



Keyword Advertising Retargeted for New Uses

By Jonathan E. Moskin

A recent survey among in-house and outside trademark counsel conducted by the World Trademark Review found that among both groups, keyword advertising ranks among the top three leading concerns. See Adam Smith, *Rewriting the Contract Between In-House and External Counsel*, (WTR June/July 2011). Certainly a scan of the legal literature and CLE offerings would bear this out. Yet, this author discovered through an audience poll at a recent Practising Law Institute presentation, attended by a solid sampling of intellectual property attorneys, many of whom acknowledged representing major brand-name companies, that virtually no one would recommend to a client to bring suit against a third-party buying keyword ads based on one of those brands. Only one wavering hand voted “maybe.” No one endorsed such action hands down. Despite a great body of precedents and an even greater body of commentary, the heads present, who undoubtedly knew more than most about the subject, seemed more inclined simply to throw up their hands than take up arms. Indeed, in more than a decade since the first decision in *Playboy Ent., Inc. v. Netscape Comm’n’s Corp.*, 55 F. Supp. 2d 1070, 1086-88 (C.D. Cal. 1999), rev’d, 354 F. 3d Cir. 1020 (9th Cir. 2004), there have been at most a small handful of final decisions giving meaningful guidance as to when or if keyword ads are permitted or precluded. *Playboy* itself was simply a non-final reversal and remand of a decision granting summary judgment dismissing the plaintiff’s infringement claim.

Keyword advertising should be seen as simply one band on the spectrum of online advertising. But just as static banner ads from the dawn of the Internet era gave way to more dynamic promotional tools (including pop-up ads, keyword ads and a wide array of search engine optimization techniques), much of that advertising spectrum is now occupied by various types of behavioral advertising, in which advertisers can dynamically track conduct of users on the internet to deliver advertising targeted to a user profile or recent internet activity. Viewed in this light, a possibly greater concern to brand owners than the types of sponsored links served by search engines are new technical means to use keywords to “retarget” advertising based on behavioral patterns of internet users and in manners almost impossible to monitor. For instance, one recent article reports on a retargeting service that can track users’ online activity; if that activity reveals an interest in a particular branded product or service (say Toyota), it is not only possible to retarget to the user advertising for that brand but also to retarget advertising for a *competing* brand based on the use of keywords tied to the first brand. See *Magnetic Brings Search Re-Targeting to the Masses*, <http://searchengineland.com/magnetic-brings-search-re-targeting-to-the-masses-38535> (Mar. 22, 2010).

Thus, what is most important in deciding the cases that continue to be brought regarding search engine keyword advertising is that the legal doctrine not be skewed based on



incorrect assumptions about how individuals use the internet or incorrect analogies to the bricks-and-mortar world. Only such a clear-eyed focus will ensure that the law develops in tandem with new technologies.

BEHAVIORAL ADVERTISING AND RETARGETING

Behavioral advertising has been defined by the FTC as “tracking consumers’ online activities in order to deliver advertising that is targeted to the individual consumers’ interests.” FTC Staff, *FTC Staff Report: Self-Regulatory Principles for Online Behavioral Advertising* p. 20 (2009) <http://www.ftc.gov/os/2009/02/P0085400behavadreport.pdf>. By tracking individual searches on the Internet, advertisers are able to build profiles of user interests and conduct and target advertising to Internet users based on the profiles associated with their computers. The FTC recognizes there are considerable benefits to allowing such advertising, given that so much of the content available on the Internet is paid for by advertising. On the other hand, the FTC (and many consumer groups) fret about the potential dangers to consumers in tracking individuals’ conduct – particularly insofar as it concerns sensitive queries and activities (e.g. regarding medical or financial matters) and insofar as such information can be tied to the actual individual (*i.e.*, be personally identifiable). Using such tracking methods, advertisers are, indeed, able to develop highly detailed profiles of individual users. Even if such data is tracked only by IP address rather than individual name, advertising firms increasingly have at their disposal the ability to de-anonymize the data and conduct such tracking without the computer users’ knowledge or meaningful consent.

Some form of regulation of behavioral advertising is increasingly likely. The FTC, is weighing new regulations (and the need for federal legislation), while the United States Commerce Department has been seeking to establish consistent policies and better coordinate government response to new challenges to individual privacy, both among the states that have legislated in the area and foreign privacy regulations. One of the most controversial proposals being considered by the FTC is to require a “do-not-track” option (modeled on the FTC’s “do-not-call” registry), under which consumers could set their Internet browsers to block tracking. There are now numerous significant pieces of bipartisan legislation pending in Congress – including the “Commercial Privacy Bill of Rights Act of 2011 (S. 799), sponsored by John Kerry and John McCain, and Consumer Privacy Protection Act of 2011” sponsored by Cliff Stearns and Jim Matheson (H.R. 1528). Further, there is legislation pending in certain states, most notably California, where a bill (S.B. 761) would give consumers broad new rights to opt out of such tracking, including a private right of action. California previously has led the way in the development of privacy law, including broad legislation limiting spam emails, which led Congress to pass the CAN-SPAM Act, preempting the California law and creating national



standards. It is conceivable a new California law would hasten federal action to establish uniformity.

Most search engine optimization firms estimate that even keyword ads yield a return on investment of less than 5%. The original and presumably still primary purpose of retargeting is to capitalize on even the initial expressions of interest of Internet users by tracking their inquiries and sending them follow-up advertising for the brands or products they have searched – even on unrelated websites. One SEO firm explains: “Search Retargeting is about finding in-market customers that have recently searched for the keywords that matter to you.” <http://www.chango.com/searchretargeting> The actual process by which an internet advertising firm can help advertisers retarget their messages based on keywords is explained as follows:

(1) Import your existing [Search Engine Marketing] keyword list from Google AdWords or let our account reps help you [target your ideal audience](#). (2) We match your keywords against the recent search history of over 200 million unique shoppers anonymously captured through our exclusive [data partnerships](#). (3) We serve [dynamic display ads](#) tailored to your search term across the [major ad exchanges](#) using our proprietary real-time bidding infrastructure. *Id.*

As shown above, the SEO firm, Magnetic, reveals how simple it is for internet advertising firms to use the same basic strategy to retarget advertising to competing brands. Indeed, if all that is needed is for the advertising firm to import a list of keywords (a list that may already target competitors), and match them with other relational terms, there would be no need even to specify that the matches can or should include keywords tied to competitors. It would be done automatically.

THE CASE TO BLOCK KEYWORDS

The cases that have held (or suggested) that use on a search engine of a keyword tied to a competitor’s mark is (or in theory might be) an infringement have tended to be decided based on three grounds, all of which might be relevant, in theory, to retargeting: (i) that it is inherently wrong to obtain a “free ride” by trading on the reputation of a competitor; (ii) that even if the internet user ultimately recognizes before making a purchase that a keyword ad is simply that, and not a posting by the trademark owner, even a fleeting initial misunderstanding constitutes actionable “initial interest confusion”; and (iii) application of a unique, internet-only test of infringement under which the analysis is confined to three factors: similarity of the marks, relatedness of the goods or services and the simultaneity of use on the Internet. *Storus Corp. v. Aroa Marketing, Inc.*, 2008 WL 449835 (N.D.Cal. Feb 15, 2008).



The surreptitious nature of using trademarks for retargeting is in some ways reminiscent of subliminal advertising decried by Vance Packard in *The Hidden Persuaders* (David McKay Co. 1957) and eventually deemed deceptive and contrary to the public interest, *Public Notice Concerning the Broadcast of Information By Means of "Subliminal Perception" Techniques*, 44 FCC 2d 1016 (1974), or the unseen use of metatags to drive traffic on the web (back when search engines indexed sites based on such code). As such, the case against keyword retargeting has obvious appeal. However, while "bad intent" is certainly a factor that may need to be considered (and almost always is in all intellectual property cases), relying on intent alone can easily become circular, as what is "good" or "bad" in turn depends on what the law allows. And although some courts and practitioners remain enamored of the initial interest confusion theory espoused in *Brookfield Commun's, Inc. v. West Coast Ent. Corp.*, 174 F.3d 1036 (9th Cir. 1999), drawn from a real-world metaphor of traffic being diverted from a highway by a misleading road sign, others have become increasingly skeptical that how the analogy translates to the internet. *Google, Inc. v. American Blind & Wallpaper Factory, Inc.*, 2007 WL 1159950 (N.D.Cal. 2007), thus noted that it is "not reasonable to find initial interest confusion when a consumer is never confused as to source or affiliation, but instead knows or should know, from the outset that a product or web link is not related to that of the trademark holder because the list produced by the search engine so informs him." *Accord, JG Wentworth, SSC v. Settlement Funding LLC*, 2007 WL 30115 at * 7 (E.D.Pa. 2007). Finally, the logic behind the opaque notion that only three factors need be considered (creating in effect per se liability), is derived from a short-form order without analysis in *Comp Examiner Agency, Inc. v. Juris*, 1996 WL 376600 (C.D.Cal. 1996), and has never been explained. In *Network Automation v. Advanced Systems Concepts*, No. 10-55840, 97 U.S.P.Q.2d 2036 (9th Cir. March 18, 2011), the Ninth Circuit - relying on an earlier publication of this author - agreed that the "Internet trinity" or "troika" was not a valid test of infringement in keyword cases:

"Given the multifaceted nature of the Internet and the ever-expanding ways in which we all use the technology, however, it makes no sense to prioritize the same three factors for every type of potential online commercial activity. The "troika" is a particularly poor fit for the question presented here. See Jonathan Moskin, *Virtual Trademark Use — The Parallel World of Keyword Ads*, 98 Trademark Reporter 873, 892-93 (2008)".

THE CASE TO ALLOW KEYWORDS

The cases that have held (or suggested) that confusion is not likely, have tended to rely on a simple analogy to familiar purchasing experiences, such as in a drug store, where generic store brands are shelved with branded products in a manner arguably similar to the way in which sponsored keyword ads appear alongside search results for familiar



branded products or services. *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400 (2d Cir. 2005). There was also a brief diversion when a series of district court cases (all in New York), relying on *1-800 Contacts*, concluded that keyword ads could not entail use in commerce because an “[e]ntirely veiled machine-linking function was not a trademark use, since it did not entail having the mark placed ... on the goods or their containers or the displays associated therewith.” As this author first noted in *Virtual Trademark*, 98 Trademark Rptr. at 880, this narrow view of what constituted infringing trademark use relied on the wrong section of the Lanham Act – the provision defining how a trademark owner acquires rights in a mark, not the definition of infringement. In *Rescuecom Corp v. Google, Inc.*, 562 F.3d 123 (2d Cir. 2009), the Second Circuit agreed.

Rescuecom also observed, however, that reasoning by analogy has its limits, such that a bare abstract comparison to a grocer’s shelves need not automatically answer whether, when or if internet users are confused. And this author did recently oversee a survey (in a case settled on a confidential basis) in which significant confusion was shown when a generic store brand and a nationally-known brand were shelved together in a checkerboard fashion. The analogy itself thus may need to be shelved. However, *Rescuecom Corp* took pains not to overrule *1-800 Contacts*, thus leaving some question how its reasoning would apply to the unseen, automated machine-linking process entailed by retargeting.

Although the “use-in-commerce” test has now been rejected as a basis to unfetter keyword advertising, a similar test recently surfaced as a basis to preclude liability against at least the search engines themselves that are providing the technical platform for such advertising. *Rosetta Stone Ltd. v. Google, Inc.*, 2010 WL 3063152 (E.D.Va. Aug. 3, 2010), thus held that Google’s AdWords program was simply a functional tool for indexing information relevant to consumer search queries: “The keywords have an essential indexing function because they enable Google to readily identify in its databases relevant information in response to the web user’s inquiry.” Although the decision has been appealed, laying aside the effect of the district court ruling on direct suits against advertisers purchasing keyword ads, it does present an enormous obstacle to claims against search engines for contributory liability in serving up such ads. Because the logic applied is also similar to that used in *1-800 Contacts*, *Rosetta Stone* also leaves unanswered questions how its reasoning would apply to the functional indexing of information entailed by retargeting.

LAW IN THE BALANCE

Another unique test, more common in Constitutional analysis than infringement litigation, has been a balancing test, weighing the risks of confusion against the functional benefits to consumers from the search technologies financed by advertising. In



Hearts on Fire Co. v. Blue Nile, Inc., 603 F. Supp. 2d 274 (D.Mass. 2009), the court thus expressly noted that “The choice enhancing properties of internet advertising should not be stifled on account of fleeting confusion among competing products.” A similar sentiment was echoed in *Mary Kay, Inc. v. Weber*, 601 F. Supp. 2d 839 (N.D. Tex 2009), and there is, perhaps, no accident that a similar balancing approach has been endorsed by the Federal Trade Commission in its initial reports assessing the risks of behavioral advertising (i.e. the tracking by IP address of computer user activity so as to deliver advertising targeted to the user’s interests; see *FTC Staff Report: Self-regulatory Principles For Online Behavioral Advertising*, February 2009). That logic continues to be reflected in the FTC’s more recent report on online advertising, *Protecting Consumer Privacy in an Era of Rapid Change*, published December 1, 2010; and may be fitting, given the broader perspective of keyword advertising as simply one point on the spectrum of internet advertising.

Transcending the broad generalities of most of the reported decisions, *Hearts on Fire* also set forth seven empirical factors to consider in assessing whether confusion is or is not likely in any given keyword case. These include the mechanics of web browsing, which of course permits users to toggle back and forth between sites with ease; the sophistication of the users; the downstream content of the website being advertised; the duration of any confusion and the specific content of searches. In merely denying a motion to dismiss, the court did not provide its own final analysis. However, by definition, such an empirical focus surely will yield results more targeted to actual experience than will the decision-by-analogy model. No doubt empirical survey evidence will need to play a bigger role than it has to date in deciding these cases. If retargeting is as effective as its advocates urge, such empirical evidence may favor trademark owners who object to these unpermitted uses of their marks.

CONCLUSION

Whatever the final resolution of still-unsettled law of search engine sale of keyword advertising, the current muddle may only be prelude to confronting new and more surreptitious ways of using of trademarks to drive internet commerce. This may involve unseen uses of brand names in search engine optimization strategies or in novel forms of behavioral advertising. Regulation of behavioral advertising by Congress or the FTC may limit the impact of retargeting. However, it is hardly clear how the already unsettled law might be applied to such new strategies. What is clear is that SEO firms are promoting retargeting as a vastly more effective tool than current search engine advertising.

As users spend more time on sites other than Google, such as social networking sites, the ways in which these site operators and their advertising affiliates gather and use data for targeted advertising may have greater consequences for trademark owners than



search engine sales of keywords now -- and may present greater legal challenges about which to wrap our hands. As one marketer states, “the topic of retargeting is hot, hot, hot.” <http://www.seomoz.org/blog/retargeting-basics-what-it-is-how-to-use-it> The legal implications may soon be heating up as well.

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