

# Keyword advertising retargeted for new uses

**Just when you thought the keywords issue was diminishing, advertisers are now targeting online ads based on behaviour. Is this a new chapter in the battle between trademarks and keywords?**

A recent survey of in-house and external trademark counsel conducted by *WTR* found that keyword advertising is one of the top three concerns for both groups (See “Rewriting the contract between in-house and external counsel”, *WTR*, June/July 2011). A scan of legal literature and continuing legal education offerings would bear out this view. However, at a recent Practising Law Institute presentation, an audience poll of a broad sample of IP attorneys – including many who represent big brand-name companies – found almost no one who would advise a client to bring suit against a third party that was buying keyword advertisements based on its brand. Only one wavering hand voted ‘maybe’. Not one attorney strongly endorsed such an action. Despite the body of precedent, and an even greater body of commentary, the experts seemed more inclined to throw up their hands than to take up arms.

In more than a decade since the first decision in *Playboy Ent Inc v Netscape Comm’n’s Corp* (55 F Supp 2d 1070, 1086-88 (CD Cal 1999), rev’d, 354 F 3d Cir 1020 (9th Cir 2004)), barely a handful of final decisions have given meaningful guidance on when or whether keyword advertisements are permitted or precluded. *Playboy* itself was simply a non-final reversal and remand of a decision to grant summary judgment dismissing the plaintiff’s infringement claim.

Keyword advertising should be seen as a band on the spectrum of online advertising. However, just as static banner advertisements from the Internet’s early days have given way to more dynamic promotional tools, including pop-ups, keyword advertisements and an array of search engine optimisation techniques, much of the advertising spectrum is now occupied by behavioural advertising of various kinds. Advertisers can track users online and deliver advertising that is targeted to a user’s profile or recent activity. From this perspective, the types of sponsored link served by search engines are possibly less concerning to brand owners than new techniques that use keywords to ‘retarget’ advertising; these operate on the basis of users’ behavioural patterns, in ways that are almost impossible to monitor. A recent article, entitled “Magnetic Brings Search Re-targeting to the Masses”, reported on a retargeting service that tracks users’ online activity. If a user’s internet use reveals an interest in a

particular branded product or service, it is possible to retarget advertising not only for the brand in question, but also for a competing brand, based on the use of keywords that are tied to the first brand.

Thus, in deciding cases that involve search engine keyword advertising, it is vital that legal doctrine not be skewed on the basis of incorrect assumptions about how individuals use the Internet, or by incorrect analogies to the brick-and-mortar world. Only such a focus will ensure that the law develops in tandem with new technologies.

## **Behavioural advertising and retargeting**

A 2009 Federal Trade Commission (FTC) staff report, entitled “Self-Regulatory Principles for Online Behavioural Advertising”, defined the term ‘behavioural advertising’ as “tracking consumers’ online activities in order to deliver advertising that is targeted to the individual consumers’ interests”. By tracking individual searches on the Internet, advertisers can build profiles of users’ interests and activities, tailoring their advertising on the basis of the profiles associated with the users’ computers. The FTC recognises the considerable benefits of allowing this, given that much online content is paid for by advertising. However, it shares the concerns of many consumer groups about the potential dangers to consumers when the conduct of individuals is tracked. These concerns are heightened where tracking relates to sensitive queries and activities – for example, regarding medical or financial matters – and insofar as such information can be tied to a personally identifiable individual. Advertisers can develop highly detailed profiles of individual users. Even if data is tracked by IP address, rather than by name, advertising firms are increasingly able to circumvent anonymity safeguards and track a user’s activity without his or her knowledge or meaningful consent.

It is increasingly likely that behavioural advertising will be regulated in some way. The FTC is weighing new regulations and the need for federal legislation. Meanwhile, the US Commerce Department is seeking to establish consistent policies and a more coordinated government response to new challenges to individual privacy, both in regard to foreign privacy regulations and among the US states that have legislated in this area. One of the most controversial proposals under consideration at the FTC would require a ‘do-not-track’ option (modelled on the ‘do-not-call’ registry), which would allow consumers to set their internet browsers to block tracking. At least two significant pieces of bipartisan legislation (among others) are pending in Congress: the Commercial Privacy Bill of Rights Act 2011, sponsored by John Kerry and John McCain, and the Consumer Privacy Protection Act 2011, sponsored by Cliff Stearns and Jim Matheson. Legislation is pending in certain states, most notably California, where a bill would



give consumers broad new rights to opt out of tracking and would introduce a private right of action. California has previously led the way in the development of privacy law, including far-reaching legislation to limit spam emails – which led Congress to pass the CAN-SPAM Act, pre-empting the California law and creating national standards. A new California law might hasten federal action to establish uniformity on the issue of tracking.

Most search engine optimisation firms estimate that even keyword advertisements yield a return on investment of less than 5%. The original purpose of retargeting – and presumably still the primary purpose – is to capitalise on internet users' initial expressions of interest by tracking their inquiries and sending them follow-up advertising for the brands or products for which they have searched, even on unrelated websites. Chango, a search engine optimisation firm, describes search retargeting as being “about finding in-market customers that have recently searched for the keywords that matter to you”. Chango explains the process as follows: “Import your existing [search engine marketing] keyword list from Google AdWords or let our account reps help you target your ideal audience. We match your keywords against the recent search history of over 200 million unique shoppers, anonymously captured through our exclusive data partnerships. We serve dynamic display ads tailored to your search term across the major ad exchanges using our proprietary real-time bidding infrastructure.”

This description shows how simple it is for internet advertising firms to use the same basic strategy to retarget advertising to *competing* brands. If all that is needed is for the advertising firm to import a list of keywords – a list that may already target competitors – and match the keywords to other relational terms, there is no need to specify that matches can or should include keywords tied to competitors, as this will occur automatically.

#### The case for blocking keywords

The cases in which it has been held or suggested that use, on a search

engine, of a keyword tied to a competitor's mark is (or might be) an infringement have generally been decided on three grounds, all of which could prove relevant to retargeting. They are based on the view that:

- it is inherently wrong to obtain a free ride by trading on the reputation of a competitor;
- even if an internet user, before making a purchase, recognises a keyword advertisement for what it is, rather than a posting by the trademark owner, a fleeting initial misunderstanding constitutes actionable initial interest confusion; and
- a unique, internet-only test of infringement should be applied, whereby the analysis is confined to the similarity of the marks, the relatedness of the goods or services and the simultaneity of use on the Internet (*Storus Corp v Aroa Marketing, Inc*, 2008 WL 449835 (ND Cal, February 15 2008)).

The surreptitious element of using trademarks for retargeting is in some ways reminiscent of subliminal advertising, which was decried by Vance Packard in *The Hidden Persuaders* and was eventually deemed deceptive and contrary to the public interest (see “Public Notice Concerning the Broadcast of Information by Means of ‘Subliminal Perception’ Techniques”, 44 FCC 2d 1016 (1974)). Similarly, a parallel can be drawn with the unseen use of meta tags to drive internet traffic (at a time when search engines still indexed websites based on such code). As such, the case against keyword retargeting has obvious appeal. Bad intent is certainly a potential factor to consider, but reliance on intent alone can easily become circular – what is ‘good’ or ‘bad’ depends on what the law allows.

Some courts and practitioners remain attached to the initial interest confusion theory, as espoused in *Brookfield Commun's Inc v West Coast Ent Corp* (174 F 3d 1036 (9th Cir 1999)), which is based on the real-world metaphor of traffic being diverted from a highway by a misleading road sign. However, others have been sceptical of the analogy's relevance to the Internet. Thus, *Google, Inc v American Blind & Wallpaper Factory, Inc*, 2007 WL 1159950 (ND Cal 2007) noted that it is “unreasonable to find initial interest confusion when a consumer is never confused as to source or affiliation, but instead knows or should know, from the outset, that a product or web link is not related to that of the trademark holder because the list produced by the search engine so informs him” (*Accord, JG Wentworth, SSC v Settlement Funding LLC*, 2007 WL 30115 at 7 (ED Pa 2007)).

The logic behind the opaque notion that at only three factors need be considered, effectively creating *per se* liability, is derived from a short-form order without analysis in *Comp Examiner Agency, Inc v Juris* (1996 WL 376600 (CD Cal 1996)) and has never been explained. In *Network Automation v Advanced Systems Concepts* (10-55840, 97 USPQ 2d 2036 (9th Cir March 18 2011)) the Ninth Circuit agreed that the “internet trinity” or “troika” was not a valid test of infringement in keyword cases: “Given the multifaceted nature of the Internet and the ever-expanding ways in which we all use the technology, however, it makes no sense to prioritize the same three factors for every type of potential online commercial activity. The ‘troika’ is a particularly poor fit for the question presented here” (see Moskin, “Virtual trademark use – the parallel world of keyword ads”, 98 *Trademark Reporter* 873, 892-93 (2008)).

#### The case for allowing keywords

The cases in which it has been held (or suggested) that confusion is not likely have tended to rely on a simple analogy with familiar real-world purchasing experiences – for example, displaying generic store brands on the same shelf as branded products is arguably similar to the way in which sponsored keyword advertisements appear alongside search results for familiar branded products or services (*1-800 Contacts, Inc v WhenU.com, Inc*, 414 F 3d 400 (2d Cir 2005)). There was a brief diversion

---

## ☞ The types of sponsored link served by search engines are possibly less concerning to brand owners than new techniques that use keywords to ‘retarget’ advertising; these operate on the basis of users’ behavioural patterns, in ways that are almost impossible to monitor ☞

when a series of district court decisions – all in New York and all relying on *1-800 Contacts* – concluded that keyword advertisements could not entail use in commerce because an “[e]ntirely veiled machine-linking function was not a trademark use, since it did not entail having the mark placed... on the goods or their containers or the displays associated therewith”. This narrow view of what constitutes infringing trademark use relied on the wrong section of the Lanham Act – that is, the provision defining how a trademark owner acquires rights in a mark, not the definition of ‘infringement’. In *Rescuecom Corp v Google, Inc* (562 F 3d 123 (2d Cir 2009)) the Second Circuit agreed.

In *Rescuecom* the court observed that reasoning by analogy has its limits. A bare abstract comparison with a grocer’s shelves does not automatically answer the question of whether or when internet users are confused. (A recent survey conducted by the author with regard to a case settled on a confidential basis also demonstrated significant confusion when a generic store brand and a nationally known brand were shelved together in a chequer-board pattern.) Thus, the analogy itself may need to be shelved. However, the court in *Rescuecom Corp* took pains not to overrule *1-800 Contacts*, thus leaving room to speculate on how its reasoning would apply to the unseen, automated machine-linking process involved in retargeting.

Although the “use in commerce” test has been rejected as a basis to unfetter keyword advertising, a similar test recently surfaced as grounds for precluding liability, at least against search engines that provide a technical platform for such advertising. In *Rosetta Stone Ltd v Google, Inc* (2010 WL 3063152 (ED Va August 3 2010)) it was held that Google’s AdWords programme is simply a functional tool for indexing information that is relevant to consumer search queries. The court stated: “The keywords have an essential indexing function because they enable Google to readily identify in its databases relevant information in response to the web user’s inquiry.” Although the decision has been appealed, laying aside the effect of the district court ruling on direct suits against advertisers that purchase keyword advertisements, it presents a significant obstacle to claims against search engines for contributory liability in presenting such advertisements. The logic applied is similar to that in *1-800 Contacts*.

As such, *Rosetta Stone* also leaves unanswered the question of how its reasoning would apply to the functional indexing of information entailed by retargeting.

### Law in the balance

Another unique test, more common in Constitutional analysis than infringement litigation, has been a balancing test, weighing the risks of confusion against the functional benefits for consumers of the search technologies financed by advertising. In *Hearts on Fire Co v Blue Nile, Inc* (603 F Supp 2d 274 (D Mass 2009)), the court expressly noted that “the choice-enhancing properties of internet advertising should not be stifled on account of fleeting confusion among competing products”. The sentiment was echoed in *Mary Kay, Inc v Weber* (601 F Supp 2d 839 (ND Tex 2009)), and it is perhaps no accident that the FTC has endorsed a similar balancing approach in its initial reports on the risks of behavioural advertising. The same logic informs its December 2010 report on online advertising, entitled “Protecting Consumer Privacy in an Era of Rapid Change”, and may be fitting in light of keyword advertising’s place in the broader spectrum of internet advertising.

Transcending the generalities of most of the reported decisions, *Hearts on Fire* set out seven empirical factors to consider in assessing whether confusion is likely in a given keyword case. These include:

- the mechanics of web browsing, which permits users to toggle between websites with ease;
- the sophistication of users;
- the downstream content of the website being advertised;
- the duration of any confusion; and
- the specific content of searches.

In merely denying a motion to dismiss, the court did not provide its own final analysis. However, by definition, such an empirical focus will surely yield results that are closer to actual experience than those produced by the analogy model. Empirical survey evidence will need to play a bigger role in deciding keyword cases generally. If retargeting is as effective as its advocates claim, such evidence may favour trademark owners that object to these unpermitted uses of their marks.

### Comment

Whatever the final resolution of the still-unsettled law on search engine sales of keyword advertising, the existing muddle may be merely a prelude to confronting new and more surreptitious ways of using trademarks to drive internet commerce. This may involve unseen uses of brand names in search engine optimisation strategies or in novel forms of behavioural advertising. The regulation of such advertising by Congress or the FTC may limit the impact of retargeting. While it is unclear how the existing law might be applied to such new strategies, search engine optimisation firms are promoting retargeting as a vastly more effective tool than conventional search engine advertising.

As users spend more time on websites other than Google, particularly in the world of social networking, the ways in which website operators and their advertising affiliates gather and use data for targeted advertising may have greater consequences for trademark owners than the search engine sales of keywords already do – and may pose greater legal challenges. As one marketer has stated: “The topic of retargeting is hot, hot, hot.” The legal implications may soon be heating up as well. [WTR](#)

**Jonathan E Moskin** is a partner in the New York office of **Foley & Lardner LLP**  
[jmoskin@foley.com](mailto:jmoskin@foley.com)