

Should You Buy and Use Internet Keywords that Contain Your Competitor's Brands?

By [Kathleen T. Petrich](#)
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Businesses are buying up competitors' brands as internet search terms or keywords (think Google "Ad Words" program) to get prominent search engine placement. We see this all the time where a consumer keys a branded search term into a search engine and gets a list of competitors under "sponsored links." Brand owners do not like the practice because they believe that allowing competitors to buy their trademarks (brands) as keywords in order to get "vaunted cyber placement space" and comparative advertising placement on the same Internet web page as that of the brand owner's products/services is trademark infringement. The competitors claim that the Internet is no different than staking out "shelf space" in a retail store where competitors' products are often placed side-by-side on shelf or on the same store aisle and consumers have no trouble distinguishing between the two competitors and their brands.

And search engines like Google are laughing all the way to the bank because this tension has created real "value per click" and an expensive bidding war for everyone's brands.

So, is it trademark infringement or is it fair play?

There are not enough court cases that give a complete picture, plus what little cases we have caused more confusion than clarity. That said, there has been some recent court activity in the Ninth Circuit (the court of appeals for federal courts that covers Washington, Oregon, California, Arizona, Nevada, Idaho, Montana, Alaska, and Hawaii) and federal district courts within the Ninth Circuit that can help us arrive at a snapshot of the potential risks and a way to minimize risk if competitors plan to continue the practice.



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On one hand, there is the extreme: trademark infringement was found in the *Binder v. Disability Group* case¹. There, the defendants were liable for the plaintiff's lost profits (\$146,117.60) and such lost profits were doubled (\$292,235.20) because the federal trial court found willful behavior. In that case, the court found it significant that the defendants knew or should have known that they chose the keywords that they did because such words were the number one hit for that purchaser's business. Further, the court awarded the plaintiff its attorneys' fees and costs for bringing the suit. While the plaintiff's attorneys' fees were not yet determined, it is likely that the amount will be above "six figures." Also of note, one of the individual defendants (an officer of the defendant business) was personally assessed liability because he directed the selection and purchase of the brand owner's brand as a keyword. Ouch.

If that scares you, the next development should provide you an opportunity to exhale. The Ninth Circuit Court of Appeals more recently in *Network Automation v. Advanced Systems Concepts*,²³ pronounced that the test for infringement (likelihood of confusion) for Internet keywords should be flexible and put more emphasis on confusion factors pertaining to whether there was sufficient labeling and the level of sophistication of the online consumer business and less on the so called "Internet Troika or Trinity" that placed key emphasis on the similarity of the two trademarks, the proximity of the goods/services, and the simultaneous use of the Internet as a marketing channel. Since any person or business buying a direct competitor's trademark and using it simultaneously on the Internet would run afoul of a rigid application of the "Internet Troika," the Ninth Circuit moved away from a mechanical or rigid application of the likelihood of confusion factors and emphasized flexibility along with a new factor (evidence of labeling/other appearance factors). If the consumer is a sophisticated one, the degree of care is likely to be higher which cuts away from a likelihood of confusion.

In the *Network Automation* case, the Ninth Circuit reversed the lower trial court's grant of a preliminary injunction against the competitor and instructed the trial court to review other likelihood of confusion factors, including an evaluation of the labeling used and the overall appearance of the competitor's use of the brand owner's keyword, as well as the sophistication level of the consumer. Because the case will then be decided by the trial court, we do not yet know what the outcome will be.

But again we are given clues as to the kind labeling that seems to be ok. The *Network Automation* case suggests that clear labeling of the competitor's purchased advertising space such as defined by terms like "paid advertisements" and "paid ad" or even "sponsored link"⁴ seems to do the trick. Further, the more heightened the distinction between the paid ad space from the "organic" ad space, such as through different color or shading or other graphic distinctions, the less likely confusion would exist. Flexibility of the confusion factor test is mandated by the Ninth Circuit and much of the analysis will be on a case-by-case basis. But the *Network Automation* case suggests a blueprint for legally moving forward with the practice of acquiring competitor's brands as keywords.

Of course, even if someone can legally do something, it does not necessarily mean that they should do so. Our laws and boundaries of "what's ok and what's not" are strongly derived by codes of conduct and customs that develop over time. Businesses that tout their respect for others' trademarks and demand such respect for their own brands in return risk a PR scandal if

¹ *Binder v. Disability Group, Inc.*, --F.Supp.2d--, 2011 WL 284469 (C.D. Cal. Jan. 25, 2011)

² *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, --F.3d --, 2011 WL 815806 (9th Cir. March 8, 2011)

³ This case was decided only two months after the California district court *Binder* decision. Because of the emphasis on a legal standard that has been cast into doubt by the Ninth Circuit, the *Binder* case judgment may be in jeopardy if appealed. However, it is noted that the *Binder* case introduced evidence of actual consumer confusion.

⁴ There is some disagreement in legal circles whether "sponsored ad" is truly sufficient (e.g., does the word "sponsor" actually represent "sponsorship" in the trademark sense?). But I leave that to another article.

they are known to actively buy up their competitor's brands as keywords. In the age of the Internet, bad press can spread fast (hence the term "viral").

Further, just because one may have a good legal defense, there is the possibility that one would have to spend valuable time and money defending itself in a lawsuit for trademark infringement/false designation of origin/false advertising, and possibly state claims of unfair competition/consumer protection act violations. In the U.S., the usual rule is both parties pay unless there is particular statute that applies, there is a contractual obligation to shift fees, or the claims of the lawsuit are baseless or design to harass.

So, where does that leave us?

I believe that the safe bet at the present time is not to buy your competitor's brands through search engine keyword programs. Yes, you lose valuable online real estate. But the current risk can be costly (ask Mr. Miller, a defendant in the above cited *Binder* case). Further, if you buy a competitor's keywords specifically because such brand is highly ranked and well-regarded and will move you up in the search engine rankings, you have set yourself up for a willfulness claim in the event you lose. Such willfulness can be costly: a court can double or even triple your liabilities and shift the burden of defending the action to you. At a minimum, there are significant legal fees, hard costs, and resource time required to mount a defense of such a legal action. Further, the PR backlash can quickly unravel perceived benefit acquired through the acquisition of competitors' brands in search engine keyword programs.

For those more risk-tolerant and are going to go forward and adopt their competitors' brands as keywords (hey, everyone is doing it (!) and advertising on the Internet is the only way to succeed in today's climate), then at least make sure that you can prove that your consumers are sophisticated enough to be able to distinguish the two businesses online when they show up on the same search engine page and label, label, label!

And if you are the brand owner, you might want to consider buying your own brand as part of keyword advertising so that when a consumer keys your brand into the search term, it comes up with your website under "sponsored links" and presumably in the organic search, as well.

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