrine had been applied usually involved the use of another's mark for financial gain (420 F3d at 317). Where the owner of the criticism website does not compete with the trademark owner for sales, initial confusion will not have a meaningful effect in the marketplace (*Id.*, 317-18. See also *Bosley Med Inst Inc v Kremer* (403 F3d 672 (9th Cir 2005)).

The Ninth Circuit recognized the possibility that initial interest confusion might occur when keywords including the trademark owner's mark are used to trigger unlabelled banner advertisements (see *Playboy Enters Inc v Netscape Commc'ns Corp* (354 F3d 1020 (9th Cir 2004)). In a concurring opinion, one judge questioned whether initial interest confusion should be applied when a banner advertisement is

clearly labelled as to its source (*Id.*, 1034-35).

In cases involving the use of trademarks in keywords that trigger sponsored advertisements with search results, district courts have reached differing conclusions on the possible applicability of initial interest confusion (eg, see *JG Wentworth v Settlement Funding LLC* (2007 US Dist LEXIS 288 (EDPa January 4 2007)), which found that the doctrine is inapplicable; *Kinetic Concepts Inc v Bluesky Med Group Inc* (2005 US Dist LEXIS 32353 (WD Tex, November 1 2005)), which held that the doctrine may be applicable; and *Site Pro-1 Inc v Better Metal LLC* (2007 US Dist LEXIS 34107 (EDNY, May 9 2007)), which rejected "initial source confusion").

Courts have yet to consider in detail some of the factors that might limit the relevance of initial interest confusion to advertising on the Internet. For example, the record may demonstrate that consumers usually have no difficulty navigating away from a website that they have reached by mistake. Similarly, advertisements may be labelled sufficiently to let consumers know that they will not be reaching the trademark owner's website when they click on the advertisement.

Permissible uses

Some courts addressing keyword cases also have considered whether the defendant's use of the plaintiff's trademark as a keyword constitutes a permissible fair or nominative use. In many trademark cases – not just in the internet context – a defendant will assert that its use of the plaintiff's mark is fair notwithstanding some likelihood of confusion. Section 33(b)(4) of the Lanham Act recognizes a classic form of fair use in which the defendant uses the term at issue not as a trademark, but instead to describe its own goods or services (15 USC §

1115(b)(4)). The Supreme Court explained the application of this classic descriptive fair use in *KP Permanent Make-Up Inc v Lasting Impression I Inc* (543 US 111, 125 S Ct 542 (2004)).

Another type of fair use, referred to as nominative fair use or nominative use, has been recognized by two federal appeals courts, as well as by Congress in the context of dilution. The Ninth Circuit was the first appeals court to define 'nominative fair use' to refer to the case in which a defendant fairly uses the plaintiff's mark to describe the plaintiff's goods or services (*New Kids on the Block v News America Pub Inc* (971 F2d 302 (9th Cir 1992)). Examples of nominative use include comparative advertising, as well as criticism, parody, resale and other cases in which a defendant uses the plaintiff's mark for the purpose of referring to the plaintiff. The Ninth Circuit finds this usage permissible if:

- the defendant needs to refer to the plaintiff's mark (eg, for a comparison);
- the defendant uses only so much of the plaintiff's mark as is necessary; and
- the use does not create confusion as to source.

The Third Circuit recently joined the Ninth Circuit in expressly recognizing nominative fair use. The Third Circuit's test is similar to the Ninth Circuit's, but rather than requiring no confusion (the third element of the Ninth Circuit test), the Third Circuit requires that the defendant's conduct reflect the true and accurate relationship between the parties' goods or services (see *Century 21 Real Estate Corp v LendingTree Inc* (25 F3d 211, 232 (3d Cir 2005)). The Third Circuit thus recognized that a nominative use may be fair even if the plaintiff does show some level of confusion.

Congress recently recognized the doctrine of nominative use, at least in the dilution context, by including an explicit reference to nominative use among the exceptions to liability for dilution (15 USC § 1125(c)(3)(A)).

District courts have reached conflicting results on the availability of the nominative use defence in keyword advertising cases (see *Edina Realty Inc v TheMLSOnline.com* (2006 WL 737064 (DMinn, March 20 2006)), which held the defence unavailable; *Kinetic Concepts Inc (supra)*, which also found the defence unavailable; and *Nautilus Group Inc v Icon Health & Fitness Inc* (2006 WL 3761367 (WD Wash, December 21 2006)), which held that comparative keyword ads are permissible).



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Trademark use

Courts also have disagreed on whether the act of keying an advertisement to a trademark constitutes trademark use. District courts in the Second Circuit have concluded that keying an advertisement to a trademark does not amount to trademark use, and that use can be found only if the trademark term appears in the text of the advertisement (eg, see *Rescuecom Corp v Google Inc* (456 FSupp2d 393 (SDNY 2006)), for which an appeal is pending; *Merck & Co Inc v Mediplan Health Consulting Inc* (431 FSupp2d 402, reconsidered denied, 431 FSupp2d 425 (SDNY 2006)); *Site Pro-1 Inc v Better Metal LLC (supra)*; and *Hamzik v Zale Corp* (2007 WL 1174863 (NDNY, April 18 2007)), which found that the use of the mark in the ad text amounted to trademark use). These courts base their reasoning on the Second Circuit's decision in *1-800 Contacts Inc v WhenU.com Inc* (414 F3d 400 (2d Cir), cert denied, 126 S Ct 749 (2005)), in which the court found that the purely internal use of a URL that incorporates the plaintiff's mark, for the purpose of triggering pop-up advertisements, did not constitute trademark use.

District courts outside of the Second

Circuit have reached differing conclusions on the trademark use issue. For example, in *Google Inc v American Blind & Wallpaper Factory Inc* (2007 US Dist LEXIS 23450 (NDCal, April 18 2007)), the US District Court for the Northern District of California found that Google's practice of keying ads to other companies' trademarks constituted trademark use. The court relied on the Ninth Circuit's banner advertising decision in *Playboy v Netscape*, in which the court noted there was no dispute that the defendant's keying of banner advertisements to trademark terms was use. Other district courts have reached similar conclusions (eg, see *1-800 JR Cigar Inc v GoTo.com Inc* (437 FSupp2d 273 (DNJ 2007)); *Buying for the Home v Humble Abode* (459 FSupp2d 310 (DNJ 2006)); and *Government Employees Ins Co v Google Inc* (330 FSupp2d 700 (EDVa 2004)). After trial, the court in *Government Employees Ins Co v Google Inc* (2005 US Dist LEXIS 18642 (EDVa August 8 2005)) found no likelihood of confusion as to advertisements that did not include the trademark term in their text, even though the advertisements were keyed to the plaintiff's trademark. Another court found that keying an advertisement to a trademark term for purposes of comparative advertisements was not trademark use (*Nautilus Group Inc v Icon Health & Fitness Inc (supra)*).

Unanswered questions

The Second Circuit's resolution of the *Rescuecom* appeal will answer, at least in that circuit, the question of whether the act of keying an advertisement to a trademark term constitutes trademark use. However that case is resolved, courts in other circuits will need to clarify further the trademark use issue as well as the applicability of initial interest confusion and the nominative use defence to keyword advertising. [WTR](#)