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“Will Google Ever Pay-Per-Click? Let’s Hope Not: Reassessing Fair Use and Public Policy” Al Jabbar Riddle

I. Introduction

The Internet has matured rapidly through innovative strides made by a select few: these companies have inundated the world with a sense of shared growth in relation to modernized ways of social interaction, thoughts of law, and specifically, in breaking the bounds of traditional trade.¹ Trade is no longer restricted by the physical and its integrity has become more bountiful through the lens of both the purchaser and the seller. Consumers and businesses alike are afforded the opportunity to evaluate every facet of thought that goes into a business transaction prior to decision-making.² Prospective buyers are given a wide range of businesses to choose from. Similarly, providers can project their goods or services upon a specific clientele through an array of Internet marketing schemes.³ For approximately twenty years Google has sat at the center of the conversation on the various developments of the Internet, specifically in relation to the doors it has opened within this paradigm shift of advertising.

Google has become the renowned innovator of modernized search engine indexing. It is the world’s favorite search engine and arguably the most powerful. Countless people browse Google’s search results while the entrepreneurial or informative spirited has the opportunity to create new webpages that ultimately become components of a larger advertising machine. With the world revolving around the Internet and Google sitting at the forefront as the pivot—it has

¹ John Markoff, *The Executive Computer; A Web of Networks, an Abundance of Services*, N.Y. Times, February 28, 1993

² Id.

³ Id.

inevitably become the most powerful and one of the most profitable Internet entities to date.⁴

Google's success has been exciting to many but it has nonetheless come with a wide range of criticism. It has been attacked both in the United States and throughout the European Union for trademark infringement.⁵

Google's most prized possession is its Adwords software that enables it to sell words that it calls "keywords" to advertisers who are looking to maximize their exposure online through the various streams that the search engine provides. Adwords is the main topic of discussion in relation to Google's potential trademark liabilities. It serves as the premier vehicle that has broken traditional bounds of trade and pre-Internet ideologies of commerce. For this reason, trademark jurisprudence has been playing catch-up to meet both the needs of the courts in sustaining—the bundle of sticks—the intellectual property rights that trademark owners are awarded but it has also sought to preserve policy concerns in relation to providing consumers with the ultimate purchasing experience. In short, "courts wish to be sensitive to the claims of trademark holders, but are reluctant to harm the essential functions of Google, which has become integral to the Internet structure and capability."⁶

It is no secret that Google has transformed the way society receives information in the context of business and in the informative sense. Trademark seeks to make a plaintiff whole by providing her with remedies from a defendant who has abridged the value of a mark used while in

⁴ CnnMoney.com, *Fortune 1000: Our annual ranking of America's largest corporations*, Ma 4, 2009, http://money.cnn.com/magazines/fortune/fortune500/2009/full_list/101_200.html

⁵ Rob Waugh, Helen Collis, Dailymail.co.uk, *Google told by EU it could face court unless it makes changes to advertising rules*, (June 2, 2012), <http://www.dailymail.co.uk/sciencetech/article-2153629/Google-told-EU-face-court-unless-makes-changes-advertising-rules.html>.

⁶ Ashley Tan, Comment, *Google Adwords: Trademark Infringer or Trade Liberalizer?*, 16 Mich. Telecomm. &Tech L. Rev. 473 (2010).

commerce. Adwords has continued to push the boundaries of trademark law by allowing businesses to directly compete by bidding on a competitor's trademarked term. In addition, the software allows competitors to embed an opposing mark, in typographic format, within their advertisement purposes.⁷

Courts have become more cognizant of the misappropriation being done by third parties seeking to gain an unfair advantage over their competition: this includes counterfeiters attempting to abrogate a legitimate business through illegal bootlegging as well as commercial establishments that are advertising unfairly. Google has inherited all of the criticism in relation to Adwords. Courts believe that Google is the culprit catalyze of trademark infringement because it allows for advertisers to bid on trademarked terms as keywords. Furthermore, courts have placed the burden on Google to remedy bad faith transactions and unfair advertising that is being done through Adwords' text-ads. Google continues to be looked upon as the villain for profiting from an array of questionable activities taking place through the search engine.

If the functionality of the Internet will be preserved, courts have to adapt to the needs of the public and not simply to trademark doctrine that inherently restricts how we take in information through Google, which has become such an important facet of modern life. The recent decisions that have addressed Google and trademark infringement have struggled with preserving the essence of the Internet while sustaining the integrity of trademark law—the two are in conflict. In order for national and international courts to rectify declining applicability of trademark jurisprudence to a new phenomenon—Google—a public policy test of some sort, has to be embedded into the fair use defense. This test will be useful in contorting law to legitimately fit

⁷ Id.

the needs of a changing civil and business environment. Google has revolutionized the way consumers receive information. “It has continued to push the boundaries of trademark law, so that in many respects the final say on what is or isn’t done in Internet advertising belongs not to the courts, but to Google.”⁸

It is logical for courts to use precedent to frame modern trademark issues within scopes that have already been analyzed. However, the Internet has broken the applicability of all relevant case law that predates the complexity of the Internet. The internal conflict that courts face in establishing whether Google’s Adwords system infringes on trademark holders’ rights can only be resolved by looking at the problem through a holistic lens with particular attention placed on the way Adwords is used and more precisely; how important the system is to the world.

It is rare that a company can develop to a point that changes the contours of civilization and life as we know it—Google has done this. For this reason, simple attempts to apply trademark law to robust situations—search engine advertising and the like—become mere instances of frivolity. Recent decisions in various dockets clearly establish the essence of the ambiguity that has presided over the courtroom in applying traditional trademark doctrine to the infiniteness of the Internet. Furthermore, Google has served as a nightmare because it aggressively promotes one portion of the dichotomous trademark policy—consumer awareness and complete business transparency.⁹

⁸ Ashley Tan, Comment, *Google Adwords: Trademark Infringer or Trade Liberalizer?*, 16 Mich. Telecomm. &Tech L. Rev. 473 (2010).

⁹ Eric Goldman, *Newly Released Consumer Survey Indicates that Legal Concerns About Competitive Keyword Advertising Are Overblown*. Forbes Magazine (September 12, 2012), <http://www.forbes.com/sites/ericgoldman/2012/09/12/newly-released-consumer-survey-indicates-that-legal-concerns-about-competitive-keyword-advertising-are-overblown/>

On the other hand, it places businesses at the forefront of direct and forceful competition by allowing, digitally, hostile confrontation amongst opposing entities.¹⁰ Although direct competition is not a problem, it has been proven in certain contexts that a “likelihood of confusion” may occur in certain contexts given the wide range of aptness that exists between varying skilled Internet users. For this reason, it is impossible to ignore the fact that some consumers may be puzzled by Google’s use of trademarked terms and more specifically by the text-ads that appear as mere collages of competing terms. Nonetheless, it appears more reasonable to place Google within a special category.

Trademark law has to adapt to the needs of the public. Google has become an important vehicle for the transmission of consumer information—this is ultimately the purest element of trademark law. For this reason, if balanced even-handedly, the policies driving the preservation of consumer autonomy trump trivial instances of trademark infringement.

Part II of this Note describes Google Adwords and its use of trademarks as keywords as well as the program’s capability to generate text-advertisements. Part III focuses on the state of trademark law in the United States. Part IV focuses on trademark law in the European Union. Part V and VI present the construction of the fair use defense in both the United States and in the European Union. And Part VII argues that the fair use doctrine has to be developed to trump all bases of possible trademark infringement due to the nature of societal dependence upon Google. Lastly this portion of the Note reevaluates the policies in support of a fair use public policy test.

¹⁰ Id. See <http://www.forbes.com/sites/ericgoldman/2012/09/12/newly-released-consumer-survey-indicates-that-legal-concerns-about-competitive-keyword-advertising-are-overblown/>

II. Google Adwords

A. Background Information on Adwords

Google has become the leader of search engine advertising. It “operates a popular Internet Search Engine, which users access by visiting www.google.com.”¹¹ Search engine advertising is a compilation of computer based interactions or algorithms that allow users to look for vast amounts of information through the use of keywords.¹² When a user enters a specific keyword, for a product, service, or some other form of information; Google responds in two ways: first, by providing a list of links to websites, “ordered in what Google deems to be of descending relevance to the user’s search terms based on its proprietary algorithms.”¹³ The second way Google responds to search queries is by showing “context-based advertising” through the use of its sponsored links.¹⁴

The links that appear in a descending list, once a query has been performed are websites owned and operated by businesses or people who may or may not be affiliated with Google.¹⁵ These websites do not pay for their placement, but rather increase their rankings through the use of related on-page content and the use of meta-tags. Meta-tags are computer-based labels that allow websites to be identified by Google, other search engines, and other websites.¹⁶ A website owner has the ability to construct his website using relevant information throughout the website, but also he can facilitate higher placement within Google’s search results, by having his meta-tags coincide with specific keywords that relate to particular search results.¹⁷ This tactic is called

¹¹ *Rescuecom Corp. v Google Inc.*, 562 F.3d 123 (2009) at 125

¹² *Id.*

¹³ *Id.* at 125.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

Search Engine Optimization. It is used by website owners who simply want their website listed within Google’s listing without having to pay for placement in the sponsored links section of a search query. Website owners are allowed to structure their content to their liking while building a foundation around relevant meta-tags. Google allows this because it promotes the creation of more web-based content, which in turn, produces more platforms and search queries for Google to run its advertisements on.¹⁸

Google, however, generates the majority of its profits through a paid version of search engine advertising, Adwords.¹⁹ Adwords is an advertising platform that allows its customers to “create ads and choose keywords, which are words or phrases” related to a specific business product or service.²⁰ When people search on Google using one of the purchased keywords, the advertisement may appear next to the search results, which in turn, represents a form of targeted marketing whereby the advertising is being done to “an audience that’s already interested.”²¹ According to Google, the advertisement, allows for people to “simply click your ad to make a purchase or learn more about you.”²² Google also allows for its advertisers to display themselves on affiliated websites through the use of its Display Network.²³ The Display Network allows for customers to create all types of advertisements. These advertisements can then be placed on websites that are relevant to the product or service being sold.²⁴ Google suggests that there is no minimum-spending budget for use of Adwords.²⁵

¹⁸ Id.

¹⁹ Id at 126.

²⁰ Id.

²¹ Id at 126.

²² Id.

²³ Id.

²⁴ Id.

²⁵ Id.

To start, a user is only required to setup a Google account. One can begin to place advertisements within the search results and through Google's Display Network by registering online with the proper billing information.²⁶ There is a small activation fee, but no mandatory budget.²⁷ In order to assist the advertisers in choosing which keywords would be best to purchase, Google employs a Keyword Suggestion Tool. The Keyword Suggestion Tool recommends relevant keywords in correspondence with the product's particular industry as well as the audience that the item is being marketed to.²⁸ Google's Keyword Suggestion Tool does not recommend trademarks to advertisers. However, if advertisers choose to bypass the Keyword Suggestion Tool, they are allowed to do so.²⁹ Furthermore, they are allowed to select trademarked terms if they choose the keywords or phrases without Google's assistance. As long as the advertisement's bid price is sufficient, Google will allow it to be shown in its search results and throughout its Display Network.

B. The Evolution of Google's Trademark Policy

Prior to 2004, Google's Trademark Policy restricted advertising to standard keywords and long-tail phrases.³⁰ The policy did not allow advertisers to use trademarks as keywords upon request

²⁶ Google.com, Adwords: How it Works, http://accounts.google.com/ServiceLogin?service=adwords&hl=en_US<mpl=jfk&continue=https://adwords.google.com/um/gaiaauth?apt%3DNone%26ltmpl%3Djfk%26ltmpl%3Djfk&error=newacct&sacu=1&sarp=1&sourceid=awo&subid=ww-et-awhp_nelsonstest2_con_p (last visited January 3, 2013).

²⁷ Google.com, Adwords: Costs and payment, http://accounts.google.com/ServiceLogin?service=adwords&hl=en_US<mpl=jfk&continue=https://adwords.google.com/um/gaiaauth?apt%3DNone%26ltmpl%3Djfk%26ltmpl%3Djfk&error=newacct&sacu=1&sarp=1&sourceid=awo&subid=ww-et-awhp_nelsonstest2_con_p. Id.

²⁸ Google.com, Adwords: Advertising Policies, <http://support.google.com/adwordspolicy/bin/answer.py?hl=en&answer=6118>. (last visited January 3, 2013)

²⁹ Id.

³⁰ Rosetta Stone, Ltd. V. Google, Inc., 676 F.3d 144 (4th Cir. Apr. 9, 2012)

of the trademark owner.³¹ In 2004, Google loosened its policy by allowing third parties to use trademarks as keywords without the consent of the owner.³² The change that occurred in reference to trademark usage as keywords was later followed by the creation of the Keyword Suggestion Tool. As stated above, the Keyword Suggestion Tool recommends specific keywords that relate to the advertisers business or service.³³ The suggestions that are produced by the Keyword Suggestion Tool, prior to the 2009 change, were trademarks as well as standard keywords.³⁴ However, the use of trademarks was restricted to the Adwords' bidding process and suggestion mechanism.³⁵ Google allowed its customers to create advertisements against a particular keyword or trademark, but restricted trademarks from being used in the actual text-ads being produced.

In 2009, Google changed its policy once more. This change served as the catalyst that triggered the inundation of trademark cases that Google continues to battle against.³⁶ Google changed its policy to permit the advertisers to use trademarks within their text-ads that appear within Google's search results and throughout its Display Network.³⁷ The change that occurred in 2009 continues to preside, with limited changes, as the current version of Google's trademark policy.³⁸

The policy currently allows trademarked keywords to be used without the trademark's holder permission under the following provisions: 1) ad campaigns targeting the United States, Canada,

³¹ Id.

³² Id.

³³ Id.

³⁴ Id.

³⁵ Id.

³⁶ Id.

³⁷ Id.

³⁸ Id.

the United Kingdom, or Ireland may use a trademark in ad text if the ad is in compliance with our policy on resellers and informational sites;³⁹ 2) advertisers can use a trademarked term within ad text if they are authorized, meaning that the trademark owner sent Google the necessary form allowing an advertiser's particular account to use a certain term;⁴⁰ 3) an ad can use a trademarked term in its text if either of these conditions is true: the ad text uses the term descriptively in its ordinary meaning rather than in reference to the trademark or the ad is not in reference to the goods or services corresponding to the trademarked term.⁴¹

In order to protect trademark owners from infringing conduct, Google monitors suspicious conduct in relation to the text-ads and sponsored links being used deceptively. Google also allows trademark holders to submit complaints about third-party infringing conduct.⁴² Once Google receives a complaint, it is then obliged to act according to the terms established in its trademark policy.

The 2009 change serves as the most controversial element of Adwords, due to the fact that third-parties can manipulate their advertisements to the detriment of companies brand quality or dilution. Google has received vast amounts of scrutiny from companies believing that it is directly infringing by implementing its Keyword Suggestion Tool, which recommends trademarked names as keywords; furthermore, Google is under attack for its allowance of

³⁹ Id.

⁴⁰ Id.

⁴¹ Id.

⁴² Google.com, Adwords Trademark Policy, <http://support.google.com/adwordspolicy/bin/answer.py?hl=en&answer=6118>. (last visited January 3, 2013)

trademarked names use in sponsored advertisement by third parties. Critics suggest that Google is further responsible on the basis of contributory infringement.

III. Background: The Intersection between the Lanham Act and Google Adwords

A. Trademark Law in the United States

Trademark law in the United States is governed at the Federal and State level. There are varying degrees of infringement and causes of action at the state level depending on the jurisdiction where the trademark is registered. The first federal act providing for trademark registration was passed by Congress in 1870, the Act provided for the registration of trademarks regardless of their origin in “interstate or foreign commerce of not.”⁴³ The Act of 1870 was short-lived, for in 1879 the United States Supreme Court held that Act unconstitutional on the ground that Congress only had the power to regulate trademarks under the Commerce power.⁴⁴

For approximately two years following the Supreme Court’s decision in 1879, no federal law existed in regulating trademarks. However, in 1905, Congress passed the first “modern federal trademark registration statute.”⁴⁵ This statute proposed that only “technical common-law trademarks” could be registered. This meant that “only fanciful and arbitrary, not descriptive, marks could be registered.”⁴⁶ With amendments made in 1920, the basic 1905 Trademark Act remained in tact, but it was nonetheless inadequate to meet the realities of a growing commercial scene with complex issues evolving in the twentieth century. The Lanham Act had its beginning

⁴³ Thomas J. McCarthy, *McCarthy on Trademarks* §5.3, (4th ed. 2006)

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ *Id.*

in the late 1920's and later, a concerted effort was made in the 1930's to improve on the inadequacies of the 1905 Act.⁴⁷

The Lanham Act, passed in 1946, codified a number of the common law doctrines of trademark law and unfair competition through the power of the U.S. Patent Office, which has become the U.S. Patent and Trademark Office.⁴⁸ The Lanham Act has been amended several times since it was passed.⁴⁹ Furthermore, courts continue to develop an array of interpretations in applying the bases of the Act to the ever-changing landscape of trademark issues.

The Lanham Act is the only guidepost in determining trademark liabilities that exists within the boundaries of different state jurisdictions. Thus, like all legislation passed by Congress, the Lanham Act is the Federal Government's way to regulate trademark infringement that occurs within interstate commerce. It seeks to provide companies, that have multiple and national streams of production and means of solicitation, the protection against bad faith as well as unintentional efforts made by opposing parties that result in brand erosion of some sort.

Under the Lanham Act, a trademark is a distinctive "word, phrase, logo, graphic symbol, or other device that is used to identify the source of a product or service and to distinguish it from competitors."⁵⁰ A trademark can be more than a logo or brand name. It can include any descriptive "nonfunctional but distinctive" characteristic of a product or service that

⁴⁷ Thomas J. McCarthy, McCarthy on Trademarks §5.4 (4th ed. 2006)

⁴⁸ Gregory Shoemaker, Comment, *Don't Blame Google: Allowing Trademark Infringement Actions Against Competitors Who Purchase Sponsored Links On Internet Search Engines Under the Initial Interest Confusion Doctrine*, 58 Cath. U. L. Rev. 535

⁴⁹ Id.

⁵⁰ Richard Stim, Patent, Copyright & Trademark: An Intellectual Property Desk Reference (12th ed. Apr. 16, 2012).

differentiates the business from its competitors.⁵¹ Thus, phrases, taglines and mottos that are used by corporate entities can also be trademarked if they surpass the functional threshold thereby meeting the minimal creative standard needed to trigger protection.

Trademark law confers the most protection to distinctive marks and “other marketing devices.” “Trademarks become distinctive or strong in two ways:” they are inherently distinctive or they obtain distinction through sales and advertising initiative.⁵² However, the word “trademark” can denote the whole spectrum of “trademarks, service marks, trade names, certification and collective marks, and trade dress, or, less frequently, can mean more precisely only trade symbols used to identify goods, as opposed to services or companies.”⁵³ Whatever the case, trademark law is illustrative of protection given to business entities that seek to protect the commercial context of their business.

To establish trademark infringement under the Lanham Act, a plaintiff must prove: “(1) that it owns a valid mark; (2) that the defendant used the mark “in commerce” and without plaintiff’s authorization; (3) that the defendant used the mark, in connection with the sale, offering for sale, distribution, or advertising of goods or services” and (4) that the defendant’s use of the mark is likely to confuse the consumers.”

The prima facie elements of a trademark claim are straightforward except for whether the “defendant’s use of the mark is likely to confuse the consumer.”⁵⁴ The likelihood of confusion test has received a lot of attention over the past few years in a number of contexts and this

⁵¹ Id.

⁵² Id at 379.

⁵³ Id.

⁵⁴ Id.

continues to exist in the context of Google.⁵⁵ The relevant case law that is examined below illustrates the difficulty that courts have had in applying the test to Google's search engine.

In short, trademark jurisprudence has traditionally been an area of competing policies. The notion of protecting the public from confusion in relation to different business entities and the products they sell is at the forefront of the conversation. Simultaneously, trademark holders are afforded the protection against competitors who seek to abridge the value of their business through its mark. However, history as well as trademark law speak to the inherent American social policy that encourages competition because it limits control and the risk of monopoly, which in turn benefits the public by creating a realm of freedom. The conflict that courts face in deciding whether or not Google is infringing on the rights of trademark holders is not only complex given the digital prowess of the discussion but more specifically because it further exposes—in a more modern context—the competing policies that have always existed within trademark jurisprudence.

B. Relevant Case Law: The Strongest Claims against Google

Google's trademark policy change that occurred in 2004 sparked a number of claims against its Adwords software.⁵⁶ Google's more lenient policy was built on the assumption that Google would serve merely as a platform for businesses to trade and advertise on their own without restrictions or inhibitions. Given the leniency of the policy, Google wanted its software to serve merely as a platform, thus leaving disputes within the domain of the trademark holders and the

⁵⁵ *Id.*

⁵⁶ *See Rosetta Stone Ltd., v. Google, Inc.*, 676 F.3d 144 (2012)

infringing advertisers.⁵⁷ The change in Google's trademark policy ultimately increased the number of claims that companies brought against it.

(1) *Government Employees Insurance Co. v. Google, Inc.*

In May 2004, Government Employees Insurance Company (Geico) filed suit against Google, Inc on various trademark grounds under the Lanham Act and State law.⁵⁸ The plaintiff brought an eight-count complaint against Google based on its use of Geico and its other trademarked phrases and keywords being sold "on defendants' Internet search engines." Google sought a motion to dismiss the complaint pursuant to Fed.R.Civ.P. 12(b)(6).⁵⁹ The United States District Court of E.D. Virginia held that the motion to dismiss was improper because a fact-finder could find that Google's use of the trademarked term could confuse an Internet user into believing that there existed a "business relationship or licensing agreement between defendants and the trademark holder."⁶⁰ The thrust of the decision was based on the notion that Google controls Adwords and thus the profits that are received from third party advertising specifically benefits Google. The court held that the profits received by Google from the use of trademarked names as keywords in Adwords represents a use in commerce, which could likely deceive a consumer.

Geico further alleged under the theories of contributory and vicarious liability, that Google is liable when third parties use marks to produce text-ads that are likely to "deceive customers into believing that...information about Geico products are somehow related to Geico."⁶¹ Because Google exercised dominant control over the ads that third parties were creating, the court held

⁵⁷ See *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2009)

⁵⁸ See *Geico v. Google, Inc.*, 330 F. Supp.2d 700 (2004)

⁵⁹ See Fed.R.Civ.P.

⁶⁰ See *Geico v. Google, Inc.*, 330 F. Supp.2d 700 (2004) Id. At

⁶¹ Id at 704.

that a jury could find for Geico on contributory and vicarious liability theories. In making these conclusions, the court relied on various arguments advanced by Geico in relation to rulings that had already been rendered. The court agreed with the rulings in *1-800 Contacts, Inc. v. WhenU.com* and the *Playboy Enterprises, Inc. v. Netscape Communications Corp.* The holding in the Geico decision is illustrative of the fact that Google's use of marks as keywords is a "commercial use of a trademark."⁶² And, the text-ads that appear in the search engines have the potential to confuse consumers into believing that there is a link between the advertiser and the product that they are competing against.⁶³

"The court concluded that Geico's allegations that advertiser's 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."⁶⁴ In short, the case is important in establishing that Google may be liable under the Lanham Act.⁶⁵ Although the court did not go to the extent of a complete decision against Google, it dismissed Google's motion to dismiss and further instated the legitimacy of trademark claims against Google's advertising systems.⁶⁶

(2) *Rescuecom Corp. v. Google, Inc.*

In *Rescuecom Corp. v. Google*, the Northern District of New York held that Google's practice of using "Rescuecom" trademark, as a keyword advertisement trigger was not a "use in commerce" under the Lanham Act.⁶⁷ The Second Circuit reversed this decision, concluding that the use of a

⁶² Id.

⁶³ Id.

⁶⁴ Lauren Troxclair, *Search Engines and Internet Advertisers: Just One Click Away From Trademark Infringement?*, 62 Wash. & Lee L. Rev. 1365 (2005).

⁶⁵ Id.

⁶⁶ Id.

⁶⁷ See *Rescuecom Corp. v. Google, Inc.*, 562 F.3d 123 (2009).

trademarked term as a keyword in Google's Adwords program is "use in commerce" under the Lanham Act. "The court did not address whether or not there was a Lanham Act violation," but it did suggest that the particular conduct being done by Google's Keyword Suggestion Tool, constituted "use in commerce."⁶⁸ The court relied on its prior decision, in *1-800 Contacts, Inc. v. WhenU.com*, which held that when a trademark is included in an unpublished directory of terms used to generate ads, the trademark holder's rights are not abridged because the use of a mark behind a plethora of computer based interactions is not visible to a user.⁶⁹ However, in this instance, the advertisements that are in question are in fact visible to consumers seeking to make a purchase.⁷⁰

For this reason, *Rescuecom* stands for the notion that Google is not only using the trademarks in question in a commercial context, but also using the marks in "in commerce."⁷¹ The extent of the decision extends further than the ruling in *Geico*. *Rescuecom* placed Google squarely within the reach of trademark infringement under the Lanham Act because it further satisfied pertinent elements of a prima facie case.⁷² Like *Geico*, the *Rescuecom* court was reluctant to completely rule against Google.⁷³ In restricting its judgment to a holding establishing mere "in commerce use" the court protected itself from fully vesting itself into a decision that would abridge the general functionality of Adwords and Google in and of itself.

⁶⁸ *See Geico v. Google, Inc.*, 330 F. Supp.2d 700 (2004)

⁶⁹ *Id.*

⁷⁰ *See 1-800 Contacts v. WhenU.com*, 414 F.3d 400 (2002)

⁷¹ *See Geico v. Google, Inc.*, 330 F. Supp.2d 700 (2004)

⁷² *Id.*

⁷³ *Id.*

(3) *Rosetta Stone v. Google*

Rosetta Stone, Ltd began in 1992 as a “small, family-owned business that marketed language learning software under the brand name Rosetta Stone.”⁷⁴ In 2006, Rosetta Stone became a national acclaimed brand and industry leader in consumer “technology-based language-learning products and online services.”⁷⁵ By January 2010, Rosetta Stone had become a “publicly traded corporation” with approximately 2,000 employees and gross revenue over \$250 million.⁷⁶ Rosetta Stone “owns and uses several registered marks in connection with its products and services: Rosetta Stone, Rosetta Stone Language Learning Success, RosettaStone.com, and Rosetta World.”⁷⁷ Rosetta Stone uses all of these trademarks to market its wide range of language-learning software through various channels to reach specific markets of people. In 2009, Rosetta Stone’s mark’s had the highest level of brand recognition as well as international success, “with its products in use in over 150 countries.”

Rosetta Stone, like many other companies before it, brought an action against Google, for its use of trademarked names as keywords within its Adwords software.⁷⁸ Rosetta Stone alleged that Google’s “policies concerning the use of trademarks as keywords and in ad text created not only a likelihood of confusion but also actual confusion...misleading Internet users into purchasing counterfeit Rosetta Stone software.”⁷⁹ Rosetta Stone also alleged that it was bombarded with countless counterfeit claims filed by purchasers who thought that they were getting authentic Rosetta Stone software but received replicas that were purchased through Google’s sponsored

⁷⁴ See *Rosetta Stone Ltd., v. Google, Inc.*, 676 F.3d 144 (2012)

⁷⁵ *Id.*

⁷⁶ *Id.*

⁷⁷ *Id.*

⁷⁸ *Id.*

⁷⁹ *Id.*

links.⁸⁰ According to Rosetta Stone, “between September 3, 2009 and March 1, 2010, it was forced to report 190 instances” of the counterfeiting conduct.⁸¹

Rosetta Stone brought an action against Google, asserting several claims: “direct trademark infringement under the Lanham Act; contributory trademark infringement; vicarious trademark infringement and trademark dilution.”⁸² The district court sustained a motion for summary judgment for Google, concluding that Rosetta Stone had not established a “genuine issue of fact”⁸³ or a well-developed cause of action that could pass muster. The United States Court of Appeals for the Fourth Circuit reversed this decision, and found in favor of Rosetta Stone.⁸⁴ The court vacated the district court’s summary judgment ruling in favor of Google.

The Rosetta Stone’s decision extended the conversation further by agreeing with the plaintiff on all prima facie elements. Although the court was merely vacated a summary judgment motion made by Google, through this process it established a foundation for future litigants to bring similar trademark claims. The opinion is not illustrative of a clear standard in assessing the validity of a claim against Google but it further suggests that the selling of trademarks as keywords is infringement. Furthermore, it clearly attacks Google’s 2004 policy changes that allows for advertisers to embed marks in their ads that target competitors. The Geico and Rescuecom courts were reluctant to go the distance in fully discrediting Google’s Adwords system.

⁸⁰ Id.

⁸¹ Id.

⁸² Id.

⁸³ Id.

⁸⁴ Id.

The Rosetta Stone's decision advances all arguments in favor of plaintiffs seeking to establish trademark infringement. Specifically, the court furthered the sustainability of claims against Google by validating that a plaintiff could establish the likelihood of confusion. Rosetta Stone was able to establish that counterfeiting was occurring. It forwarded Google 190 complaints made by consumers who thought they were purchasing authentic products. To support the reports filed, Rosetta Stone used the testimony of an expert to establish the probability of customer confusion in purchasing products from the text-ads that are generated against trademarks that Google uses as keywords. To date, Rosetta Stone serves as the most important decision in reference to Google Adwords. The decision fully establishes that the prima facie elements under the Lanham Act can be satisfied if supported with credible information.

IV. Trademark Law in the EU: Community Trademark Protection and Google Adwords

The European Union is comprised of a number of member states. Each member state is its own sovereignty with its own laws and modes of regulation. The European Union was constructed to assist each member state in progressing socially, economically and politically through interdependence between the members.⁸⁵ In the European Union, trademark law is harmonized both between member sovereignties as well as locally within each member state. However, applicability of trademark registration in an individual member state does not guarantee protection across the Union.⁸⁶ For this reason, the European Union provides trademark holders

⁸⁵ Ashley Tan, *Google Adwords: Trademark Infringer or Trade Liberalizer?*, 16 Mich. Telecomm. & Tech. L. Rev. 473 (Spr. 2010)

⁸⁶ Id.

the opportunity to enforce their intellectual property rights across state lines only by registering with the Union itself and not separately.

The European Union identifies trademarks that are harmonized between states as “community trademarks.”⁸⁷ A community trademark is valid in the European Union as a whole, and is valid for 10 years and can be renewed.⁸⁸ The community trademark confers its holder the exclusive right to exclude third parties “to use, without consent, the same or a similar mark for identical or similar goods and/or services.”⁸⁹

A registered community trademark can be used as a basis to obtain international protection that extends beyond the European Union if the proprietor of the trademark extends protection “via an International Registration.”⁹⁰ This system is governed by the Madrid Protocol which is a registration process administered by the World Intellectual Property Organization.⁹¹ This organization has been in operation since April 1996 and has been adopted by many countries including the majority of the European Union, the United States, Japan, Australia, China and Russia.⁹²

The European Union has established a plethora of trademark policies that mirror trademark jurisprudence in the United States.⁹³ Although each member state of the European Union has its own individual body of trademark law, the community trademark is meant to bridge the gap

⁸⁷ Id.

⁸⁸ Id.

⁸⁹ Id.

⁹⁰ Office for Harmonization in the Internal Market (Trade Marks and Designs), <http://oami.europa.eu/ows/rw/pages/CTM/communityTradeMark/extending.en.do>

⁹¹ Id.

⁹² Id.

⁹³ Id.

between the states in allowing a proprietor of a mark to protect her rights across union.⁹⁴ At this point, the European Union seems to focus on the protection of the trademark itself and not specifically the policy driving competition for the benefit of the consumer.⁹⁵ American jurisprudence seems to rely heavily on a dichotomous sphere; the European Union on the other hand, simply provides protection of a mark while incidentally preserving the rights of a consumer.

The European Union has criticized Google Adwords in the same manner, if not more aggressively than the United States.⁹⁶ The Union believes that Google's advertising policies infringe on the rights of trademark holders' rights. This notion has been backed by recent decisions that sought to narrow the scope of Google's European trademark policy.⁹⁷ Nonetheless, Google maintains a similar trademark infringement policy in the US and in Europe.

There are varying degrees of protection and countless policies available in both the European Union and the United States in relation to trademark law.⁹⁸ The degrees of protection may vary to some extent, however, the general bases of each body of jurisprudence is analogous in reference to protecting trademarks. This idea speaks to the very reason why there has been so much controversy against Google's Adwords system. Google's Adwords system pushes the bounds of trademark law internationally due to the nature of the mechanism itself. Trademark

⁹⁴ Id.

⁹⁵ Id.

⁹⁶ Eric Pfanner, *E.U. Court Curb Sales by Google of Brand Names as Keywords*, (March 23, 2010), http://www.nytimes.com/2010/03/24/technology/24lvmh.html?_r=0.

⁹⁷ See *Google France, Google Inc. v. Louis Vuitton Malletier*, C-236/08

⁹⁸ Eric Pfanner, *E.U. Court Curb Sales by Google of Brand Names as Keywords*, (March 23, 2010), http://www.nytimes.com/2010/03/24/technology/24lvmh.html?_r=0.

law has been developed on simple principles of protecting proprietors mainly against competitors or counterfeiters.

Google has built a platform of trade that enables the development of a more progressive mode of commerce. Like anything built efficiently, flaws are bound to exist: Adwords allows infringing conduct as well good faith transactions due to the freedom Google supplies its users with in operating its platform. The global landscape of trademark law has to perceive Google not as a vehicle of infringement but as a modern platform of trade. Thus, the infringing conduct that is done online is not Google's mode of operation but merely an incidental side effect from the development of a new source or enterprise of business. By faulting Google, courts in the European Union and in the United States are restricting the current progress of business dealings.

V. Analysis: The Fair Use Defense in America

A. Reconciling the Likelihood of Confusion Test with Fair Use

Under the Lanham Act, a defendant has the opportunity to assert various common-law defenses including laches, estoppel, unclean hands, general fraud in within the trademark registration process and lastly, fair use. The fair use defense is one of peculiarity because courts have failed to pinpoint the meaning of the doctrine in totality. "The fair use defense is one of the safeguards purposely inserted in the Lanham Act to prevent commercial monopolization of language."⁹⁹

Like the other trademark defenses, fair use is applicable only in fact-specific contexts that warrant a balancing test between the infringement accomplished and the "good faith" use of the defendant. The problem that exists however, is not based on the meaning of "used fairly" and "in

⁹⁹ Uche U. Ewelukwa, *Comparative Trademark Law: Fair Use Defense in the United States and Europe—The Changing Landscape of Trademark Law*, *Wid. L. Rev.* 2011, <http://widenerlawreview.org/files/2011/02/04EWELUKWA.pdf> Id at 129.

good faith,” but primarily, courts have failed at reconciling the conflict between the likelihood of confusion test and the fair use doctrine.

In 2004, the Supreme Court settled the conflict in *KP Permanent Make-Up, Inc. v. Lasting Impression*.¹⁰⁰ In arriving at its conclusion, the Court sought to balance the competing policy goals that are embedded in trademark law. The case speaks to a resolution between complicated situations where confusion may exist between consumers but there is an overshadowing of public interest in embracing other principles. The Court rejected the notion of forcing a defendant to establish the “absence of a likelihood of confusion.”¹⁰¹ If the Court did this, the landscape of trademark infringement would be altered for good. A plaintiff would only have to establish the prima facie elements of infringement without regard to legitimate claims of fair use. The Court made the right decision in embedding public policy into the fair use doctrine by adopting a standard that embraces both the risks of the trademark holder as well as the public at large. If the decision were decided differently, the affirmative defenses available to defendants would have related to mere procedural safeguards and not the substantive nature of the case.¹⁰²

In deciding the case in this manner, the court struck a bright-line distinction between the burdens that both the plaintiff and the defendant face.¹⁰³ Prior to the 2004 decision, depending on the jurisdiction, in order to invoke the fair use defense, a defendant had to prove an absence of likelihood of confusion. The Court has now placed the burden on the plaintiff to prove not only

¹⁰⁰ See *KP Permanent Make-Up, Inc. v. Lasting Impression, Inc.* 543 U.S. 111(2004)

¹⁰¹ Uche U. Ewelukwa, *Comparative Trademark Law: Fair Use Defense in the United States and Europe—The Changing Landscape of Trademark Law*, *Wid. L. Rev.* 2011, <http://widenerlawreview.org/files/2011/02/04EWELUKWA.pdf>

¹⁰² *Id.*

¹⁰³ *Id.*

the prima facie elements of a claim but she has to also assume the risk of having her mark invalidated if it runs afoul policy concerns. “An examination of the defenses set forth in Section 33 of the Lanham Act (15 U.S.C §1115) suggests that Congress did not intend that in every circumstance the goal of preventing consumer confusion trumps all other policy considerations.”¹⁰⁴

B. Traditional and Nominative Fair Use

Fair use has been used in a variety of ways by different courts. These jurisdictions continue to differ in their application of the doctrine. Under the Lanham Act, fair use is an affirmative defense to a charge of trademark infringement and allows for a party to use another’s trademark.¹⁰⁵ Fair use permits the use of a term, name or graphic, “otherwise than as a mark...which is descriptive of an used fairly in good faith only to describe the goods or services of such party, or their geographic origin.”¹⁰⁶ There are two types of trademark fair use.

Traditional fair use is applicable when one party uses another’s mark to describe the proprietor’s trademark. In this case, a defendant may use a trademark holder’s mark to describe the particular product or service. This form of fair use has its history in freedom of expression and other Constitutional safeguards that protect the general public. On the other hand, nominative fair use occurs when one party uses the proprietor’s mark to describe, to compare, or to contrast the latter’s particular service or product with a competitor’s or to use the mark in an informative sense.

¹⁰⁴ Id.

¹⁰⁵ Howard J. Shire, *Fair Use – Lawful Use of Another’s Trademark*, (July 3, 2006), <http://www.kenyon.com/newspublications/publications/2006/07-03.aspx>

¹⁰⁶ Id.

Nominative fair use has received attention from a number of circuit courts. To date, the 9th Circuit and the 3rd Circuit have proved to be the most influential in establishing how the nominative fair use doctrine operates in a modern context.¹⁰⁷ In *New Kids on the Block v. Garnett Satellite Info Network*, the 9th Circuit “established an analytical framework to be used in nominative fair use cases.” The court held that the purpose of trademark law is to identify services and products and to prevent unfair competition.¹⁰⁸ The plaintiff in this case used the trademark in question as a means of referencing and not in a commercial context. For this reason, the *New Kids on the Block* court held that one could not be prohibited from using another’s trademark for comparison or criticism purposes.¹⁰⁹

In 2005, in the wake of the *KP Permanent Make-Up* decision, the 3rd Circuit in *Century 21 Real Estate v. Lending Tree Inc.*, the court held that the nominative fair use doctrine is only applicable in cases where the plaintiff established a likelihood of confusion.¹¹⁰ The court believed that only then could a defendant use the defense against a claimant. This decision is distinguishable from the *KP Permanent Make-Up* decision, where the Court held that the fair use doctrine is not precluded by the likelihood of confusion test. In *Century 21 Real Estate*, the court concluded that the defense could only be invoked once a plaintiff has asserted all of the elements of a prima facie case. Thus, if anything, the *Century 21 Real Estate* decision further muddles the application of the two doctrines into procedural complexities.¹¹¹

¹⁰⁷ *Id.*

¹⁰⁸ *Id.*

¹⁰⁹ *Id.*

¹¹⁰ *Id.*

¹¹¹ *Id.*

VI. Fair Use Defense in the European Union

In Europe the fair use doctrine, like in the United States, has its origin in common-law. With markets merging internationally, the application of jurisprudence is better evaluated through multiple lenses.¹¹² “First Council Directive to Approximate the Laws of the Member States Relating to Trademarks (First Directive) harmonized trademark law between the various countries in the Union.”¹¹³ The prima facie elements of a trademark claim in Europe are similar to the construction in the United States. The touchstone of a trademark claim is the public’s likelihood of confusion in relation to the conduct in question.¹¹⁴

The fair use doctrine in the European Union also mirrors the construction in place in the U.S.¹¹⁵ The manifestation of the fair use doctrine in Europe is two fold: on the one hand, “is the goal of protecting the capacity of a mark to continue to indicate the source of goods and services.”¹¹⁶ On the other hand, “is the goal of promoting free competition by preventing trademark owners from controlling the use of ordinary descriptive words.”¹¹⁷ With the European Union placing a uniform trademark standard upon the twenty-five member states, it has secured its ideologies but it has incidentally affected a larger landscape of commerce.

¹¹² Uche U. Ewelukwa, *Comparative Trademark Law: Fair Use Defense in the United States and Europe—The Changing Landscape of Trademark Law*, *Wid. L. Rev.* 2011, <http://widenerlawreview.org/files/2011/02/04EWELUKWA.pdf>

¹¹³ *Id.*

¹¹⁴ *Id.*

¹¹⁵ *Id.*

¹¹⁶ *Id.* at 145.

¹¹⁷ *Id.* at 145.

VII. Analysis: The Fair Use Defense on the Brink of Reform

In the United States and in the European Union, Google has faced a myriad of charges from a number of businesses seeking to prove that it was and still is, guilty of trademark infringement. Google Adwords has pushed the bounds of trade beyond expectations through a more modern medium that gives users and businesses alike the opportunity to maximize the amount of information they receive before engaging in business.

It is no secret that the world has changed because of Google. In dealing with this change, international trademark jurisprudence has continued to be dismayed with the peculiarities of Google Adwords. On the one hand, courts have a duty to protect individual rights that trademark proprietors have. Historically, these rights have been given to mark holders to protect them against other entities that dilute their brand through unfair competition or counterfeiting. Courts in both the U.S. and in the EU have been bombarded with claims against Google because its Adwords software suggests trademarks as keywords. Furthermore, courts and claimants alike have criticized Google for its lenient trademark use policy, which allows third parties to embed marks within competitive text-ads. The thrust of the latter issue is that consumers are easily confused by the text-ads based on how they are displayed. Claimants have given courts evidence suggesting that consumers, while viewing these text-ads, given the display, are likely to link the competitor of a product to the actual source. The former issue along with the fact that Google suggests trademarks as keywords through its Adwords Keyword Tool, serve as the basis of the disputes in dockets across the U.S. and in Europe.

The issue is very clear, however, courts have been reluctant to readily negate features of Adwords for fear that it will alter the infrastructure of the search engine, but also the prowess of the Internet overall. As a society we have become dependent upon the Internet in a variety of ways, but most importantly, in light of receiving information. Google Adwords allows consumers to compare different products and services directly against the competition. In a nutshell, this is revolutionary. It is a facet of commerce that society has just become accustomed to but it has quickly become invaluable. In a nutshell, with Google giving consumers access to vast amounts of information, it is inherently embracing the second underlying policy of trademark jurisprudence. Google Adwords promotes consumer awareness; furthermore, it protects customer autonomy while making trade more transparent and pure for the general public.

A. Fair Use Doctrine: The Need to Articulate a Public Policy Test

Case law both in the United States and in the Europe Union supports the hesitation that courts have had in dealing with Google Adwords. No court has been decisive in rejecting the full or partial scope of the Adwords program in relation to direct or contributory trademark infringement. In understanding this complexity, it appears that there is something deeper than mere infringement at issue. Google is a conglomerate of search engine advertising and it has also acquired billions in revenue. Amidst its business success it has changed the landscape of the process of information retrieval. Society has grown dependent upon the processes of Adwords and Google generally. Thus, a change to its infrastructure would result in a change to *our* infrastructure as society—globally—in the context of business and in countless other areas. Trademark jurisprudence has historically protected trademark proprietors while simultaneously embracing the public. This dichotomous sphere, albeit muddled, has worked well in its

preservation of individual intellectual property rights. However, it has failed to establish a rigid system that embraces general public policy concerns that are inherently a part of the jurisprudent.

In keeping up with tradition, courts have tried to place Google into the old contours of trademark jurisprudence whereby the two pertinent social policies could co-exist. Google has shattered this construction by placing more value on the public and less on a trademark holder's rights.

Adwords is merely a system that overtly promotes direct competition between businesses. It may toy with bases of infringement: specifically, in relation to the sell of trademarks as keywords and the confusion it may cause certain consumers who purchase through its texts-ads. However, the general basis of its construction is free enterprise economics. It provides consumers with the purest form of awareness. Which, in turn, promotes fair and transparent business practices.

The rulings reached in the United States and in the European Union have incrementally established that Google can be liable under modern theories of trademark infringement. These decisions have failed to be conclusive because of the presiding ambiguity in relation to balancing the infringement against a more important public policy goal—preservation of the consumer through free enterprise business standards. Google's continued use and profit from the selling of trademarks is likely infringement based on a wide range of old precedent. In addition, the affirmative defenses that are currently applicable, specifically nominative fair use, do not fully defend or negate Google's conduct.

The problem that exists is merely one of public policy. Past decisions have mentioned policy driven rulings that generally touch on the concerns that are present within the scope of the

Google conflict. However, courts have failed to articulate a simple public policy test. Using fair use as a guidepost, a public policy test would invalidate certain infringement based on principles that may breach the standard, but nonetheless, provide society at large with something better. A public policy test would ultimately act, within the fair use construction, as an affirmative defense. The current fair use defense does not encompass the bases of public policy in the broader sense. Trademark law focuses on the confusion element and the marks themselves, but in understanding Google as a platform, it spreads trademark construction. Thus, it makes more sense to establish a standard that operates to assess unconventional platforms. The traditional constructions that exist are built for conflicts between parties infringing or operated against one another. Google, on the other hand, is a robust system of comparison and not an entity infringing on another's mark.