

► Internet Keyword Advertising: Legal Risks and Business Realities

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Despite the recent economic slowdown, Internet advertising continues to grow at a substantial rate, with most experts predicting it to be the fastest growing segment of the overall advertising space for the foreseeable future. One of the more popular (and controversial) methods of Internet advertising is "keyword advertising." Under these arrangements, Internet search engines such as Google and Yahoo sell advertisers the right to have their advertisements or links associated with a specific search term, or "keyword." When an Internet user conducts a search for that term, the search engine will present not only an ordered list of relevant websites, but also a separate section containing links to the advertisers that purchased that particular keyword.

For example, under Google's AdWords program, Apple Computers could purchase or bid on a variety of keywords, such as "computers." If a user typed "computers" into Google, a link to Apple's webpage would appear in a section called "Sponsored Links." Each time a user clicks that link, Google charges Apple a fee. Countless businesses participate in Google's Adwords program and similar programs offered by the other leading search engines in order to generate more visits to their webpages.



Although the example presented above is fairly innocuous, many companies have been sued for trademark infringement after purchasing as a keyword a competitor's trademark or trade name. To extend our example, assume that instead of purchasing the keyword "computers," Apple purchased the trade name or trademark of one of its main competitors, such as Microsoft. Now, when an Internet user searches for Microsoft or "MS Windows," a link to Apple would also appear, albeit in a separate section. Understandably upset, Microsoft might sue Apple for trademark infringement.



In order to prevail on a trademark infringement claim under the Lanham Act, a plaintiff must prove that it has a valid mark, which the defendant "used" in commerce and that such use created a likelihood of consumer confusion regarding the origin of the goods or services. The law concerning the use of keyword advertising is unsettled and varies from state to state. Many courts, including the Second Circuit, hold that keyword advertising is not a "use in commerce," thus precluding a cause of action for trademark infringement. See, e.g., *1-800 Contacts v. WhenU*, 414 F.3d 400 (2d Cir. 2005). However, courts from within the Third Circuit—including the District of New Jersey—have held that the purchase of keywords is a use in commerce, which could give rise to liability for trademark infringement if the use creates a likelihood of consumer confusion. See, e.g., *Buying for the Home v. Humble Abode*, 459 F. Supp. 2d 310 (D.N.J. 2006).

Given the prevalence and efficacy of keyword advertising, many companies with an Internet presence will continue to utilize the practice. In order to reduce their legal exposure to claims of trademark infringement, companies should consider the following best practices:

1. Avoid purchasing trademarks or trade names in their keyword advertising campaigns, and instead focus on buying generic or descriptive keywords;
2. Ensure that the search engine clearly delineates that the company's sponsored link is a paid advertisement and that all such sponsored links appear in a section of the search engine's results page that is physically separate and distinct from the search results themselves; and
3. Do not reference a third party's trademark or trade name in the advertisement's text or heading.

Although this list, which is derived primarily from the holding of an influential case from within the Third Circuit (see *J.G. Wentworth v. Settlement Funding*, No. 06-0597, 2007 U.S. Dist. LEXIS 288 (January 4, 2007)), is instructive, it is no substitute for understanding the ever-evolving and increasingly nuanced legal landscape of Internet advertising. Companies seeking to purchase keywords, are well-advised to research the prospective search engine's keyword policy, formulate a strategy, and vet their proposed approach with experienced counsel before dipping their toes into the murky waters of Internet advertising.

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