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Free Ride?: Is Advertising on Search Engines' 'Results' Screens Trademark Infringement?

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Internet search engines sell the 'right' to have a company's advertisement emblazoned over the results returned when an Internet surfer searches for the name of the company's competitors.

The World Wide Web has opened up new channels of commerce and communications and spawned myriad new products, services and ways of doing business. It has also generated ingenious new possibilities for competing effectively—or, from another perspective, new means of engaging in commercial mischief that exploits the proprietary rights of others. The legal advice on these new means is generally: "There is no law directly on point for what you are doing, but . . ." This is the mantra of the Internet lawyer.

Case in point: If one plugs the word "amazon" into the Lycos search engine and hits return, a banner ad for Barnes & Noble unfurls above a list of search results that happens to be headed by an *amazon.com* link. Barnes & Noble paid to have the Lycos engine "notice" the occasions on which consumers are apparently looking for the bookseller's big online competitor in order to ensure that, at such commercially critical moments, consumers have a last chance to think about shopping at Barnes & Noble instead.

Thus, Internet search engines are now prepared to sell the "right" to have a company's banner advertisement emblazoned over the results that are returned when an Internet surfer searches for the name or brands of the company's competitors.

Is this legal? The practice has provoked at least three separate pending lawsuits—*Estee Lauder Inc. v. The Fragrance Counter Inc.*, No. 99 Civ. 0382 (S.D.N.Y. March 5, 1999); *Playboy Enterprises Inc. v. Netscape Communications Corp.*, No. 99-320 (C.D. Cal. Feb. 5, 1999); and *Playboy Enterprises Inc. v. Excite Inc.*, No. 99-321 (C.D. Cal. Feb. 5,

1999)—but the courts have not yet resolved the issue. From the perspective of those buying and selling the opportunity to display online ads, the practice is no different from buying space on a billboard across the road from a competitor's store. But trademark holders may well think that the search engines' use of their marks as keywords to trigger advertising displays is closer to eavesdropping when a customer calls a merchant and interrupting the call with telemarketing.

Who is right? Trademark and unfair-competition law does not provide clear answers because these new advertising practices do not fit neatly into existing legal categories.

A trademark has not traditionally been held to represent an unconditional property interest, whose ownership excludes all others from using the mark for any purpose. Rather, owning trademark rights in a word or symbol merely means that the owner has the right to prevent others from making commercial use of the mark in a manner likely to generate consumer confusion as to the source of goods or services (or, for some famous marks, in a manner likely to erode or dilute the mark's effectiveness). *New Kids on the Block v. New American Publishing Inc.*, 971 F.2d 303 (9th Cir. 1992).

Thus, an author can utter "Microsoft! Microsoft! Microsoft!" all he or she wants in an article on trademark rights without violating the Redmond behemoth's trademark rights. By using the term "Microsoft" as an example in a legal commentary, the author is neither making trademark use of the mark nor engendering consumer confusion. *See, e.g., New Kids*. Such actions are therefore outside the purview of trademark law—and also protected by the First Amendment.

How does the "sale" of brand names as Internet advertising keywords fit into established law? Search engines and proponents of such advertising placements will maintain that trademark law is completely irrelevant because they are not making any trademark use of anyone's marks.

Placing a competitor's ad above a list of search results that includes a company's Web page link is very much like the billboard across-the-street analogy, they will argue, because nothing about the position of the ad or its timing would lead consumers to believe that the advertiser must be affiliated with the brand-name goods or the company they were looking for in the first place.

According to this view, consumers are all too used to seeing ads for this and that on Web pages; they are well aware that Barnes & Noble and Amazon are bitter competitors; and the marketers' actual "use" of Amazon.com's name is invisible to consumers.

Companies whose marks have been used as keywords, on the other hand, can argue that the company that puts up a billboard does not use its competitors' mark in the process of doing so, whereas the search engine is essentially "selling" rights to the competitor's trademark, and that in these circumstances, the mark is used commercially to effect the ad presentation and intervene in a customer's intended contact with a company.

So what? The search engines will respond. Yes, we may be "using" a trademark or trade name to initiate an automated, invisible-to-consumers digital process that results in transmission of non confusing advertisements. But this is no more an infringing activity than mentioning the name of a competitor in a company's memorandum to its public relations firm; conducting a database search in which the competitor's mark is used as a search term, so a company can see what kind of press its competitor is getting; or using a competitor's trade name in a letter to a print magazine, giving the magazine a standing order that any month it runs an ad from the competitor, it should also run an ad from the company.

No one could seriously maintain that the use of the competitor's name in the letter to the magazine is unlawful, the search engines may argue, and making the process automatic does not change the situation one bit.

Not so fast, trademark owners will respond. The search engines' just in-time billboards are not communications to the company's PR firm, nor are they research activities or letters to the advertising department of a magazine. Rather, they are an entirely new and disturbing phenomenon: customized interventions between a company and

customers who seek to reach it, interventions only made possible by means of the unauthorized use of protected trademarks.

If new media give rise to new mischiefs, trademark owners may argue, the law must accommodate itself, as necessary, to provide remedies in accord with the underlying principles of the law. It is the fundamental purpose of trademark law to provide means for companies to identify themselves to potential customers so that, for their mutual benefit, consumers will not be misled and companies may garner the rewards of good reputation. Trademark holders may build on these principles to make the following arguments:

- There is more than one way to mislead consumers, and trademark law is perfectly capable of remedying new forms of misleading conduct involving unauthorized use of the symbols of a company's good will.
- When consumers search the Internet for the Web site of a company whose goods they wish to obtain, trademarks are literally used to lead consumers to the source of goods. When a search engine appropriates a mark and uses it to lead those consumers to the trademark holder's competitor, it is literally using the mark to "mislead" consumers, and the law must curb such inherently unfair activities.
- Trademark law also seeks to prevent companies from "free-riding" or trading off the goodwill of others. Such trading off can likewise take different forms. If a company has invested substantial resources in its name, engaged in extensive promotional activities and finally succeeded in inducing consumers to seek out its Web site, why should a competitor be allowed a free ride on the trademark owner's efforts—especially when the free ride is effected by exploiting the trademark owner's mark?
- Even if traditional trademark law generally requires a showing of confusion as to source, the law already dispenses with this requirement in order to provide famous marks with protection against trademark dilution. Trademark law can respond to the new cyber-infringements by avoiding rigidity in these new circumstance as well.
- Finally, state unfair-competition law comprises a flexible set of doctrines intended to uphold reasonable standards of commercial morality in varied and evolving circumstances, and this body of law should also bar

the exploitation of others' trademarks as advertising keywords. Peddling another company's trademark to allow a free-riding competitor to intervene between a potential customer and the company the consumer is trying to reach represents a bald effort to help companies reap where they have not sown. Such activities have traditionally been deemed unfair competition, and they remain improper even when conducted over the Internet.

Or so the trademark holders may argue. Whose metaphors and arguments are likely to prevail? One cannot predict with any assurance how the courts will decide these issues. But such disputes illustrate the ways in which online commerce forces attorneys to re-examine the interplay between intellectual property rights and free competition and to reassess the balances the law must effect between these interests.

These disputes also illustrate the intricate challenges faced by attorneys who counsel clients on sailing the unsettled waters of the Internet, which are so often roiled by new technological and commercial developments.