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Search Engines and Internet Advertisers: Just One Click Away from Trademark Infringement?

Lauren Troxclair

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Search Engines and Internet Advertisers: Just One Click Away from Trademark Infringement?

Lauren Troxclair*

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I. Introduction

A frazzled law student sits down for a long night of reading. Torts, civil procedure, criminal law—all fascinating of course—yet, thoughts of spring break insist on interrupting. Taking a mental break, the law student decides to check out airfare prices on the Internet. On the student's favorite search engine, Google, she enters the search term "Delta," to find price quotes for her preferred airline. As the search results appear, the student notices "sponsored links" on the right hand side of her screen. One of these sponsored links reads "Cheap Airfare Here!" Intrigued, especially given the financial woes of a law student, the student clicks the uniform resource locator (URL), and a discount airfare website appears. If the student purchases from this discount airfare website, has the company benefited from the good will of Delta? Did the student associate Delta with the

sponsored link? In other words, did the student believe she would find cheap Delta airfare if she clicked on the sponsored link? Should this constitute a valid claim for trademark infringement against the discount airfare company? Against Google?

The Internet poses significant challenges to the legal world on a daily basis. These challenges leave lawyers, companies, and courts struggling to adapt legal doctrines and theories to a rapidly changing and evolving environment. One area of particular concern arises in the area of Internet advertising and potential trademark infringement issues.¹ The past several years placed numerous courts in a position to evaluate the hypothetical presented above; however, settlements out of court continue to leave this area of the law in flux.² Several Internet search engines, including WhenU.com, Netscape, and Google,³ face on-going resentment and criticism from trademark holders concerning the use of trademarks in Internet advertising models. This resentment often culminates in costly legal battles with neither side claiming any clear victories or gaining any guidance from courts as to proper trademark use in Internet advertising.

Courts face the daunting task of applying traditional trademark law to a host of Internet-specific issues.⁴ Trademark holders continue fighting the battle to protect their marks, specifically the goodwill and consumer recognition associated

1. See *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 701 (E.D. Va. 2004) (denying Google's motion to dismiss based on a finding that genuine issues of material fact exist with respect to Geico's trademark infringement claims); see also *Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1022 (9th Cir. 2004) (addressing the use of trademarks by search engine operators in the "keyed" banner advertisement model utilized by Netscape); *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734, 736-37 (E.D. Mich. 2003) (denying a motion for a preliminary injunction against the use of trademark holders mark in "pop up" advertising software developed by WhenU.com); *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 309 F. Supp. 2d 467, 471 (S.D.N.Y. 2003) (granting a preliminary injunction against WhenU.com restricting the use of 1-800 Contacts' mark in WhenU.com's "pop up" advertising software directory); *U-Haul Int'l Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723, 731 (E.D. Va. 2003) (granting WhenU.com's motion for summary judgment due to U-Haul's failure to establish a genuine issue of material fact concerning WhenU.com's use of U-Haul's mark in its "pop-up" advertising software directory).

2. Matt Hicks, *Playboy Settles Netscape Search Engine Advertising Case*, EWEEK, at <http://www.eweek.com/article2/0,1759,1457492,00.asp> (Jan. 23, 2004) (on file with the Washington and Lee Law Review).

3. See *supra* note 1 (identifying key cases involving Internet search engines and various trademark holders).

4. See Julie A. Rajzer, Comment, *Misunderstanding the Internet: How Courts Are Overprotecting Trademarks Used in Metatags*, 2001 L. REV. M.S.U.-D.C.L. 427, 428 (2001) (recognizing the difficulty courts face when applying traditional legal principles to new technologies); see generally Dale M. Cendali et al., *An Overview of Intellectual Property Issues Relating to the Internet*, 89 TRADEMARK REP. 485 (1999) (providing a comprehensive overview of the many issues that arise when intellectual property law and the Internet collide).

with these marks—two important goals behind trademark law.⁵ Search engines have fought back hard to protect this highly profitable revenue stream.⁶

This Note primarily focuses on two recent decisions, the Ninth Circuit *Playboy Enterprises, Inc. v. Netscape Communications Corp.*⁷ case decided in January of 2004 and the Eastern District of Virginia *Government Employees Insurance Co. v. Google, Inc.*⁸ case partially decided in December of 2004. This Note evaluates the advertising technologies utilized by the defendants in each case—search engines Google and Netscape—and aims to evaluate how traditional trademark doctrines apply to the use of trademarks in Internet advertising.⁹ Although this Note focuses primarily on Google's AdWords advertising model, the analysis and recommendations reach further than Google.¹⁰ One aspect of Google's business involves licensing its search engine and AdWords technology to other search engines, most notably America Online

5. See *Qualitex Co. v. Jacobson Prods., Co.*, 514 U.S. 159, 163–64 (1995) (discussing the basic objectives behind trademark law, specifically preventing copying of a source-identifying mark, protecting and improving consumer recognition of marks, and preventing imitating competitors from capitalizing on consumer confusion); see also JEROME GILSON, TRADEMARK PROTECTION AND PRACTICE § 5.09[1] (2004) (stating that "[t]hus it is clear that the trademark-symbolized good will is of substantial value and legally protectable, and that protection of good will, consumer willingness to repurchase, is one of the basic purposes of trademark law").

6. See GOOGLE, INC., 2004 INCOME STATEMENT (2005), at http://investor.google.com/fin_data.html (last visited Feb. 10, 2005) (showing that Google generated 99% of total revenue from advertising sales) (on file with the Washington and Lee Law Review).

7. See *Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1022 (9th Cir. 2004) (addressing the use of trademarks by search engine operators in the "keyed" banner advertisement model utilized by Netscape). For a full discussion of this case, see *infra* Part IV.B.

8. *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 701 (E.D. Va. 2004) (denying Google's motion to dismiss based on a finding that genuine issues of material fact exist with respect to Geico's trademark infringement claims). For a full discussion of this case, see *infra* Part IV.A.

9. This Note addresses both advertising models, yet Netscape now provides users with advertisements based on Google AdWords advertising technology. See GOOGLE, INC., GOOGLE ADWORDS GLOSSARY, at <https://adwords.google.com/support/bin/answer.py?answer=6318&ctx=search&query=ad+network&topic=0&type=f> (last visited Feb. 28, 2005) (providing a partial listing of the search engines—including Netscape, American Online, CompuServe, Earthlink and others—involved in the Google Ad Network that display AdWords advertisements) (on file with the Washington and Lee Law Review).

10. Google is recognized as the "World's Best Search Engine," serves over 81.9 million global users per month, and generates approximately \$3.1 billion in revenue per year primarily from advertising sales. See GOOGLE, INC., CORPORATE INFORMATION: QUICK PROFILE, at <http://www.google.com/intl/en/corporate/facts.html> (last visited Feb. 28, 2005) (providing quick facts about Google); see also GOOGLE 2004 INCOME STATEMENT, *supra* note 6 (reporting total revenues for 2004). Therefore, even if this Note only concerned Google, the implications would have far reaching effects given the size of Google's search engine and advertising program.

(AOL).¹¹ Google and AOL together account for 55% of market share in the search engine market.¹²

Google's AdWords technology affects a significant portion of Internet advertising. Therefore, any legal conclusions reached concerning Google's liability in the analysis section of this Note also apply to any search engine with an advertising model similar or identical to AdWords.

This Note first advocates an extension of the contributory trademark infringement doctrine to search engines utilizing a cost-per-click (CPC) Internet advertising model like AdWords.¹³ In addition, this Note aims to further the current legal discussion¹⁴ by addressing the application of both direct trademark infringement and contributory trademark infringement in this context.¹⁵ Finally, this Note recommends a trademark complaint procedure for search engines to adopt that would better balance the interests of trademark holders, search engines, and Internet advertisers.¹⁶

11. David Erikson, *Search Engine Marketing Shakeup*, ESTATEGY.COM, at <http://e-strategy.com/story.asp?article=20> (March 2, 2004).

12. *Id.*

13. See generally Heidi S. Padawer, Note, *Google This: Search Engine Results Weave a Web for Trademark Infringement Actions on the Internet*, 81 WASH. U. L.Q. 1099 (2003) (discussing the applicability of direct and contributory trademark infringement in the context of Internet advertising and concluding that contributory trademark infringement presents the most viable claim available for trademark holders).

14. See Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 Hous. L. REV. 777 (2004) (discussing recent trends in trademark infringement claims). This Note recognizes the scholarly work presented by Professors Stacey Dogan and Mark Lemley in the 2004 Houston Law Review. This article critically evaluates two recent trends in the context of trademark infringement claims against search engines against the basic goals of trademark law, in particular the consumer search costs rationale. *Id.* at 831–38. The article argues that these two trends, the expansion of what constitutes a trademark use and of the initial interest doctrine, stretch or even ignore traditional trademark law and the rationales behind the law. *Id.* at 837. This article provides an in-depth and well reasoned criticism of several recent decisions and strongly urges that courts keep the fundamental goal of reducing consumer search costs at the forefront. *Id.* at 838.

The analysis in this Note in no way intends to agree or disagree with the arguments presented by Professors Dogan and Lemley. This Note attempts to approach this topic from a different perspective. Instead of commenting on the merits of these recent trends of trademark law, this Note accepts these recent trends for the purpose of understanding their potential implications. This Note does not intend to necessarily endorse or reject these trends, but instead to recognize how these trends impact the interests of trademark holders, search engines, and Internet advertisers. This Note does conclude that the implications present an undesirable balance of the interests, yet the main purpose of this Note concerns providing a recommendation that more fairly balances the interests involved than do the current trends.

15. See *infra* Part VI (discussing both direct and contributory trademark infringement with respect to Google and its advertisers).

16. See *infra* Part VIII (laying out the recommendation for a search engine trademark

Part II explains the operation of two Internet advertising models: CPC advertising, the model utilized by Google and at issue in this Note, and banner advertisements, an alternative model, utilized by Netscape, discussed for comparison.¹⁷ Part III traces the doctrine of contributory trademark infringement from *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*¹⁸ to the present.¹⁹ In Part IV, this Note addresses the relevant cases involving these two advertising models.²⁰ Part V sets forth the argument for an extension of the contributory trademark infringement doctrine to search engines utilizing CPC advertising models.²¹ Part VI discusses the application of both direct infringement and contributory infringement to search engines utilizing this technology.²² Part VII discusses the policy implications of the conclusions made in Part VI.²³ Finally, Part VIII presents a recommendation for how trademark holders should proceed with future trademark infringement claims against search engines.²⁴

II. The Advertising Models

A. The Google AdWords Model

The advertising model this Note addresses, the Google AdWords Select (AdWords) program introduced in February 2002,²⁵ operates as a unique, highly

complaint procedure).

17. See *infra* Part II (describing in detail the two Internet advertising models discussed in this Note).

18. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844 (1982). For a complete discussion of this case, see *infra* Part III.

19. See *infra* Part III (describing the contributory trademark infringement doctrine developed in *Inwood* and the extension of this doctrine into other limited contexts).

20. See *infra* Part IV (discussing in detail *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700 (E.D. Va. 2004)); see also *Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. 2004)).

21. See *infra* Part V (arguing for an extension of contributory trademark infringement in the context of Internet advertising).

22. See *infra* Part VI (analyzing the application of both direct trademark infringement and contributory trademark infringement to the factual scenarios presented by the use of trademarks in Internet advertising).

23. See *infra* Part VII (providing a discussion of the various implications of holding advertisers and search engines liable for using trademarks in various contexts in Internet advertising).

24. See *infra* Part VIII (presenting a recommendation for a new trademark complaint procedure for search engines to administer).

25. See *AdWords Select—Google's Pay Per Click Service, Google Enters Pay Per Click Service*, at <http://www.pay-per-click-bid-managers.com/google-ppc.html> (last visited Feb. 9,

targeted, CPC Internet advertising system.²⁶ Google operates primarily as a search engine; the stated purpose of the company reads, "Google's mission is to organize the world's information and make it universally accessible and useful."²⁷ Google provides a free service that guarantees results to consumers based on relevancy to search terms, not on the amount of money a company paid to have its website listed first (as is the case for pay-for-placement search engines).²⁸ Not only does Google not display results based on payment, Google receives no money at all from website owners for inclusion in search results.²⁹ However, Google, touted as the world's largest search engine, offers a free service and must derive income from another source.³⁰ Therefore, Google generates substantial income from advertisers seeking to attract the attention of the millions of Internet users who continue to make Google the most popular search engine in the world.³¹

Google's advertising program, AdWords, represents a CPC advertising model. In general, CPC advertising models allow advertisers to purchase advertisement space on the results pages of search engines such as Google.³² CPC refers to the pricing structure used by the search engine—the advertiser pays each time a user clicks on its advertisement.³³ For example, if a user enters a search term or phrase into Google's search engine, Google returns a

2005) [hereinafter *Google Enters Pay Per Click Service*] (discussing Google's introduction of its new AdWords Select program which evolved from the original AdWords program which operated on a different payment scheme for advertisers) (on file with the Washington and Lee Law Review). Google determined to retain the name AdWords and not officially rename the program AdWords Select.

26. See *id.* (commenting on the unique features and impressive technology behind the AdWords Select program).

27. GOOGLE, INC., CORPORATE INFORMATION: CORPORATE OVERVIEW, COMPANY, at <http://www.google.com/intl/en/corporate/index.html> (last visited Feb. 9, 2005) (on file with the Washington and Lee Law Review).

28. See *id.* (stating that Google does not sell placement within search results).

29. See *id.* (stating that Google does not sell placement within search results).

30. See *id.* (recognizing that "[a]s a business, Google generates revenue by providing advertisers with the opportunity to deliver measurable, cost-effective online advertising").

31. See *id.* (recognizing Google as the "world's largest search engine").

32. See *Pay Per Click Advertising-Search Engine Campaign Management, An Introduction To Pay Per Click Advertising*, at <http://www.intrapromote.com/pay-per-click-advertising.html> (last visited Feb. 9, 2005) (discussing the general operation of pay-per-click advertising models utilized by numerous Internet search engines) (on file with the Washington and Lee Law Review).

33. See GOOGLE, INC., GOOGLE ADWORDS GLOSSARY, at <https://adwords.google.com/support/bin/answer.py?answer=6309&topic=29> (last visited Feb. 9, 2005) (defining cost-per-click as "the amount you pay each time a user clicks on your ad") (on file with the Washington and Lee Law Review).

results page listing the websites most relevant to these terms. Separate from the search results, either above or on the right hand side, a list of "sponsored links," or advertisements, appears on the user's screen.³⁴

Google's advertising program, AdWords, represents a unique approach to cost-per-click advertising. Unlike other cost-per-click models that place advertisements based on the amount paid for the advertisement,³⁵ Google developed a fairly complex system to determine when an advertisement appears as a sponsored link. Google bases advertisement placement on a number of factors in addition to the amount bid by the advertiser for the space.³⁶

The following outlines the step-by-step process that advertisers complete to place advertisements on Google. First, an advertiser can determine languages and locations in which to target its advertisement.³⁷ An advertiser may choose to target search engine users with Google language preference set to English only or search engine users searching from a particular city, state, or country.

The next step requires creation of the advertisement.³⁸ An advertiser first creates a name for its AdGroup.³⁹ Next, advertisers create an advertisement consisting of up to three lines or ninety-five characters of text.⁴⁰ Google provides Editorial Guidelines and a Content Policy to help advertisers develop advertisement text.⁴¹ The advertiser must then select keywords or keyword

34. See *Google Enters Pay Per Click Service*, *supra* note 25 (stating the possible locations of Google AdWords advertisements on the search result page).

35. See *An Introduction to Pay Per Click Advertising*, *supra* note 32 (stating that the "highest bidder for a particular word or phrase receives top placement").

36. See *infra* notes 47–52 and accompanying text (discussing the formula Google uses to determine the placement of advertisements).

37. See GOOGLE, INC., GOOGLE ADWORDS: GETTING STARTED, STEP-BY-STEP, at <https://adwords.google.com/select/steps.html> (last visited Feb. 9, 2005) [hereinafter STEP-BY-STEP] (stating that Step 1 allows advertisers to "[c]hoose the language and location the advertiser would like to target") (on file with the Washington and Lee Law Review).

38. See *id.* (stating that Step 2 allows the advertiser to create the ad text).

39. See GOOGLE, INC., GOOGLE ADWORDS FAQ: GETTING STARTED, STEP-BY-STEP, at <https://adwords.google.com/select/faq/start.html#2> (last visited Feb. 9, 2005) (describing an Ad Group as an advertisement or group of advertisements and one or more keywords that trigger the advertisement(s)) (on file with the Washington and Lee Law Review).

40. See STEP-BY-STEP, *supra* note 37 (instructing advertisers to create a headline and two lines of text or up to 95 characters total).

41. See GOOGLE, INC., GOOGLE ADWORDS: EDITORIAL GUIDELINES, at <https://adwords.google.com/select/guidelines.html> (last visited Feb. 10, 2005) (providing guidelines for creating a Google ad) (on file with the Washington and Lee Law Review); see also GOOGLE, INC., GOOGLE ADWORDS: CONTENT POLICY, at <https://adwords.google.com/select/contentpolicy.html> (last visited Feb. 14, 2005) (providing parameters for the content that may be included in a Google ad) (on file with the Washington and Lee Law Review).

phrases.⁴² A keyword represents any term or word entered by users into search engines to locate information about or related to the keyword.⁴³ Keywords help Google target advertisements to users.⁴⁴ Google places few restrictions on the selection of keywords. The primary requirement is that an advertiser must choose keywords that directly relate to the content of the advertiser's website.⁴⁵ Finally, an advertiser must determine the amount it is willing to pay each time a user clicks its advertisement, which sets the CPC. An advertiser must also set a daily budget, based on the monthly budget set by the advertiser divided by the number of days in the particular month.⁴⁶

Thus far the process seems straightforward—when a certain keyword or keyword phrase entered by a consumer matches one of the advertiser's selected keywords, the advertisement appears as a sponsored link. But Google's model entails more than a match between the keywords chosen by an advertiser and those entered as search terms by a user. Google determines the positioning of an advertisement as a sponsored link in response to a user's search inquiry based on AdRank.⁴⁷ Google determines AdRank by a combination of several factors, including maximum CPC, clickthrough rate, and ad text.⁴⁸ The maximum CPC set by the advertiser indicates the maximum amount the advertiser agreed to pay each time a consumer clicks on its advertisement.⁴⁹ Google determines the clickthrough rate by dividing the number of clicks the advertisement receives by the number of impressions (the number of times an advertisement appears as a sponsored link).⁵⁰ The clickthrough rate increases

42. See STEP-BY-STEP, *supra* note 37 (instructing advertisers to select keywords).

43. *A Guide to Internet Terms: A Glossary*, at <http://www.getnetwise.org/glossary.php#K> (last visited Feb. 9, 2005) (on file with the Washington and Lee Law Review).

44. See GOOGLE, INC., ADWORDS GLOSSARY, at <https://adwords.google.com/support/bin/answer.py?answer=6323&topic=29> (last visited Feb. 9, 2005) ("The keywords you choose for a given AdGroup are used to target your ads to potential customers.") (on file with the Washington and Lee Law Review).

45. GOOGLE ADWORDS EDITORIAL GUIDELINES, *supra* note 41.

46. See STEP-BY-STEP, *supra* note 37 (stating that Step 3 requires an advertiser to set the pricing of its ad).

47. See GOOGLE, INC., GOOGLE ADWORDS GLOSSARY, at <https://adwords.google.com/support/bin/answer.py?answer=6300&topic=29> (last visited Feb. 9, 2005) (stating that "[a]n ad's position is based on its AdRank") (on file with the Washington and Lee Law Review).

48. *Id.*

49. See GOOGLE, INC., GOOGLE ADWORDS GLOSSARY, at <https://adwords.google.com/support/bin/answer.py?answer=6326&topic=29> (last visited Feb. 9, 2005) (defining maximum CPC) (on file with the Washington and Lee Law Review).

50. See GOOGLE, INC., GOOGLE ADWORDS GLOSSARY, at <https://adwords.google.com/support/bin/answer.py?answer=6305&topic=29> (last visited Feb. 9, 2005) (defining clickthrough rate) (on file with the Washington and Lee Law Review).

for well-targeted advertisements (most relevant to user searches) and, therefore, allows advertisers with high clickthrough rates (presumably the most popular advertisements) to pay less for advertisements to appear towards the top of sponsored links.⁵¹ Positioning sponsored links based on several factors creates a model that places advertisers with deeper pockets and advertisers with more successful advertisements on more equal footing than a model which simply places the advertisements generating the most revenue for Google at the top.⁵²

The combination of being the world's largest search engine and of employing this unique CPC advertising model makes Google a highly profitable business in the industry. In 2004, Google reported over \$3.1 billion in revenue—a 118% increase over 2003.⁵³ Google derived all but \$50,000 in revenues from advertising sales, making advertising revenues 99% of total revenue.⁵⁴ Since the inception of the AdWords Select program in 2002,⁵⁵ Google experienced a 409% growth rate in 2002 and a 234% growth rate in 2003.⁵⁶ These numbers indicate the importance of the AdWords program in Google's business model.

B. The Netscape Banner Advertisement Model

The advertising model used as a comparison in this Note received criticism from trademark holder Playboy in a case⁵⁷ that eventually settled out of court in early 2004.⁵⁸ This advertising model operates similar to the AdWords model; however, a few differences exist. Like the AdWords model, advertisements appear on the user's search results web page in response to the

51. See *Google Enters Pay Per Click Service*, *supra* note 25 (commenting that "[t]he clickthrough rate component rewards advertisers who have well-targeted ads that are relevant to searchers").

52. See *id.* (recognizing that "[w]ell written targeted ads are now giving small budget advertisers a chance to take on the big guys").

53. GOOGLE 2004 INCOME STATEMENT, *supra* note 6.

54. See *id.* (stating that advertising on Google web sites represents 50% of revenues and advertising on Google network web sites represents 49% of revenues).

55. See Press Release, Google, Inc., Google Introduces New Pricing for Popular Self-Service Online Advertising Program, available at <http://www.google.com/press/pressrel/select.html> (Feb. 20, 2002) (announcing an updated version of the AdWords advertising system) (on file with the Washington and Lee Law Review).

56. GOOGLE 2004 INCOME STATEMENT, *supra* note 6.

57. See *Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1022 (9th Cir. 2004) (addressing the use of trademarks by search engine operators in the "keyed" banner advertisement model used by Netscape).

58. See *Hicks*, *supra* note 2 (reporting the settlement between Playboy and Netscape).

search terms entered.⁵⁹ These advertisements appear as "banner ads"⁶⁰ across the top or along the side of the page.⁶¹ This differs from the AdWords model that places all advertisements in a group under the sponsored links heading. Also, banner advertisements allow advertisers to incorporate graphics in the advertisements, but AdWords restricts advertisements to text only.

The major difference between the AdWords model and Netscape's model relates to the selection of keywords to trigger advertisements. Unlike the AdWords model, Netscape organizes lists of keyword terms into categories and allows advertisers to trigger advertisements by selection of a category of keywords.⁶² These lists consist of both untrademarked and trademarked terms.⁶³ Netscape even requires some advertisers to link advertisements to the set(s) of words that relate to the goods or services the advertiser wishes to promote.⁶⁴ Different payments options exist for banner advertisements such as pay for impression (every time the ad appears on the search results page), pay per clickthrough (every time a user clicks on the advertisement—like AdWords), or pay per sale (every time a consumer actually makes a purchase after clicking on the advertisement).⁶⁵

III. The Development of the Contributory Trademark Infringement Doctrine

A. Establishing the Contributory Trademark Infringement Test: Inwood

The contributory infringement test, announced in the 1982 *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*⁶⁶ Supreme Court decision,

59. See *Playboy*, 354 F.3d at 1023 (stating that the advertisements "appear on the page listing the search results" in response to certain search terms).

60. See INTERNET.COM, (WEBOPEDIA), at <http://www.webopedia.com/TERM/b/banner.html> (defining a banner ad as "a typically rectangular advertisement placed on a Web site either above, below or on the sides of the Web site's main content and . . . linked to the advertiser's own Web site") (last visited Feb. 20, 2005).

61. *Playboy*, 354 F.3d at 1023.

62. See *id.* (describing the linking by categories of terms system that Netscape implemented).

63. *Id.*

64. *Id.*

65. See Dr. Ralph F. Wilson, *Using Banner Ads to Promote Your Website*, WEB MARKETING TODAY, at <http://www.wilsonweb.com/articles/bannerad.htm> (July 1, 2000) (discussing the operation and cost of banner advertising); see also *How to Buy Online Ads to Sell Your Product or Service*, at <http://www.lights.com/how-to/affiliate.html> (last updated Dec. 28, 2003) (describing the methods of payment for banner advertisements) (on file with the Washington and Lee Law Review).

66. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 856–59 (1982) (holding that the

solidified the theory that trademark infringement liability extends beyond the actual infringer.⁶⁷ In this case, Ives Laboratories sought to hold the manufacturer of a generic drug, Inwood Laboratories, liable for the infringing behavior of pharmacists who mislabeled the generic drug with the trademarked label.⁶⁸ Inwood Laboratories developed this generic drug (to be sold under a generic label) as a look-alike of the drug manufactured and sold under the Ives Laboratories registered trademark, Cyclospasmol.⁶⁹ The test articulated two theories that subject third parties to liability for trademark infringement:

[1] if a manufacturer or distributor intentionally induces another to infringe a trademark, or [2] if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorially responsible for any harm done as a result of the deceit.⁷⁰

court of appeals erred in substituting its own interpretation of the evidence and setting aside factual findings of the district court that were not clearly erroneous). The Court examined the circumstances under which vicarious or contributory liability extends to manufacturers not directly participating in trademark infringing behavior. *Id.* at 846. Ives Laboratories marketed and sold a patented drug under the trademark Cyclospasmol. *Id.* After the patent expired, various generic versions of this drug entered the market. *Id.* at 847. Inwood Laboratories developed a generic substitute, intentionally copying the appearance of Cyclospasmol. *Id.* Both Ives and Inwood target marketing and promotion to links in the distribution chain other than the end consumer. *Id.* at 847–48. Ives Laboratories sued Inwood Laboratories, seeking to hold the generic drug manufacturer liable for pharmacists substituting the generic drug when filling prescriptions for Cyclospasmol. *Id.* at 849–50.

The Supreme Court confirmed the extension of liability beyond the direct infringer in limited situations as a valid claim for relief under the Lanham Act. *Id.* at 853–54. The Court introduced the contributory infringement test and identified two theories under which manufacturers or distributors might be liable for the infringing actions of others within the distribution chain. *Id.* Finally, the Court acknowledged the factual findings of the district court, which concluded that Ives failed to show that Inwood neither intentionally induced pharmacists to engage in infringing behavior nor continued to sell to pharmacists known to mislabel the generic drugs. *Id.* at 856–58. The Supreme Court held that the court of appeals incorrectly reversed the district court's judgment by failing to apply the clearly erroneous standard of review. *Id.* Therefore, the Court reversed the court of appeals' finding of contributory trademark infringement. *Id.* at 858–59.

67. See John T. Cross, *Contributory Infringement and Related Theories of Secondary Liability for Trademark Infringement*, 80 IOWA L. REV. 101, 101 (1994) (stating that the Inwood Laboratories Supreme Court decision confirmed the ability of courts to hold persons other than the direct infringer liable).

68. *Inwood Labs.*, 456 U.S. at 846–47.

69. *Id.*

70. *Id.* at 854.

Although the Court found no contributory infringement by Inwood Laboratories,⁷¹ this test is the standard applied in contributory trademark infringement cases.

The original contributory infringement test expressly applied to the manufacturer-distributor context.⁷² Over the past twenty years lower courts undertook the task of further examining, refining, and in some cases applying the test outside of the manufacturer-distributor context.⁷³ The courts examined two areas in particular, extending the doctrine of contributory trademark infringement in one but not in the other. The Seventh Circuit, in *Hard Rock Cafe Licensing Corp. v. Concession Services, Inc.*,⁷⁴ first applied the contributory infringement test to the flea market operator/vendor context.⁷⁵ Similarly, in 1996, the Ninth Circuit agreed with the extension of the test when faced with a similar factual situation in *Fonosovia v. Cherry Auction, Inc.*⁷⁶

71. *Id.* at 855.

72. *See id.* at 854 (articulating the contributory infringement test in the context of a manufacturer-distributor relationship).

73. *See generally* Deborah F. Buckman, *Liability as Vicarious or Contributory Infringer Under the Lanham Act—Modern Cases*, 152 A.L.R. FED. 573 (2004) (providing a detailed analysis of modern case law applying vicarious or contributory trademark infringement).

74. *See* *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1152 (7th Cir. 1992) (vacating the finding of liability of Concession Services, Inc. (CSI) and the denial of attorney's fees for Hard Rock for trademark infringement and remanding for further proceedings on the finding of contributory trademark infringement). Hard Rock sought to hold CSI liable for trademark infringing actions of vendors occupying retail space in CSI's flea markets. *Id.* at 1145. This litigation also involved a second defendant, Harry's Sweat Shop, whom Hard Rock sought to hold directly liable for selling counterfeit goods from known and unknown sources. *Id.* Hard Rock advanced the theory of contributory liability to hold CSI liable for vendors selling counterfeit Hard Rock goods, primarily t-shirts. *Id.* at 1148. The Seventh Circuit accepted this argument and extended the application of the *Inwood* contributory trademark infringement test to the flea market setting. *Id.* at 1148–49. The court emphasized that the doctrine of contributory infringement imposes no affirmative duty on a flea market operator to take precautions against the sale of counterfeits. *Id.* at 1149.

Reviewing the evidence, the court remanded for a determination of whether CSI knew or had reason to know of the trademark violations by vendors. *Id.* The court determined that the willful blindness standard applies. *Id.* Finally, the court also remanded on the issue of attorney's fees with respect to both CSI and Harry's Sweat Shop. *Id.* at 1151. Harry's Sweat Shop incurred liability under the theory that holds sellers strictly liable for violations of the Lanham Act. *Id.* at 1152 n.6.

75. *See id.* at 1149 (concluding that CSI "may be liable for trademark violations by [the vendor] Parvez if it knew or had reason to know of them").

76. *See* *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 265 (9th Cir. 1996) (holding that the complaint stated viable claims for vicarious copyright infringement, contributory copyright infringement, and contributory trademark infringement). Fonovisa owns copyrights and trademarks to a variety of Latin/Hispanic music recordings. *Id.* at 261. Fonovisa brought this action to hold Cherry Auction liable for counterfeit recordings sold by individual vendors at swap meets. *Id.* at 260–61. This litigation commenced after the police department allegedly

However, in the late 1990s and early 2000s several circuit courts rejected attempts by trademark holders to extend contributory liability to domain name registrars.⁷⁷

B. The Extension of Contributory Trademark Infringement in the Context of Flea Market Operators: Hard Rock and Fonovisa

The *Hard Rock Cafe* and *Fonovisa* courts faced similar factual situations—trademark holders sought relief from flea market operators for the sale of counterfeit goods by individual vendors. Both courts advocated an extension of the contributory infringement test to apply to landlords, specifically flea market operators.⁷⁸ The rationale behind this extension came from the practice of "treat[ing] trademark infringement as a species of tort."⁷⁹ The courts looked to the common law to set the boundaries of liability.⁸⁰ The *Hard Rock* court recognized that the common law holds landlords and licensors responsible for torts committed on their premises if the landlord/licensor knows or has reason to know that the tenant/licensee will act tortiously.⁸¹ Recognizing

placed Cherry Auction on notice of the vendors infringing actions and one year later found infringing activity still occurring on Cherry Auction's premises. *Id.* at 260.

The court found the district court's dismissal of vicarious copyright liability unjustified when analyzed under the two-prong test which considers both control and financial benefit. *Id.* at 262. Addressing contributory copyright infringement, the court accepted the Third Circuit's analysis that "providing the site and facilities for known infringing activity is sufficient to establish contributory liability." *Id.* at 264. Finally, considering the contributory trademark infringement claim, the Ninth Circuit endorsed the Seventh Circuit's rationale for extending the *Inwood* contributory trademark infringement test to the swap meet (flea market) setting. *Id.* at 265. Accepting this extension, the court concluded that *Fonovisa* stated a valid claim for relief under the contributory trademark infringement doctrine. *Id.*

77. See *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984–85 (9th Cir. 1999) (refusing to extend contributory infringement liability to domain name registrars); *Ford Motor Co. v. Greatdomains.com, Inc.*, 177 F. Supp. 2d 635, 646–647 (E.D. Mich. 2001) (concluding that contributory liability would only extend, if at all, in exceptional circumstances that were not present in this case); *Acad. of Motion Picture Arts & Scis. v. Network Solutions, Inc.*, 989 F. Supp. 1276, 1280 (C.D. Cal. 1997) (rejecting the extension of contributory infringement outside the limited contexts of manufacturer/distributor and flea market operator/vendor).

78. See *Hard Rock*, 955 F.2d at 1148–49 (extending potential liability for contributory infringement to the flea market operator); *Fonovisa*, 76 F.3d at 264–65 (extending potential liability for contributory infringement to the flea market operator).

79. See *Hard Rock*, 955 F.2d at 1148 (citing *David Berg & Co. v. Gatto Int'l Trading Co.*, 884 F.2d 306, 311 (7th Cir. 1989)).

80. *Id.*; see also *Fonovisa*, 76 F.3d at 265 (relying on RESTATEMENT (SECOND) OF TORTS § 877(c) & cmt. D (1979)).

81. See *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1149

this duty as identical to the duty the Supreme Court imposed on manufacturers and distributors in *Inwood*, the *Hard Rock* court appropriately extended the contributory trademark infringement doctrine to the landlord/licensor setting.⁸²

C. Refusal to Extend Contributory Trademark Infringement in the Context of Domain Name Registration: Lockheed Martin

Trademark holders argued for another extension of the contributory trademark infringement test; however, the few courts faced with this issue rejected the extension.⁸³ In an attempt to protect trade and service marks against infringement, trademark holders sought to extend contributory trademark infringement to hold domain name registration companies liable for third party registration of infringing domain names.⁸⁴ In *Lockheed Martin Corp. v. Network Solutions, Inc.*,⁸⁵ the Ninth Circuit clearly articulated the

(7th Cir. 1992) (discussing the common law rule that allows landlords and licensees contributorily liable in limited circumstances for torts committed by tenants and licensees).

82. *Id.*

83. *See supra* note 77 (listing several of the cases that refused to extend the contributory infringement doctrine to domain name registrars).

84. *See supra* note 77 (listing several cases that involved trademark holders attempting to persuade courts to extend contributory liability to domain name registrars).

85. *See Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 987 (9th Cir. 1999) (affirming district court's grant of summary judgment in favor of the domain name registrar). Lockheed Martin appealed the decision of the district court to grant summary judgment in favor of Network Solutions, Inc. (NSI) for trademark infringement, unfair competition, dilution, and contributory infringement under the Lanham Act. *Id.* at 981. The National Science Foundation contracted exclusively with NSI to register domain name combinations ending in .gov, .edu, .com, .org, and .net. *Id.* at 982. NSI registers domain name combinations electronically through an electronic process that requires between a few minutes and a few hours. *Id.* Approximately ten percent of the time the process requires human intervention if "prohibited" domain name combinations appear. *Id.* NSI also maintains a post registration dispute resolution procedure which allows trademark holders to challenge the validity of a domain name registrant. *Id.* This process places the burden on the registrant to obtain a declaratory judgment that the registrant holds the domain name without infringing on the rights of the trademark holder. *Id.*

Lockheed Martin owns and operates an aircraft design and construction laboratory under the registered and incontestable service mark, "The Skunk Works." *Id.* In filing this action, Lockheed Martin attempted to hold NSI liable for the registration of numerous domain names which it alleged infringe and dilute the "Skunk Works" mark. *Id.* at 983. After analyzing the contributory trademark infringement doctrine developed by *Inwood Laboratories* and its progeny, the court concluded that an extension of the test in this context constituted an inappropriate expansion of the doctrine. *Id.* at 985. The court also rejected Lockheed Martin's attempt to hold NSI liable as a publisher or printer under 15 U.S.C. § 1114(2) (2000). *Id.* The section Lockheed Martin cited failed to provide a separate cause of action for trademark holders. *Id.* Finally, Lockheed argued against the district court's decision to deny Lockheed the chance

rationale against applying the *Inwood* contributory trademark infringement test to hold domain name registrars liable.⁸⁶

Refusing to expand the scope of contributory trademark infringement to the domain name context, the court relied on the district court's analysis and conclusion that Network Solutions, Inc. (NSI) did not supply a "product" to third parties.⁸⁷ Satisfied with this conclusion, neither court reached part two of the *Inwood* analysis, which considers the actual or constructive knowledge held by the domain name registrar, NSI, with respect to the third parties' infringing activity.⁸⁸ The Ninth Circuit reviewed the brief history of the contributory trademark infringement test, acknowledging its extension to the flea market setting.⁸⁹ The court articulated a framework for analyzing contributory trademark infringement outside the convenient "product" mold set out in *Inwood*.⁹⁰ According to this framework, a court must determine "the extent of control exercised by the defendant over the third party's means of infringement."⁹¹ Therefore, the trademark holder must prove direct control and monitoring of the mechanism that facilitates the third party's infringing activity to justify an extension of contributory trademark infringement.⁹²

Applying the framework in the context of domain names, the court determined that NSI's involvement failed to rise to the required level of direct control and monitoring.⁹³ The court drew an analogy to the United States Postal Service to emphasize that domain name registration clearly falls on the service side of the product/service distinction developed by *Inwood* and subsequent case law.⁹⁴ For further support of this determination, the court relied upon the language of the district court, which addressed the unreasonable

to amend its original complaint to include contributory trademark dilution and other allegedly infringing domain name combinations. *Id.* at 986. The Ninth Circuit upheld the district court's decision finding the court well within its discretion to deny this motion. *Id.*

86. *Id.* at 984–85.

87. *Id.* at 984.

88. *Id.*

89. *See id.* (discussing the *Hard Rock* and *Fonovisa* decisions).

90. *See id.* (recognizing the mode of analysis developed under the *Hard Rock* and *Fonovisa* decisions).

91. *See id.* (citing *Hard Rock Cafe Licensing Corp. v. Concession Services, Inc.*, 955 F.2d 1143, 1148–49 (7th Cir. 1992) (noting the common law responsibilities of a landlord regarding illegal activity on a rented premises)).

92. *Id.*

93. *See id.* at 984–85 (recognizing that NSI's involvement ends after the registration process).

94. *See id.* (noting that NSI's activities clearly resemble that of the United States Postal Service, primarily acting as a routing service).

burden of monitoring the Internet that an extension of contributory liability would force upon domain name registrars.⁹⁵ The Ninth Circuit concluded that an extension of contributory liability to NSI would expand the scope of liability much further than *Inwood* and its progeny considered.⁹⁶

IV. The Relevant Cases⁹⁷

A. Government Employees Insurance Co. v. Google, Inc.

In May 2004, Government Employees Insurance Company (Geico) filed suit against Google, claiming various types of trademark infringement based on the selling of Geico's trademark in conjunction with the defendant's Internet advertisement program, AdWords.⁹⁸ The claim alleged eight counts against

95. *See id.* ("While the landlord of a flea market might reasonably be expected to monitor the merchandise sold on his premises, NSI cannot reasonably be expected to monitor the Internet.") (quoting *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 962 (C.D. Cal. 1997)).

96. *Id.* at 985.

97. This Note analyzes two main cases dealing with Internet advertising: *Geico and Playboy*. These cases address trademark infringement with respect to two similar Internet advertising models used by two search engines. A few other courts have addressed the application of trademark law to Internet advertising, mainly concerning the pop-up advertising model used by WhenU.com, another Internet search engine. *See Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734, 736–37 (E.D. Mich. 2003) (denying a motion for a preliminary injunction against the use of trademark holders mark in "pop up" advertising software developed by WhenU.com); *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 309 F. Supp. 2d 467, 471 (S.D.N.Y. 2003) (granting a preliminary injunction against WhenU.com restricting the use of 1-800 Contacts' mark in WhenU.com's "pop up" advertising software directory); *U-Haul Int'l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723, 731 (E.D. Va. 2003) (granting WhenU.com's motion for summary judgment due to U-Haul's failure to establish a genuine issue of material fact concerning WhenU.com's use of U-Haul's mark in its "pop-up" advertising software directory).

This Note excludes these cases from an in-depth discussion because the operation of the advertising model in these cases differs from the cost-per-click advertising models of Google and Netscape. For purposes of simplification, this Note chose to only address the type of advertising model used by Google. The implications discussed in this Note could likely extend to the context of pop-up advertising, yet that remains beyond the intended scope of this Note. For more information on the WhenU.com cases, see generally Melinda M. Kline, Comment, *Missing the Mark: The Trademark Battle Over Software-Based Contextually Targeted Advertising on the Internet*, 54 CASE W. RES. L. REV. 917 (2004).

98. *Gov't Employees Ins. Co. v. Google, Inc.* (E.D. Va. filed May 4, 2004) (No. 04-CV-507); *see also* Matt Hicks, *Overture Settles with GEICO over Search Advertising*, ENTERPRISE NEWS & REVIEWS, Dec. 1, 2004, at <http://www.eweek.com/article2/0,1759,1734293,00.asp> (reporting that the second defendant, Overture Services, Inc., originally part of this litigation, settled out of court with Geico in an undisclosed settlement agreement). This Note discusses only Google as a defendant in this litigation.

Google: trademark infringement, contributory trademark infringement, vicarious trademark infringement, false representation, dilution, all under the Lanham Act⁹⁹—which governs all aspects of federal trademark registration and protection—common law unfair competition, tortious interference with prospective economic advantage, and statutory civil business conspiracy, all under Virginia state law.¹⁰⁰ Google responded by filing a Rule 12(b)(6) motion to dismiss for failure to state a claim.¹⁰¹

In a decision handed down in August 2004, the district court granted in part and denied in part the defendant's motion.¹⁰² The court found that Geico sufficiently alleged causes of action with respect to the Lanham Act claims and the claim for common law unfair competition, yet dismissed Geico's remaining state law claims.¹⁰³ This decision allowed the case to move forward for arguments on the merits.

The district court relied on several key arguments advanced by Geico in determining that the case should move forward on at least six of the claims. First, the court agreed with decisions reached by the *1-800 Contacts, Inc. v. WhenU.com*¹⁰⁴ court and the *Playboy Enterprises, Inc. v. Netscape Communications Corp.*¹⁰⁵ court that Google's "use" of the Geico trademark

99. 15 U.S.C. §§ 1051–1127 (2000). For a complete discussion of the pertinent provisions of the Act that apply to this Note, see *infra* Part VI.

100. Gov't Employees Ins. Co. v. Google, Inc., 330 F. Supp. 2d 700, 701 (E.D. Va. 2004).

101. *Id.*

102. *Id.* at 706.

103. *Id.*

104. *1-800 Contacts, Inc. v. WhenU.com*, 309 F. Supp. 2d 467, 510 (S.D.N.Y. 2003) (granting preliminary injunction in favor of 1-800 Contacts). This case involved the issues of whether WhenU's use of the SaveNow program to generate pop-up advertisements on computer users' screens resulted in infringement of 1-800 Contacts' trademarks or the copyrighted information included on the 1-800 Contacts website. *Id.* at 471. In *1-800 Contacts*, the court partially granted 1-800 Contacts' motion for a preliminary injunction. *Id.* This injunction prevented WhenU from including the 1-800 Contacts mark in the SaveNow software directory and from using the mark to advertise defendant Vision Direct's services through pop-up advertising. *Id.* at 510. The court denied the preliminary injunction motion based on the copyright infringement claim. *Id.*

The plaintiff made no showing that WhenU incorporated any of 1-800 Contacts' copyrighted works nor infringed on the right of 1-800 Contacts to create derivative works. *Id.* at 484–89. Therefore, the copyright infringement claim lacked substance. *Id.* However, the *1-800 Contacts* court found a strong likelihood of success on the merits for 1-800 Contacts' trademark infringement and cybersquatting claims. *Id.* at 504–07. This court determined that WhenU's "use" of the 1-800 Contacts mark clearly established a "use in commerce" and that a strong likelihood of confusion existed between the plaintiff's mark and the mark included in the defendant's pop-up advertisements. *Id.* at 504–05.

105. *Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020–24 (9th Cir. 2004). For a complete discussion of this case, see *infra* Part IV.B.

constituted a use "in commerce" and "in connection with the sale, offering for sale, distribution, or advertising of goods and services" (or "trademark use").¹⁰⁶ Under this view, the court recognized that Geico alleged more than a use of the mark in internal computer coding.¹⁰⁷ Geico further alleged use of the mark to Google's financial gain by selling the mark to third party advertisers as a way to link advertisements to users' search engine results.¹⁰⁸ The court carefully distinguished this conclusion from its previous decision in *U-Haul International, Inc. v. WhenU.com*,¹⁰⁹ which only involved a use in the internal computer coding by the defendant.¹¹⁰

The *Geico* court also recognized that its decision only held that Google's use might violate the Lanham Act or Virginia common law.¹¹¹ The question left unresolved until completion of discovery "is whether this activity is fair competition or whether it is a form of unfair free riding on the fame of well-known marks."¹¹² Issues such as legitimate fair use and likelihood of

106. See *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 703-04 (E.D. Va. 2004) (concluding that of the two lines of cases presented, the plaintiff's cases represent the better reasoned decisions for determining if such a use constitutes a "trademark use" of plaintiff's mark).

107. *Id.*

108. *Id.*

109. *U-Haul Int'l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723, 731 (E.D. Va. 2003) (granting summary judgment motion in favor of search engine, *WhenU.com*). In *U-Haul*, the court ruled on the motions for summary judgment put forth by the plaintiff and defendant. *Id.* at 724. *U-Haul* brought several claims against *WhenU*, including trademark and copyright infringement and unfair competition. *Id.* at 726. *U-Haul* contended that *WhenU*'s pop-up advertising scheme, which operated through the defendant's distribution of the *SaveNow* program included in bundled computer software packages, infringed upon *U-Haul*'s registered trademark and altered the copyrighted advertisements on *U-Haul*'s website. *Id.* at 724-25. The court granted *WhenU*'s summary judgment motion, holding that *WhenU*'s pop-up advertising scheme resulted in no trademark or copyright infringement nor any unfair competition. *Id.* at 726. The court found no "use in commerce" by *WhenU*, a requirement for both trademark infringement and unfair competition. *Id.* at 727-29. The court also determined that *WhenU*'s *SaveNow* software made no copy of *U-Haul*'s copyrighted materials. *Id.* at 729-31. Finally, the court ruled that a pop-up advertisement cannot be considered a derivative of a copyrighted work for the purposes of establishing copyright infringement. *Id.* Consequently, the court held that *U-Haul*'s various claims proved unlikely to succeed upon the merits and granted *WhenU*'s motion for summary judgment. *Id.* at 731-32.

110. See *Geico*, 330 F. Supp. 2d at 704 (recognizing the "critical distinction" between the case at hand and the *U-Haul* case which only alleged use based on inclusion of the mark in internal computer coding).

111. *Id.*

112. See *id.* (quoting J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 25:70.1 (2004)).

confusion require fact-specific inquiries, not properly resolved on motions to dismiss.¹¹³

On the remaining Lanham Act claims of contributory and vicarious trademark infringement, the court rejected the arguments presented by Google.¹¹⁴ Google rested its argument on the basis that the third party advertisers fail to make a "use in commerce" (or "trademark use") of the Geico mark.¹¹⁵ The court concluded that Geico's allegations that advertisers used the mark as a source identifier to link advertisements to Google's search result page constituted a sufficient claim for contributory and vicarious trademark infringement.¹¹⁶

In December 2004, the district court heard oral arguments from Geico and Google and issued an oral ruling on the key component of the case.¹¹⁷ The court partially granted Google's motion for a directed verdict based on the determination that Geico presented insufficient evidence to establish trademark infringement when Google sells trademarked terms to third party advertisers.¹¹⁸ The court limited this ruling to situations in which the competitor's advertisements (displayed as a sponsored link) refrain from using the Geico mark in the text.¹¹⁹ Geico's claim regarding advertisements that do contain the Geico mark remains unresolved.¹²⁰ The court recessed for the purposes of issuing a written opinion and urged the parties to resume settlement talks.¹²¹ If no settlement occurs, the court will hear arguments on Google's potential liability for contributory trademark infringement, unfair competition, and trademark dilution for allowing advertisers to include Geico's mark in the advertisement text.¹²²

113. *Id.*

114. *See* Gov't Employees Ins. Co. v. Google, Inc., 330 F. Supp. 2d 700, 703-04 (E.D. Va. 2004) (concluding that Geico alleged sufficient facts to state claims for both contributory and vicarious trademark infringement against Google).

115. *Id.*

116. *Id.*

117. *See* Sheldon H. Klein & Jason Mazur, *Judge Rules in Geico v. Google Keyword-Trademark Case*, at http://www.arentfox.com/legal_updates/content444.htm (Dec. 12 2004) (commenting on the recent bench ruling on Google's motion for a directed verdict) (on file with the Washington and Lee Law Review).

118. *Id.*

119. *Id.*

120. *Id.*

121. *Id.*

122. *Id.*

B. Playboy Enterprises, Inc. v. Netscape Communications Corp.

The Ninth Circuit addressed the issue of trademark infringement in the context of Internet advertising in a January 2004 opinion that denied the search engine's summary judgment motion.¹²³ The case involved Playboy's claims of direct and contributory trademark infringement under the Lanham Act against Netscape.¹²⁴ The court determined that the evidence presented "genuine issues of material fact" requiring a denial of the defendant's summary judgment motion on the issue of trademark infringement.¹²⁵

Addressing the trademark infringement claims, the Ninth Circuit made several observations and holdings. First, the court determined that the case should proceed on either a direct or contributory trademark theory.¹²⁶ Next, the court considered the likelihood of confusion element of trademark infringement and concluded that the eight-factor test weighed in favor of Playboy.¹²⁷ The

123. *Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1031 (9th Cir. 2004) (reversing the district court grant of Netscape's summary judgment motion on the issue of trademark infringement). Playboy filed suit against Netscape alleging trademark infringement and dilution for the practice of "keying" which allowed advertisers to target search engine users with particular interests. *Id.* at 1022. The Netscape technology at issue operates by linking advertisements to lists of terms compiled by Netscape and arranged by categories. *Id.* at 1023. Netscape required adult-oriented companies to link to the entire list of terms. *Id.*

The Ninth Circuit concluded that Playboy presented adequate allegations to conclude that a genuine issue of material fact exists with respect to Netscape's use of the Playboy trademark. *Id.* at 1024. This conclusion relied on the likelihood of confusion analysis conducted by the Ninth Circuit. *Id.* The court primarily relied upon a theory of initial interest confusion, which occurs when one "impermissibly capitalizes on the goodwill associated with a mark" even if no confusion exists when the sale actually occurs. *Id.* at 1024–25. The confusion at issue results from the appearance of advertisements on the search results page which carry no identifying sponsorship. *Id.* Users might believe these advertisements relate to the specific companies targeted by the users search; however, clicking on these advertisements actually leads users to competitors websites. *Id.* Even if users later realize that the advertisement connects to a competitor, the initial interest confusion already occurred. *Id.* Considering the eight factors of the likelihood of confusion test, the court found that the factors weighed in favor of Playboy and against granting Netscape's motion for summary judgment. *Id.* at 1029.

Additionally, the court found that the three defenses advanced by Netscape—fair use, nominative use, and functional use—failed to establish that Netscape's summary judgment motion be granted because genuine issues of material fact exist. *Id.* at 1029–31. The court carefully noted that the only situation this opinion addressed involves Netscape displaying competitor's unlabeled banner advertisements, without any overt comparison to Playboy, in response to Internet users entering Playboy's trademarks into Netscape's search engine. *Id.* at 1030. Finally, the court also held that genuine issues of material fact exist with respect to the trademark dilution claims asserted by Playboy. *Id.* at 1034.

124. *See id.* at 1022–24 (discussing the underlying facts and claims).

125. *Id.* at 1031.

126. *Id.* at 1024.

127. *See id.* at 1029 (concluding that the majority of the eight factors favor Playboy,

court strongly emphasized the evidence of actual confusion presented by Playboy's expert witness.¹²⁸ Finally, the court determined that the defenses advanced failed to warrant a motion for summary judgment for the defendant.¹²⁹

V. Advocating an Extension of Contributory Infringement in the Context of Cost-Per-Click Internet Advertising

Determining the role trademark law plays within the context of Google utilizing trademarked terms in its AdWords advertising model is an issue far from resolution. Considering that the few cases involving this issue have eventually settled out of court¹³⁰ or have yet to move past the district court level,¹³¹ the state of the law remains in flux with neither trademark holders nor search engine claiming clear victories. This Note argues that the most viable cause of action for trademark holders exists in an extension of contributory trademark liability to Internet search engines in limited situations in which search engines use federally registered trademarks.

The original scope of contributory trademark infringement doctrine extended only to the manufacturer/distributor context, such as holding generic drug manufacturers liable for the infringing activity of pharmacists.¹³² Courts appear willing to extend this doctrine to limited situations outside of the manufacturer/distributor context.¹³³ Both precedent and an analysis of the relationship between the CPC or the pay-per-click advertisers and the Internet search engines support the conclusion that the contributory trademark infringement doctrine should be extended. The relationship more closely resembles that of a flea market operator and a vendor than that of a domain name registrar and registrant. The relationship at play between Google and

therefore, presenting a genuine issue of material fact with respect to the likelihood of confusion).

128. See *id.* at 1026–27 (stating that "Dr. Ford's report alone probably precludes summary judgment").

129. See *id.* at 1029–31 (addressing the three defenses advanced by the search engine).

130. See Colin C. Haley, *AOL Settles Playboy Suit*, INTERNETNEWS.COM, (Jan. 23, 2004), at <http://www.internetnews.com/bus-news/article.php/3303251> (reporting the "mutually satisfactory" settlement agreement reached by Playboy and AOL (parent company of Netscape)) (on file with the Washington and Lee Law Review); see also Hicks, *supra* note 2 (reporting the settlement agreement reached by Overture (Google's co-defendant) and Geico).

131. *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 701 (E.D. Va. 2004).

132. See *supra* Part III.A (discussing the contributory trademark infringement test).

133. See *supra* Part III.B (laying out the extension of contributory trademark infringement in the flea market operator/vendor context).

third party advertisers participating in the AdWords program resembles that of a flea market operator and vendor in three significant ways. By contrast, the relationship differs from that of a domain name registrar and registrant for two major reasons.

A. The Google/Advertiser Relationship Closely Resembles the Flea Market Operator/Vendor Relationship

First, both the flea market operators and Google derive a substantial amount of revenue from their respective roles in these relationships. The flea market operator in *Hard Rock* derived revenues from four sources: renting space to vendors, charging vendors reservation and storage fees for renting space on a month-to-month basis, collecting a seventy-five cent admission fee for shoppers, and selling concessions.¹³⁴ By contrast, Google generated \$3.143 billion of its \$3.189 billion in revenues in 2004 from the sale of advertising.¹³⁵ Google reports that this represents 99% of the total revenue generated. Of this 99%, 50% of the revenue results from the activity in question—placing "sponsored link" advertisements on the Google search results pages.¹³⁶ These numbers indicate that Google derives at least as significant a portion of total revenues from selling advertisements on its search results pages as flea market operators derive from renting daily or monthly space to vendors.

Second, Google exercises a similar level of control and supervision over advertisers as flea market operators exercise over vendors. The *Hard Rock* flea market operator employed several tactics to regulate vendors.¹³⁷ The operator posted a sign within the market, prohibiting the sale of "illegal goods," and issued "Rules for Sellers," further prohibiting the sale of "food or beverages, alcohol, weapons, fireworks, live animals, drugs and drug paraphernalia and subversive or un-American literature."¹³⁸ Also, the operator employed two off-

134. *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1146 (7th Cir. 1992).

135. See GOOGLE 2004 INCOME STATEMENT, *supra* note 6 (reporting total revenues and revenue by category generated in 2004).

136. See *id.* (indicating that Google derives 50% of total revenue from the sale of advertising on Google web sites (the activity at issue in this Note), 49% of total revenue from the sale of advertising on Google Network web sites (web site publishers that pay Google a fee to place advertisements on their web sites), and 1% of revenue from licensing and other revenues (Google licenses its search engine and advertising technologies)).

137. See *Hard Rock*, 955 F.2d at 1146 (discussing the supervisory activity of the flea market operator).

138. *Id.*

duty police officers mainly for crowd control and security purposes, but also for the secondary purpose of guaranteeing that vendors followed the stated rules.¹³⁹ Finally, the manager circulated around the market several times per day to monitor for problems or violations of the flea market rules.¹⁴⁰ The flea market operator refrained from inspecting all the goods sold and any examinations of the goods remained on a "cursory" level.¹⁴¹ Any identified violations of the operator's policies resulted in expulsion of the vendor.¹⁴²

Google exercises a level of control and monitoring that at least rises to the level of flea market operators. Specifically, Google AdWords Specialists review all advertisements before running any advertisement on the Google Network.¹⁴³ AdWords Specialists ensure that advertisements adhere to the standards articulated in the Editorial Guidelines.¹⁴⁴ In fact, AdWords Specialists may edit advertisements for minor problems such as "removing an exclamation point [Google limits advertisement text to one exclamation point], removing or adding an extra space, and fixing a spelling error."¹⁴⁵

The Editorial Guidelines set forth nine specific issues that advertisers must consider when developing ad content.¹⁴⁶ Google directs advertisers to its Content Policy,¹⁴⁷ which prohibits advertisements for twenty-one specific categories ranging from alcohol to counterfeit designer goods to weapons.¹⁴⁸ Google also recommends that advertisers follow proper trademark usage and directs advertisers to its trademark policy.¹⁴⁹ Google's current trademark policy only offers limited investigation of reasonable complaints and strongly encourages trademark holders to settle disputes directly with advertisers.¹⁵⁰ The

139. *Id.*

140. *Id.*

141. *Id.*

142. *Id.*

143. GOOGLE, INC., GOOGLE ADWORDS SUPPORT: HOW CAN I MAKE SURE MY ADS APPEAR ON THE GOOGLE NETWORK?, at <https://adwords.google.com/support/bin/answer.py?answer=6142&ctx=search&query=adwords+specialists&topic=0&type=f> (last visited Feb. 14, 2005) (on file with the Washington and Lee Law Review).

144. *Id.*

145. GOOGLE ADWORDS EDITORIAL GUIDELINES, *supra* note 41.

146. *See id.* (articulating the Editorial Guidelines developed by Google with respect to ad content).

147. *See id.* (informing advertisers in Google's first provision under the Ad Content section of the Editorial Guidelines that Google reserves the right to editorial discretion as to which advertisements it approves and directs advertisers to the Content Policy for more information).

148. *See* GOOGLE ADWORDS CONTENT POLICY, *supra* note 41 (providing a list of the twenty-one products or services Google prohibits on its AdWords program).

149. GOOGLE, INC., GOOGLE ADWORDS: EDITORIAL GUIDELINES, *supra* note 41.

150. GOOGLE, INC., ADWORDS SUPPORT: WHAT IS GOOGLE'S TRADEMARK POLICY?, at

remaining Editorial Guidelines address the advertisements of parents and affiliates, the need to support competitive claims and advertised prices, discounts, and free offers, the use of superlatives, restrictions against specified unacceptable phrases and inappropriate language; and advertisements containing nonfamily safe content and adult sexual content.¹⁵¹

Requiring all advertisements to receive approval from AdWords Specialists based on the Editorial Guidelines and Content Policy places Google in a position of control over advertisers. Considering that flea market operators perform only "cursory" examinations, if any, of the goods sold by vendors in their markets,¹⁵² Google's participation appears much more involved. This level of control further strengthens the argument that contributory infringement properly extends to Google with respect to its CPC advertising program.

Third, providing the medium or marketplace presents a final significant way in which Google's relationship with advertisers mirrors that of a flea market operator and vendor. The *Fonovisa* court resolved the distinctions between the manufacturer/distributor context and the flea market operator/vendor context by relying on the "necessary marketplace" rationale.¹⁵³ The potential liability results not from the flea market operator engaging in the infringing activity (the third party vendor engaged in this activity), but results from "supplying the necessary marketplace" for the infringing activity to occur.¹⁵⁴

Similarly, Google provides the "necessary marketplace" for potentially infringing activity to occur. The AdWords Select program allows advertisers to solicit business from the millions of users that make Google one of the five most popular sites on the Internet and the "World's Best Search Engine."¹⁵⁵ In 2003, Google serviced 81.9 million unique users per month according to

<https://adwords.google.com/support/bin/answer.py?answer=6118&ctx=search&query=trademark+policy&topic=06type=f> (last visited Feb. 16, 2005) (on file with the Washington and Lee Law Review).

151. GOOGLE ADWORDS EDITORIAL GUIDELINES, *supra* note 41.

152. *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1146 (7th Cir. 1992).

153. *See Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 265 (9th Cir. 1996) (discussing the extension of the *Inwood* test outside the traditional manufacturer/distributor context).

154. *See id.* (stating that the plaintiff correctly alleged that the flea market provided the marketplace, not that the flea market supplied the infringing recordings at issue).

155. GOOGLE, INC., CORPORATE INFORMATION: AT A GLANCE, QUICK PROFILE, *at* <http://www.google.com/intl/en/corporate/facts.html> (last visited Feb. 14, 2005) (on file with the Washington and Lee Law Review).

Nielson/Net Rankings.¹⁵⁶ Also in 2003, Google reported that over 100,000 advertisers actively participated in the AdWords program.¹⁵⁷ Furthermore, Google attracts a majority of its \$3.1 billion revenue by providing the medium (AdWords) for advertisers to reach the coveted Google users.¹⁵⁸ Therefore, the technology underneath the extremely popular AdWords program creates the medium by which potential trademark violations may occur, similar to the operation of a flea market as a medium for vendors to sell potentially infringing goods.

B. The Google/Advertiser Relationship Differs from the Domain Name Registrar/Registrant Relationship

Analyzing the differences between the domain name registrar/registrant relationship and the Google/advertiser relationship supports the conclusion that a proper extension of contributory infringement exists in the Google/advertiser context. Comparing the two relationships, two major differences develop that allow for such a conclusion. The differences arise from the amount of supervision exercised over third parties and the type of product or service that each provides.

The first and more important distinction between the two relationships concerns the amount of supervision both NSI and Google exercise. In *Lockheed Martin*, the court emphasized that "[d]irect control and monitoring of the instrumentality used by a third party to infringe the plaintiff's mark permits the expansion of the *Inwood Laboratories* 'supplies a product' requirement for contributory infringement."¹⁵⁹ The domain name registration system operated almost automatically.¹⁶⁰ Approximately 90% of all applications (templates) were processed electronically without any human interaction.¹⁶¹ Therefore, only 10% of the domain names seeking registration received any type of review.¹⁶² To fall within this 10% category requiring review, the application might have contained an administrative error or included a "prohibited"

156. *Id.*

157. GOOGLE, INC., CORPORATE INFORMATION: AT A GLANCE, TIMELINE (2003), at <http://www.google.com/intl/en/corporate/timeline.html> (last visited Feb. 14, 2005) (on file with the Washington and Lee Law Review).

158. GOOGLE 2004 INCOME STATEMENT, *supra* note 6.

159. *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999).

160. *See id.* at 982 (discussing the domain name registration system operated by NSI that may be completed in a few minutes to a few hours).

161. *Id.*

162. *Id.*

character string.¹⁶³ NSI also performed a simple conflict check against other registered domain names, yet NSI refrained from verifying the registrar's right to use any term or combination of terms.¹⁶⁴ NSI did not monitor the domain names beyond the initial registration process.¹⁶⁵

Google's interaction with the AdWords advertisers rises to a much greater level of control and monitoring than NSI's role in the domain name registration process. As discussed above, an AdWords Specialist reviews every advertisement against Google's Editorial Guidelines and Content Policy.¹⁶⁶ Google must approve any advertisement that appears in the AdWords program.¹⁶⁷ Google also offers ongoing support to advertisers through an online support area that provides tips, such as maximizing clickthrough rates and optimizing content and keyword targeting.¹⁶⁸ For any questions not answered by the online help center, Google maintains a Customer Support team and guarantees that advertisers will "promptly receive quality responses" via email.¹⁶⁹ The upfront and ongoing involvement of Google with advertisers and their advertising campaigns represents the higher level of "direct control and monitoring" required to subject Google to potential liability under contributory trademark infringement.¹⁷⁰

Second, the *Lockheed Martin* court emphasized that to hold NSI liable under a contributory infringement theory, NSI must have supplied a "product."¹⁷¹ The court concluded that NSI clearly offered only a service, and therefore, the extension of contributory infringement failed.¹⁷² Acknowledging

163. *Id.*

164. *Id.*

165. *Id.*

166. See *supra* notes 143–57 and accompanying text (discussing the role of AdWords Specialists).

167. See GOOGLE ADWORDS EDITORIAL GUIDELINES, *supra* note 41 (stating that "[t]o run your ads on Google and our growing ad network of sites and products, you must adhere to these guidelines").

168. GOOGLE, INC., GOOGLE ADWORDS: GETTING STARTED, OPTIMIZATION TIPS, at <https://adwords.google.com/select/tips.html> (last visited Feb. 16, 2005) (on file with the Washington and Lee Law Review).

169. GOOGLE, INC., GOOGLE ADWORDS: OVERVIEW, ADVANTAGES, at <https://adwords.google.com/select/advantages.html> (last visited Feb. 16, 2005) (on file with the Washington and Lee Law Review).

170. See *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999) (stating that an extension of the contributory trademark infringement test requires a finding of direct control and monitoring over the tool used by the third party to engage in trademark infringement).

171. *Id.*

172. See *id.* at 985 (determining that NSI offered only a routing service similar to the

the differences between a domain name registrar and the flea market operator in *Fonovisa* and *Hard Rock*, the court reasoned that flea market operators licensed real estate and exercised direct control of the infringing activity that occurred on its premises.¹⁷³ According to the court, providing retail space "was more comparable to pharmaceuticals than to manpower."¹⁷⁴

When examined under this framework, Google more closely resembles the flea market operators and should fall on the product side of the product/service divide. Google provides more than just a passive service to advertisers. Google "rents" space to advertisers just like flea market operators rent space to vendors. Both Google and flea markets provide the medium necessary for companies to promote their products to sought-after consumers. By contrast, NSI simply provided a one-time service that allowed interested parties to obtain domain names.

VI. Holding Search Engines Liable for Direct or Contributory Trademark Infringement: The Issues and Arguments

To hold Google (or other search engines with advertising models similar to AdWords) liable for contributory trademark infringement, trademark holders must address several issues. First, trademark holders need to prove that an infringing activity occurred.¹⁷⁵ As indicated by some contributory infringement case law, this does not require the existence of a direct trademark infringement claim.¹⁷⁶ Second, trademark holders must prove that Google either 1) "intentionally induces another to infringe a trademark" or 2) "continues to

routing service provided by the United States Postal Service).

173. *Id.*

174. *Id.* at 984.

175. See *David Berg & Co. v. Gatto Int'l Trading Co.*, 884 F.2d 306, 311 (7th Cir. 1989) (holding that Berg failed to establish contributory trademark infringement because "there was no infringement here"); see also Cross, *supra* note 67, at 101 & n.4 (recognizing that a majority of the *Ives* court "viewed contributory infringement as a form of secondary liability, arising only when someone else actually infringes the protected mark"). *But see Nat'l Fed'n of the Blind, Inc. v. Loompanics Enters., Inc.*, 936 F. Supp. 1232, 1246 (D. Md. 1996) (denying Loompanics' motion to dismiss the National Federation of the Blind's (NFB's) contributory infringement claim and stating that "this court is unwilling to hold, as a matter of law, the NFB is unable to obtain any relief, particularly equitable relief, simply because the NFB has not yet presented any evidence of direct infringement").

176. See *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 261 (9th Cir. 1996) (addressing a claim of contributory trademark infringement against a flea market operator without joining the allegedly infringing flea market vendors to the suit).

supply its product to one whom it knows or has reason to know is engaging in trademark infringement."¹⁷⁷

The most appropriate way to address the issue of Google's potential contributory trademark infringement liability requires analyzing the two types of cases that trademark holders may pursue. The first factual scenario concerns the advertiser's use of a trademark in the text of the advertisement. The *Geico* court determined that this type of activity at least establishes trademark infringement by the advertiser and left the issue open as to whether or not Google should incur contributory trademark liability for the advertiser's action until the case resumes.¹⁷⁸ The second and more difficult factual scenario arises from the advertiser's purchase of a trademark as a keyword in order to link its advertisements to search inquiries that include the trademark. The *Geico* and *Playboy* courts reached different conclusions when faced with this factual scenario.¹⁷⁹

Federal trademark holders seek relief for trademark infringement under the provisions of the Lanham Act. The Lanham Act governs federally registered trademark infringement claims. Liability under the Lanham Act requires federal trademark registration and a use in commerce of the plaintiff's mark by the defendant.¹⁸⁰ To sustain a claim, the plaintiff must show a "trademark use" by the defendant, specifically that the defendant used the mark "in commerce" and "in connection with the sale, offering for sale, distribution, or advertising of goods and services."¹⁸¹ Second, trademark holders must prove three main requirements to succeed on a claim of trademark infringement: "valid trademark, ownership of the trademark, and likelihood of confusion."¹⁸² The Lanham Act defines a valid trademark as one used by a person to "identify and distinguish his or her goods, including a unique product, from those

177. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982).

178. *See Klein & Mazur, supra* note 117 (recognizing the *Geico* court's holding that when the advertisements include the trademark, this constitutes trademark infringement on behalf of the advertiser).

179. *See* Transcript of Bench Trial at 286, *Gov't Employees Ins. Co. v. Google, Inc.* (E.D. Va. Dec. 15, 2004) (No. 1:04cv507) [hereinafter Transcript of Bench Trial] (finding that insufficient evidence on the element of likelihood of confusion required a holding of no trademark infringement); *see also Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1024 (9th Cir. 2004) (denying summary judgment based on sufficient evidence presented that a valid trademark infringement claim existed).

180. 15 U.S.C. § 1114(1) (2000); *see also GILSON, supra* note 5, § 5 (discussing the requirements for a finding of liability under the Lanham Act).

181. *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 702 (E.D. Va. 2004).

182. *See GILSON, supra* note 5, § 11.07 [2] (stating the three requirements a plaintiff must prove in a trademark infringement suit).

manufactured or sold by others and to indicate the source of the goods, even if that source is unknown."¹⁸³ Ownership of the trademark requires a showing of good faith commercial use prior to defendant's use of the alleged infringing mark.¹⁸⁴

Most importantly, the Lanham Act requires the trademark holder to prove likelihood of confusion based on the test adopted in the court hearing the case. The question of likelihood of confusion remains a question of fact, and therefore, every case requires its own factual determination.¹⁸⁵ One common likelihood of confusion test evaluates the following eight factors:

1. strength of the mark;
2. proximity of the goods;
3. similarity of the marks;
4. evidence of actual confusion;
5. marketing channels used;
6. type of goods and the degree of care likely to be exercised by the purchaser;
7. defendant's intent in selecting the mark; and
8. likelihood of expansion of the product lines.¹⁸⁶

A. The Use of Trademarks Within the Text of the Advertisements

As discussed earlier, two scenarios giving rise to contributory trademark infringement are presented by Google's operation of AdWords—the use of trademarks within the text of ads and the use of trademarks as keywords. The first scenario presents an easier case for the trademark holder to prove an infringing activity by the advertiser and contributory trademark infringement by Google. This factual scenario involves a user search based on the trademark holder's mark that returns sponsored links paid for by the advertiser. For this case the sponsored link actually includes the trademark in the advertisement text. For example, a user searches for "Coca Cola," and the search results

183. 15 U.S.C. § 1127 (2000).

184. See GILSON, *supra* note 5, § 11.07 [2] (discussing how a plaintiff proves ownership of a trademark in a trademark infringement suit).

185. See *id.* § 5.01[3][c][ii] (recognizing that each case requires a decision based on the specific and pertinent facts presented into evidence).

186. *Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1026 & n.24 (9th Cir. 2004).

contain a sponsored link for Pepsi that includes the mark Coca Cola in the advertisement text.

1. The Lanham Act Applied to the Use of Trademarks in the Advertisement Text

The Lanham Act requires the trademark holder to present evidence that the impermissible (1) use of its registered trademark (2) in the advertisement text (3) confuses consumers as to the source of the goods or services available from the web site linked to the advertisement. To establish the "use" element, the plaintiff must prove a "trademark use" as described above.¹⁸⁷ The placement of the registered mark in the advertisement meets the first requirement because the advertiser purchases the advertisement for the sole purpose of engaging in business with potential Internet surfing consumers. The placement also meets the second requirement by definition by using the trademark in connection with advertising of goods or services.

The likelihood of confusion presents a more difficult requirement to meet. One argument available to trademark holders uses the controversial initial interest confusion doctrine, which allows for a finding of trademark infringement even if the consumer only experiences initial confusion and no confusion remains at the time of purchase.¹⁸⁸ Another argument trademark holders could advance focuses on the advertiser's intent when deciding to include the trademark in the text of the advertisement. Case law indicates that courts often find likelihood of confusion if the defendant intentionally used the mark for the purpose of gaining an advantage and profiting from this use.¹⁸⁹

Advertisers, if made parties to the case, might successfully defend against this type of claim for trademark infringement in certain situations. A categorical defense arguing that the use appears only in the text of the advertisement but not on the actual products fails under both current case law and the Lanham Act.¹⁹⁰ But the defense of nominative use based on

187. See *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 702 (E.D. Va. 2004) (defining a trademark use as using the mark in connection with advertising (or other activities)).

188. See Michael Grynberg, *The Road Not Taken: Initial Interest Confusion, Consumer Search Costs, and the Challenge of the Internet*, 28 SEATTLE U. L. REV. 97, 98 (2004) (describing the operation of the initial interest doctrine and discussing the implications of extending the doctrine to the Internet).

189. See GILSON, *supra* note 5, § 5.05[7] (discussing the case law focusing on the defendant's intent prong of the likelihood of confusion test).

190. See 15 U.S.C. § 1114(1) (2000) (imposing liability for the use of a registered mark in

comparative advertising might allow for certain inclusions of trademarks in the advertisement text.¹⁹¹ To prove nominative use, advertisers must satisfy a three-prong analysis: (1) the use of the trademark is necessary to identify the product or service; (2) the use is limited to what is reasonably necessary for purposes of identification; and (3) the use does not suggest that the trademark holder sponsors or endorses the product in question.¹⁹² Therefore, if an advertiser presents evidence that the use of the trademark in the advertisement text falls within the allowable scope of the nominative use defense, neither the advertiser nor Google should face liability.

2. *Contributory Infringement by Google*

If a trademark holder establishes trademark infringing activity on the part of the advertiser and the advertiser fails to assert a successful nominative use defense, the question remains whether contributory liability extends to Google. To establish contributory trademark infringement, the trademark holder must prove either that Google intentionally induced advertisers to infringe the trademark or that Google knew or should have known of the infringing activity but continued to supply the advertising space.¹⁹³

Google's current trademark policy most likely immunizes it from contributory liability in the factual scenario of trademarks used within the text of advertisements. The policy stipulates that the only types of complaints by trademark holders that Google regulates involve the activity in question, specifically the use of the trademark holder's mark in the text of an advertisement.¹⁹⁴ In accordance with the stated trademark complaint procedure,

advertising of goods or services); *see also* GILSON, *supra* note 5, § 5.09[1] (stating that "it is no defense to an infringement charge that the infringer is not using the mark on a product but only in advertising").

191. *See* Ned T. Himmelrich, *Beyond Brand X Using Another's Trademark In Your Own Advertising*, 38 MD. B.J. 19, 19 (Jan./Feb. 2005) (addressing the use of trademarks in comparative advertising). The author notes that:

It is perfectly acceptable and within the bounds of the law to use another's trademark in advertising, provided certain standards are met. The advertisement must be truthful and the use of another's trademark must not give a false impression of connection, approval or sponsorship by the owner of the other mark.

Id.

192. *Playboy Enters., Inc., v. Netscape Communications Corp.*, 354 F.3d 1020, 1029–30 (9th Cir. 2004).

193. *See Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982) (articulating the test for contributory trademark infringement).

194. GOOGLE, INC., GOOGLE ADWORDS: GOOGLE TRADEMARK COMPLAINT PROCEDURE, *at*

Google requires advertisers to remove the trademark from the ad text only after a trademark holder files a complaint. The policing of the trademark falls to the trademark holder. Placing this responsibility on the trademark holder appears consistent with previous decisions, such as *Hard Rock*, where the court refused to place an affirmative duty on flea market vendors to prevent the sale of counterfeits.¹⁹⁵ The *Hard Rock* court held that the "reason to know" standard for contributory liability "does not impose any duty to seek out and prevent violations."¹⁹⁶ Therefore, Google's policy concerning the use of trademarks in the advertisement text sufficiently immunizes the search engine from potential contributory liability.

For claims alleging trademark infringement based on the use of the trademark holder's mark in the advertisement text, trademark holders can likely establish either an infringing activity by the advertiser or a direct trademark infringement claim against the advertiser, possibly both. But trademark holders likely cannot hold Google (or search engines employing a model similar to AdWords) liable for contributory infringement based on the advertisers' actions, given Google's current policy.

B. *The Use of Trademarks as Keywords*

The more difficult type of case for trademark holders involves the activity of an advertiser purchasing the trademark holder's mark as a keyword that links its advertisement to search inquiries targeting the specific trademark. To hold Google liable in this context, trademark holders must prove that the underlying activity—the use of trademarks as keywords—represents a trademark infringing activity either by the advertiser or Google. The elements required to prove that the use of others trademarks as keywords to target advertising remain the same as discussed above.¹⁹⁷ Trademark holders must establish (1) a trademark use, (2) valid registration of the mark, (3) ownership of the mark, and (4) a likelihood of confusion.¹⁹⁸ If trademark holders successfully hold Google directly liable for allowing advertisers to purchase trademarks as keywords, the

http://www.google.com/tm_complaint.html (last visited Feb. 21, 2004) (on file with the Washington and Lee Law Review).

195. See *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1149 (7th Cir. 1992) (discussing the application of the "reason to know" standard of the contributory trademark infringement test to the actions of a flea market operator).

196. *Id.*

197. See *supra* Part VI (setting out the requirements for trademark infringement).

198. *Id.*

inquiry ends. But if trademark holders succeed in holding only advertisers liable for direct infringement, an alternative theory for holding Google liable lies in the contributory trademark infringement doctrine.

1. *The Lanham Act Applied to the Use of Trademarks as Keywords*

As with the first factual scenario, likelihood of confusion is the most difficult of the Lanham Act requirements to prove with respect to keywords. Geico unsuccessfully attempted to hold Google directly liable for selling trademarks as keywords.¹⁹⁹ In the August 2004 opinion, the *Geico* court determined that the plaintiff's complaint sufficiently alleged that Google made a trademark use of Geico's mark.²⁰⁰ The court continued by explaining that "when defendants sell the rights to link advertising to [Geico's] trademarks, defendants are using the trademarks in commerce in a way that may imply that defendants have permission from the trademark holder to do so."²⁰¹ The district court partially dismissed the case, however, holding that Geico failed to produce sufficient evidence that such use of the Geico trademark created confusion.²⁰² This holding relied on the insufficiency of the evidence presented, but appeared to allow the possibility that a valid claim might exist on the issue of the use of trademarks as keywords.²⁰³ Also, commentators noted after this decision that the holding of this district court fails to bind other district courts facing the same or similar legal questions.²⁰⁴

199. Transcript of Bench Trial, *supra* note 179, at 286.

200. See *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 703–04 (E.D. Va. 2004) (determining that an unstrained reading of the complaint indicates that Geico alleges a proper trademark use of its mark by Google).

201. *Id.* at 704.

202. See Transcript of Bench Trial, *supra* note 179, at 286 (containing the court's oral ruling). The court stated:

[T]he plaintiff has not established that the mere use of its trademark by Google as a search word or keyword or even using it in their AdWord program standing alone violates the Lanham Act because that activity in and of itself, there's no evidence that that activity standing alone causes confusion.

Id.

203. See *id.* at 293 (recognizing that the holding in this case thus far is limited to the finding that the advertisements at issue which do not include the trademark Geico do not violate the Lanham Act).

204. See Jefferson Graham, *Judge Rules for Google on Key Word Ad Spots*, USA TODAY, Dec. 15, 2004, available at http://www.usatoday.com/tech/news/techpolicy/2004-12-15-google-over-geico_x.htm (last visited Feb. 22, 2005) (reporting the comments of Washington trademark attorney Sheldon Klein that indicated the Google victory "removes some uncertainty, but it[] [is] not a final victory. This is a trial court decision, and different courts may disagree.") (on file

The Ninth Circuit, in *Playboy*, appeared more likely to rule that the activity of using trademarks as keywords to target advertising created a likelihood of confusion. First, the court quickly established that "[Playboy] clearly holds the marks in question and defendants used the marks in commerce without [Playboy]'s permission."²⁰⁵ Addressing likelihood of confusion, the court evaluated the facts in light of the eight factors and determined that likelihood of confusion weighed more heavily in Playboy's favor.²⁰⁶ Of particular note, the court found the evidence of actual confusion presented by Playboy's expert witness persuasive.²⁰⁷ The settlement of this case left open the question of whether the evidence presented by Playboy would actually succeed at a trial on the merits.²⁰⁸

The decisions in *Geico* and *Playboy* provide useful insight into how trademark holders could succeed against both advertisers and Google in the future. Both courts agree that the use of trademarks as keywords constitutes a trademark use.²⁰⁹ Therefore, in the future trademark holders should rely on these decisions to establish the element of a trademark use necessary for liability under the Lanham Act. Yet the courts appeared to split on the likelihood of confusion analysis, with the *Geico* court finding no likelihood of confusion and the *Playboy* court holding that the factors seem to weigh in favor of the trademark holder.²¹⁰

The quality of survey evidence is one major possibility for the different outcomes. In order to establish likelihood of confusion, trademark holders often retain experts to perform consumer surveys that provide evidence of

with the Washington and Lee Law Review); see also *Google Scores Legal Win in Online Ad Case*, MSNBC News, Dec. 15, 2004, available at <http://www.msnbc.msn.com/id/6708694/> (quoting an attorney representing a trademark holder against Google in a different case who asserted the ruling in the *Geico* case "[will not] insulate the search engine from similar claims") (on file with the Washington and Lee Law Review).

205. *Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1024 (9th Cir. 2004).

206. *Id.* at 1029.

207. See *id.* at 1026–27 (recognizing that the study indicated that 51% of study participants believed adult-oriented banner advertisements to be sponsored by Playboy when shown in conjunction with the search results returned for a search for the term "playboy").

208. See Hicks, *supra* note 2 (discussing the settlement between Playboy and Netscape after the Ninth Circuit denied motions for summary judgment sending the case to trial on the merits).

209. See *Playboy*, 354 F.3d at 1024 (stating that "defendants used the marks in commerce"); see also *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 703–04 (E.D. Va. 2004) (determining that an unstrained reading of the complaint indicates that Geico alleges a proper trademark use of its mark by Google).

210. *Playboy*, 354 F.3d at 1029; Transcript of Bench Trial, *supra* note 179, at 286.

actual confusion. The *Geico* court determined that Geico failed to establish likelihood of confusion due to unpersuasive survey evidence presented by Geico's expert witness.²¹¹ By contrast, the Ninth Circuit found the survey evidence presented by Playboy's expert indicated that a "high likelihood of initial interest confusion exists among consumers."²¹² Therefore, presentation of strong survey evidence establishing actual consumer confusion should greatly increase trademark holders' chances of proving likelihood of confusion and establishing a trademark infringing activity either by the advertiser or Google.

2. Direct Infringement by Google

The determination of whether Google commits direct infringement with its sale of trademarks as keywords requires an evaluation of how the advertisers came to use the trademarks as keywords. The Netscape advertising model evaluated by the *Playboy* court places the choice of including trademarks as keywords to target advertisements in the hands of the search engine, not the advertiser.²¹³ Under the Netscape model, the search engine actually compiles lists organized by categories that include both trademarked and nontrademarked terms.²¹⁴ Netscape requires certain advertisers to link advertisements to lists of keywords that relate to the product or service they wish to promote.²¹⁵ Therefore, under this scheme, it appears that advertisers might never know if their advertisements are triggered by another's trademark. The Google AdWords model, by contrast, places the choice in the hands of the advertiser, but it places no restrictions on the use of another's registered trademark as a

211. See Transcript of Bench Trial, *supra* note 179, at 286 (stating that the holding of insufficient evidence existed because the survey administered by Geico's expert witness failed to ask questions directly relating to the issue of consumer confusion when advertisements not including the trademarked term appear in response to searches of the trademarked term).

212. *Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1027 (9th Cir. 2004).

213. See *id.* at 1023 (discussing the lists developed by Netscape that contain trademarked terms and the requirement that certain advertisers link their advertisements to particular lists related to the products or services being promoted).

214. *Id.*

215. *Id.*

keyword.²¹⁶ AdWords leaves the selection of keywords entirely to the discretion of each individual advertiser.²¹⁷

Neither the *Geico* nor the *Playboy* court explicitly addressed who commits the actual infringing activity. One might conclude that because the two cases involved only search engines and not advertisers, the implication exists that the search engines caused the infringing activity. On the other hand, if this issue was not an argument advanced by the parties, then no clear cut answer to this question exists.

The stronger argument for holding search engines directly liable exists when the search engines themselves make the decision to link certain trademarks to search terms in order to trigger advertisements, as in the Netscape model. If the search engine refrains from actually making the decision to use a registered trademark, as in the AdWords model, placing direct liability on advertisers seems more appropriate given that the advertiser made the actual decision to engage in the infringing activity of linking another's trademark to its advertisements. Under the AdWords model, the infringing activity clearly remains under the control of the advertiser.

As discussed above in connection with the first factual scenario, advertisers may successfully assert valid defenses for using another's trademark. One important exception could arise when an advertiser selling fruit baskets selects the term "apple" as a keyword. Should this allow the computer manufacturer APPLE to prevent this type of use by the advertiser? Clearly not—trademark holders fail to retain a monopoly over the use of the mark in every context.²¹⁸ One leading treatise provides an example of this situation, explaining that "[t]hrough their use of the mark is arbitrary, the owners of APPLE computers would have little success suing the producers of hand cream labeled as APPLE-SCENTED."²¹⁹ Therefore, this example represents at least one valid and lawful use that advertisers can successfully advance against a trademark holder challenging the use of the trademark as a keyword.²²⁰

216. See GOOGLE ADWORDS TRADEMARK COMPLAINT PROCEDURE, *supra* note 194 (informing trademark holders that Google refuses to disable keywords in response to trademark complaints).

217. See STEP-BY-STEP, *supra* note 37 (recommending only that advertisers select the keywords that relate specifically to the product or web site to produce the most cost-effective advertising campaign).

218. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 28 cmt. a (1995) (stating that owners cannot deprive others of the use of a term in its descriptive sense and that reasonable use allows another to describe the nature and characteristics of its own goods without liability).

219. GILSON, *supra* note 5, § 11.08[3][d][i][A].

220. Other valid defenses likely exist, however, a full discussion on this topic remains outside the scope of this Note.

The law remains unsettled on this issue. Because the advertisers themselves make the ultimate decision to select a trademark as a keyword, they appear more likely to face liability for direct infringement, rather than Google. Therefore, in cases involving advertising models such as AdWords, a trademark holder should have to prove a trademark infringing activity on the part of the advertiser with respect to the use of the trademark as a keyword. If the advertiser fails to assert a valid defense to this use, the advertiser will likely face liability for this direct infringement. Trademark holders may also seek to hold Google liable under a contributory trademark infringement theory.

3. *Contributory Infringement by Google*

As discussed above, trademark holders must prove either intentional inducement by the search engine or that the search engine knew or had reason to know of the infringing activity but continued to supply advertisement space.²²¹ Trademark holders have a strong argument that search engines such as Google knew or had reason to know of the activity. Google's own policies admit that such activity occurs and that Google refrains from taking any action to prevent advertisers from purchasing trademarks as keywords.²²² Google's refusal to restrict the use of trademarks as keywords, even after the trademark holder complains, presents a strong argument that contributory liability must attach.²²³ This action, or lack thereof by Google, meets the "willful blindness" standard set forth in *Hard Rock*.²²⁴ Willful blindness requires that "a person must suspect wrongdoing and deliberately fail to investigate."²²⁵ The policy set forth by Google indicates that the search engine clearly recognizes the use of trademarks as keywords but has made a policy choice not to take any action. Google's current policy places the search engine at significant risk of incurring contributory liability for the advertisers' decisions to engage in trademark

221. See *supra* Part III.A (discussing the elements of the contributory infringement test).

222. See GOOGLE ADWORDS TRADEMARK COMPLAINT PROCEDURE, *supra* note 194 (informing trademark holders that Google refuses to disable keywords in response to trademark complaints).

223. See *Mini Maid Servs. Co. v. Maid Brigade Sys., Inc.*, 967 F.2d 1516, 1522 (11th Cir. 1992) ("Under [the] appropriate facts, contributory infringement might be grounded upon a franchisor's bad faith refusal to exercise a clear contractual power to halt the infringing activities of its franchisees.").

224. See *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1149 (7th Cir. 1992) (recognizing that willful blindness amounts to actual knowledge under the Lanham Act).

225. *Id.*

infringing behavior by selecting other's trademarks as keywords to target their advertisements.

Therefore, when a trademark holder claims trademark infringement based on the use of its mark as a keyword to link advertisements to search results, the trademark holder should pursue both direct trademark infringement and contributory trademark infringement claims against Google. This strategy provides trademark holders with the best opportunity of holding Google liable. The trademark holder must establish that an infringing activity occurred either because of the advertiser or Google. If the court determines that the advertiser, not Google, performed the infringing activity, the trademark holder still may hold Google liable under a contributory trademark theory.

VII. Implications

The discussion above recognizes a variety of scenarios that potentially place either advertisers or search engines such as Google at significant risk for incurring direct or contributory liability. Exposing countless advertisers and search engines, particularly one of the world's largest search engines, Google, to uncertain liability, poses severe and undesirable policy implications.

First, the discussion above involves heavy and costly litigation for all involved. The American Intellectual Property Lawyers Association reports \$600,000 as the average cost to litigate a trademark suit.²²⁶ For trademark holders to obtain protection, they must seek the aid of a court by filing a trademark infringement suit against either an advertiser or search engine. This instigates a costly legal battle to determine the type of protection, if any, the trademark warrants and the validity of any defenses, such as fair use, the defendant might seek to advance.

Second, Google currently provides an invaluable underlying free service—its search engine—that allows millions of Internet users to locate information. As noted above, Google generates a majority of its revenue (99%) from advertising.²²⁷ Google refrains from charging website owners to appear in the search results or users to obtain the search results. If advertisers and Google face uncertain liability, advertising revenues will surely decrease due to either

226. See Bill Robinson, *IP Litigation Strategies: Patents: Markman Hearings (Part 2)*, at <http://library.lp.findlaw.com/2003/Sep/30/133071.html> (Sept. 30, 2003) (commenting on the 2003 Report of Economic Survey published by the American Intellectual Property Lawyers Association that provided the average litigation costs for various types of IP suits including trademark litigation) (on file with the Washington and Lee Law Review).

227. See GOOGLE 2004 INCOME STATEMENT, *supra* note 6 (indicating that Google derived a total of 99% of its revenue from the sale of advertisements).

hesitation to advertise or satisfaction of damages awarded in court. A decrease in revenue might impact the level of service Google can provide Internet users.

Third, small companies or new entrants into the market will face potentially great financial risks associated with trademark infringement litigation and choose not to advertise online. This severely impacts competition, thereby removing potential choices from consumers. Finally, the uncertain liability potentially over-protects trademark holders. Restricting valid uses of trademarks in order to avoid liability allows trademark holders to gain protections that the law otherwise would prohibit, such as the ability for others to use trademarks in descriptive ways²²⁸ or in a comparative advertising context.²²⁹

VIII. Recommendation

Given the serious policy implications of exposing Google and advertisers to uncertain liability, this Note proposes an approach that more fairly balances the interests of all parties. This Note recommends that Google revise its trademark complaint procedure and that search engines operating similar advertising models adopt the revised procedure. The new trademark complaint procedure should proceed as follows:

1. *Trademark holder files complaint with Google alleging unfair use of its trademark by an advertiser in either the advertisement text or as a keyword.*

This places the ultimate duty of policing trademark use on the most interested party, the trademark holder. This Note in no way contends that Google bears the responsibility of actively policing all the trademark uses made by its advertisers. This complies with the *Hard Rock* court's determination that entities such as flea market operators (here Google) have "no affirmative duty to take precautions against the sale of counterfeits."²³⁰

2. *The complaint must allege sufficient proof to establish an unfair use, i.e., more than just saying "advertiser X is using my trademark." The*

228. See *supra* notes 218–20 and accompanying text (discussing the inability of a trademark holder to restrict the use of its mark by another in a descriptive nontrademark way).

229. See *supra* notes 191–92 and accompanying text (discussing the ability of others to legally use trademarks in comparative advertising).

230. *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1149 (7th Cir. 1992).

*standard of proof should resemble the standard of proof required for a preliminary injunction.*²³¹

This requirement prevents trademark holders from filing frivolous complaints. A standard of proof similar to that applied to a preliminary injunction would require the trademark holder to show a likelihood of ultimate success and irreparable injury.²³² Essentially, this requires a trademark holder to show that the advertiser's use of the trademark potentially creates a likelihood of confusion among consumers.²³³ The trademark holder must present enough proof that serious questions or concerns as to the use by the advertiser exist.²³⁴ For example, trademark holders might allege that the advertiser misleads consumers to associate the advertisement with the trademark holder and not the advertiser. As the status of the law in this area progresses, trademark holders, search engines, and advertisers will gain better insight into what constitutes a viable complaint.²³⁵

3. *Google presents the advertiser with two options:*
 - 1) *Seek a declaratory judgment from a court that the advertiser's use of the trademark is lawful, or*
 - 2) *present proof to Google that the advertiser's use of the trademark is lawful.*

231. See GILSON, *supra* note 5, § 14.02[3][b] (stating the four factors courts consider when evaluating a preliminary injunction). These factors are:

- (a) whether the plaintiff is likely to succeed after a trial on the merits, (b) whether the plaintiff is experiencing irreparable injury and has no adequate remedy at law, (c) whether injury to the plaintiff from the withholding of relief would exceed injury to the defendant from the granting of relief, and (d) whether the granting of the preliminary injunction would not be adverse to or consistent with the public interest.

Id.

This Note recommends a similar standard for trademark holders, but would confine the inquiry to a modified version of the first two factors. Therefore, trademark holders must present proof that the use of their mark represents an unfair trademark use by the advertiser and that the use injures the business of the trademark holder. This recommendation fails to require removal or a change of action by the advertiser at this step; therefore, inquiry into the third and fourth factors appears unnecessary.

232. *Id.* § 14.02[3][b].

233. *Id.* § 11.07 [2].

234. *Id.* § 14.02[3][b].

235. This Note contemplates a solution that limits the potential liability of search engines and advertisers, but still allows trademark holders an avenue to protect their trademarks. But this Note also recognizes that the status of the law in this area must progress beyond the status quo to provide the clarity necessary for the benefits of this recommendation to be fully recognized. Therefore, this recommendation primarily presents a framework that more fully protects Google (and similar search engines) than the current trademark complaint procedure in place.

Seeking a declaratory judgment from a court allows the advertiser to establish a valid use by the advertiser. This represents the preferred method of resolution, given that the advertiser and trademark holder obtain a definitive answer from a court. If the advertiser wishes to avoid court costs and potential costly litigation and feels confident that the use represents a valid use, the advertiser should present proof to Google. Google can make a good faith determination of whether the advertiser makes a fair use of the trademark. If the trademark holder disagrees with Google's determination, the trademark holder may still pursue a trademark infringement suit in court.

One might argue that Google's role in this new procedure still exposes the search engine to potential contributory liability. But the standard for contributory liability requires Google either to intentionally induce the activity or to know or have reason to know of the infringing activity.²³⁶ Under this procedure, Google in good faith determines that the advertiser legitimately makes use of the trademark and, therefore, concludes that no infringing activity exists. In *Hard Rock*, the court determined that mere negligence fails to subject the contributing party to liability.²³⁷ To hold Google contributorily liable, the trademark holder must prove that the contributing party's actions meet the "willful blindness" standard.²³⁸ Therefore, as long as Google maintains a good faith approach to evaluating the proof presented by both the trademark holders and advertisers, a negligent conclusion fails to subject Google to liability under the traditional contributory infringement doctrine.

4. *If the advertiser fails to take action, Google removes the trademark both from the advertisement text or from the advertiser's keyword list.*

This final step serves several purposes. First, it provides an incentive for advertisers to respond to the complaint. If the procedure provides no repercussions to the advertiser, inaction becomes the preferred method, further frustrating the interests of trademark holders in protecting their trademarks. Second, this further limits the potential to subject Google to contributory liability. This action indicates that Google acknowledges a potentially infringing use of the trademark and actively seeks to prohibit this use. Therefore, liability under a willful blindness standard fails.²³⁹ Finally, if an

236. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982).

237. *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1149 (7th Cir. 1992).

238. *Id.*

239. *Id.*

advertiser determines that the best option involves refraining from the questioned use, the advertiser may choose removal as the most cost effective solution. Removal of the trademark from the advertisement or as a keyword allows the advertiser to avoid the costs of providing proof to Google or seeking a declaratory judgment.

IX. Conclusion

The issue presented by this Note concerns an area of the law that commentators agree remains years from final resolution.²⁴⁰ In an attempt to present a recommendation that fairly balances the rights of trademark holders, search engines such as Google, and Internet advertisers, this Note analyzed the current state of trademark law against the facts and issues involved with the use of trademarks in Internet advertising. This Note made several conclusions. First, this Note advocated extending the doctrine of contributory trademark infringement to the context of Internet advertising. Second, the Note analyzed two factual scenarios under which advertisers and Google potentially face liability for trademark infringement. Finally, the Note recommended significantly changing Google's trademark complaint procedure for the purpose of presenting an alternative resolution to costly litigation battles between trademark holders and Google in the future.

Under this recommendation, trademark holders retain the ability to limit unfair uses of their trademarks by advertisers and possibly avoid costly litigation to gain this protection by using Google as the intermediary and not the court system. This recommendation also protects Google from liability for any potential trademark-infringing activities of its AdWords advertisers. This recommendation allows Google to address concerns of both trademark holders and advertisers without facing uncertain liability. Finally and most importantly, this recommendation provides more certainty by establishing a set procedure for trademark holders and advertisers to settle disputes over the use of trademarks. The recommendation provides an efficient way to meet the varying and conflicting interests at play in trademark law.

240. See Graham, *supra* note 204 (discussing the recent *Geico* decision and quoting Washington trademark attorney Sheldon Klein's impression that the "Google victory Wednesday 'remove[d] some uncertainty, but [was] not a final victory'").

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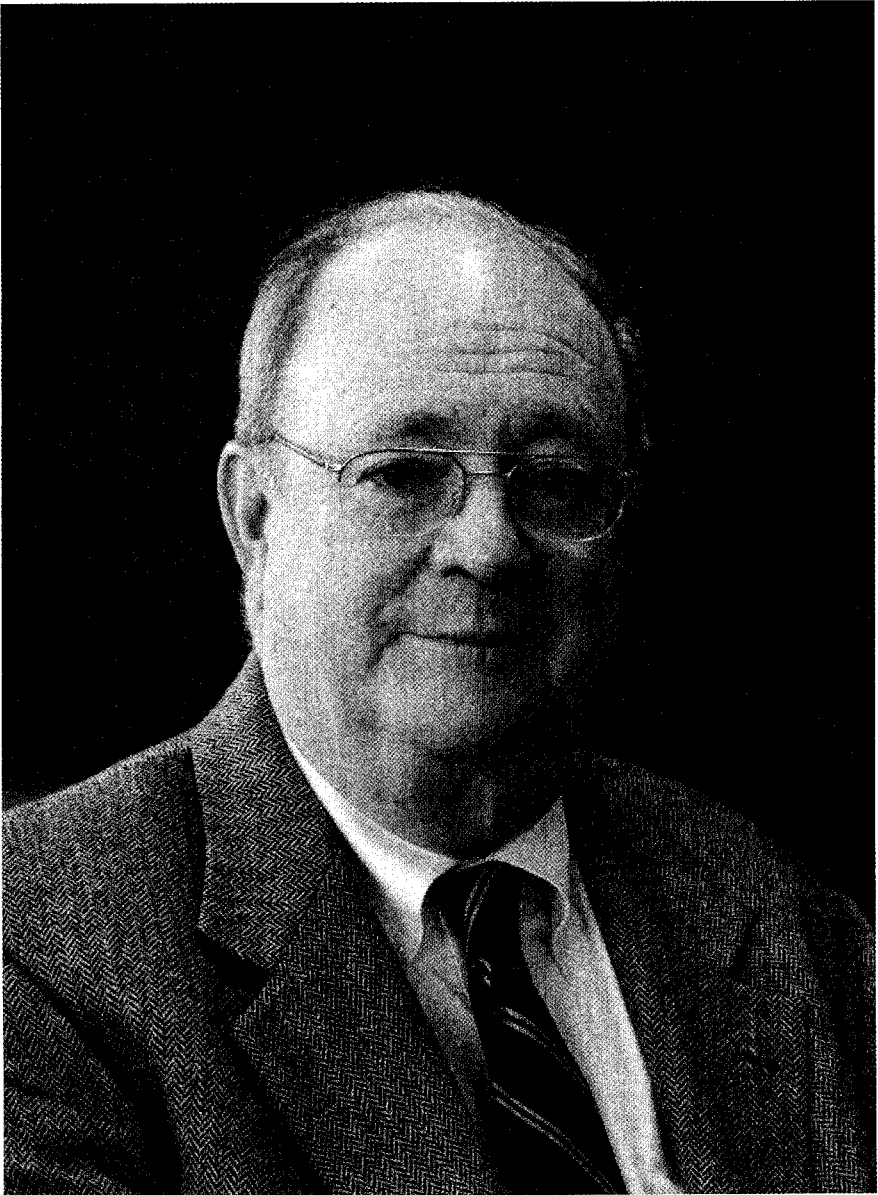


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Edward O. Henneman