

Judge sides with Google in latest Internet advertising battle

On August 8, 2005, a federal court entered a partial judgment as a matter of law against GEICO in a lawsuit with the search engine company Google. The court ruled that GEICO had failed to prove that Google's use of GEICO's registered trademarks to generate "sponsored links" was trademark infringement.

The battleground is set: search engine advertising becomes lucrative

Internet search engines, such as those operated by Google and Overture (a subsidiary of Yahoo!), are commonly used to locate information that is available on the Internet and have also become a profitable source of advertising income. Sales from search-related advertising reached \$9.3 billion in 2004 and are expected to soar to \$18.9 billion by 2010.

Typing a search into a search engine will usually produce two types of results. The first is a list of Web pages based on popularity and similarity to the words used in the search (often referred to as "organic listings"). The second will be "sponsored links" or "paid links." These are also results triggered by the search, but companies and individuals have paid the search engine company to display links to their Web sites along with a short advertisement based on a word or words in the search request. The words that trigger the display of the ad are often referred to in this context as "keywords."

Google's "AdWords" program, for example, allows Google's customers to bid on

keywords that can trigger an advertisement and display the link and ad for a customer's Web site. These links are typically placed above or in the right hand margin next to the organic listings and are labeled as "sponsored links."

Thus, typing "online auction" into the Google search engine will likely return, as the first "organic" link, the Web site for eBay, since the company is well-known for on-line auctions. Google will also display a list of sponsored links to those auction Web sites that have paid Google to display links based on the searched term. eBay may be one of these sponsored links as could lesser known auction sites. Similarly, after typing the word "Kodak" into the Google search engine, the first "organic" link will likely be for the official Eastman Kodak corporate Web site, but the sponsored links may include an advertisement for Eastman Kodak's digital photography products and/or links for various retailers of Kodak products, as well as links to sites that are not related to Kodak at all.

Until early last year, Google would not allow its customers to bid on keywords that were also registered trademarks when the trademark owner had previously complained about such bidding. Google changed that policy for advertisers in the United States, however, starting in April of 2004, allowing its customers to bid on all keywords, regardless of whether those keywords were registered trademarks. As support for this policy change, Google stated that the public should decide what search terms were the

most useful and, accordingly, links based on keywords should include all relevant words.

An issue worth fighting over: trademark infringement

Some companies have continued to object to Google's use of their trademarks as keywords. Such objections are primarily based on trademark rights, including claims of trademark infringement. Such a claim would require a trademark holder show that Google used the trademark in a way that would be likely to cause consumer confusion.

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Likelihood of confusion can be based on initial interest or pre-sale confusion, confusion at the point of purchase, or post-sale confusion. Lawsuits involving keyword searching are most often predicated on “initial interest” confusion. Initial interest confusion is customer confusion that creates initial interest in a competitor’s product that, although dispelled before an actual sale occurs, impermissibly capitalizes on the goodwill that is associated with a trademark.

Skirmishes break out across the country and beyond

This potential conflict between some trademark holders and Google has resulted in litigation in the United States and abroad. Recently, Google has been sued in a number of U.S. courts over its keyword advertising programs and policies, including:

- ▶ *American Blind and Wallpaper Factory, Inc. v. Google*. After American Blind filed an action against Google in a New York federal court, Google filed a declaratory relief action in a California federal court, asking for a declaration that its AdWords program did not infringe American Blind’s trademarks. The New York case was dismissed due to improper venue, and American Blind reasserted its trademark infringement claims in the California case. In March 2005, the California court denied Google’s motion to dismiss those claims, and this case is ongoing.
- ▶ *Robert Novak dba Pets Warehouse v. Overture, et. al.* This case was dismissed pursuant to a confidential settlement.
- ▶ *JTH Tax, Inc. v. Google*. This case was voluntarily dismissed by the plaintiff shortly after filing; and
- ▶ *Rescuecom Corp. v. Google*. This case is still pending.

Google also faces legal action abroad based on its AdWords program. In France, Google was unsuccessful in defending infringement suits brought by Louis Vuitton, as well as hotel chain Le Meridien and travel companies Luteciel and Viaticum. In addition,

AXA Financial, the world’s third largest insurance company, has also sued Google in a French court. In Germany, Google was temporarily enjoined from using a company’s trademarks as keywords. But the German

court later reversed itself and dismissed that suit.

Google v. GEICO: background of the battle

One more lawsuit was added to this list in May 2004 when GEICO filed suit in the U.S. District Court, Eastern District of Virginia, against Google and Overture. *Government Employees Insurance Co. v. Google, et. al.*, 04-CV-507 (E.D. Va.). GEICO alleged that Google’s AdWords program infringed its registered trademarks in two ways. First, GEICO alleged that Google’s use of GEICO trademarks to generate sponsored links causes confusion as to whether GEICO sponsors, authorizes, or is otherwise affiliated with the companies whose links are featured. Second, GEICO alleged that Google’s customers’ inclusion of GEICO’s trademarks in the text of the “sponsored link” advertisements also caused consumer confusion. Thus, entering “GEICO” into the Google search engine might return sponsored links from GEICO’s competitors offering, for example, “GEICO insurance quotes and competitive prices.” Such use of the GEICO trademarks by Google’s customers was in violation of Google’s advertising policies but, nevertheless, had still occurred.

Google was unsuccessful in getting an early resolution of the case. The court denied its motion to dismiss the case in August 2004, holding that GEICO had alleged facts that, if proven, would constitute trademark infringement. The court also denied Google’s motion for summary judgment in November, allowing the case to proceed to trial.

Trial began on December 13, 2004, and GEICO finished presenting its case on December 15, 2004. Google then moved for a judgment as a matter of law before putting on its own defense. Ruling from the

bench, the court granted Google’s motion in part, rejecting GEICO’s claim that generating sponsored links using GEICO’s trademarks as keywords was, standing alone, likely to confuse consumers. However, the court indicated that the case would proceed on the narrower issue of whether the use of GEICO’s trademarks in the body of advertisements themselves constituted trademark infringement. The court found that GEICO had presented sufficient evidence to show that this was likely to cause consumer confusion. As such, the sole remaining issue for the rest of the trial was whether Google shared some liability for this use of GEICO trademarks by its customers.

The court then temporarily stopped the trial to write an order, which issued over eight months later on August 8, 2005. That order was consistent with the court’s rulings from the bench, finding that GEICO had failed to show that consumers are likely to be confused by Google’s use of GEICO’s trademarks as keywords. The court found that this was based on serious flaws in GEICO’s consumer survey. However, the court did find GEICO’s survey sufficient to meet its burden of showing likely confusion when advertising *text* contained a GEICO trademark. And, on that issue, Google had previously acknowledged at the trial that it did not have its own survey to rebut GEICO’s evidence. Accordingly, the court found that GEICO’s trademark rights had been violated by some of Google’s customers, leaving for the rest of the trial the extent that Google could be liable for its customers’ prior infringing acts.

The court did not immediately resume the trial. Rather, the court continued its temporary stay of the case to give the parties additional time to consider its findings and potentially work out a settlement.

Can Google declare victory? What about its customers?

Google’s fight over its advertising practices is not over. Google still potentially faces a trial on GEICO’s remaining claim and may also face an appeal by GEICO on the

court's partial judgment as a matter of law. Furthermore, Google still faces litigation over its AdWords program in other cases. The court in the GEICO case stressed that its decision was limited to the case's specific facts and, while this decision may be instructive as to how other courts will consider similar facts, each new case will likely be unique.

Thus, the legal issues and potential liability for keyword advertising remains undefined for other companies that purchase "keyword" advertising from Google. But the court's decision in this case does reflect that a key issue in deciding such cases in the future will be the content of the text of "sponsored link" advertising, in addition to the use of the trademark as a keyword. ■