

The case against Google

It's the biggest search engine on the planet, a leader in online advertising and an ideas factory for creative new ways to use the Internet. It's also a magnet for controversy. But then, Google didn't get where it is today by shying away from a fight

By **Liz Rutherford-Johnson**

With a panel featuring speakers from AOL, Google, Microsoft and Yahoo!, and the promise of a full and frank discussion on keyword advertising, the International Trademark Association's (INTA) session on "Muddy Waters: Evolving Law and Policy in Internet Advertising" at the 2007 annual meeting was never going to be dull. In the event, it was by far the most popular session of the entire conference.

So many delegates attended that it was standing room only, while the queue of people waiting to ask questions was nearly out the door. The tense atmosphere was more reminiscent of a stump meeting or political shindig than a trademark discussion. It was proof – if any were needed – that keyword advertising is a fraught topic. While each of the big players faced searching questions, it was Google that appeared to draw most of the fire. This was perhaps not unconnected to its unapologetic insistence that it has the right to sell third-party trademarks as triggers for sponsored advertisements in the United States and Canada.

However, despite awkward questions at INTA, as well as a mounting number of lawsuits elsewhere, Google shows no sign of altering its controversial policy. In fact, it has just announced that it will be extending it to the United Kingdom and Ireland. From 5th May 2008 onwards it will be possible for a company in either country to bid to use the trademark of another company to take internet users to its own advertising.

This should hardly come as a surprise. It sometimes seems that not a day goes by without a fresh story about the search giant:

from concerns over privacy (advertising on Gmail), copyright (YouTube and Book Search) to competition (the much-analysed DoubleClick deal). While market leaders always attract lawsuits (just think Microsoft), it is possible to detect a certain pugnacity in Google's attitude. One thing is for sure – the search giant does not scare easily and it is not afraid of a fight.

Eyeballs to dollars

While its search engine has made Google famous, it is the giant's ability to generate advertising revenue from those searches that has turned it into one of the biggest presences on the Internet. Most search engines give retailers the opportunity to run advertisements in so-called 'sponsored links', which are triggered by particular keywords corresponding to the advertiser's own trademarks or general descriptive terms (eg, a website selling films might use the keyword 'DVDs'). Google goes one step further and maintains that in the United States and Canada it is also entitled to sell third-party trademarks as keywords.

This has met with plenty of opposition, some in the shape of lawsuits. Many argue that trademarks have value as keywords only because of the time and money invested by brand owners. They further maintain that to sell trademarks as keywords is actually a "use in commerce", as set out in the Lanham Act, and thus an infringement.

Google's Trademark Counsel Terri Chen does not see the problem. "We don't really sell keywords," she says. "We just sell advertising space through the AdWords programme. Advertisers themselves are responsible for the ad content and choosing the keywords they want to trigger the ads."

This may be a trifle disingenuous but it

highlights a consistent Google attitude: don't shoot the intermediary. If rights holders believe that infringement is taking place, then they should go after the infringers directly. Google has described its policy of selling third-party trademarks as keywords as "good, old-fashioned competition", drawing analogies with common offline practices – supermarkets that place their generic products next to branded products, or a fast-food restaurant that locates itself next to another restaurant in order to take advantage of passing trade.

Yet despite these arguments, the lawsuits are not going away. In August 2007 American Blind & Wallpaper Factory – which had been involved in one of the highest-profile lawsuits – settled with Google. This followed a finding by the US District Court for the Northern District of California that 'American Blinds' and 'American Blind' are descriptive terms with no secondary meaning. The decision fatally weakened the suit, though the court had also denied Google's motion to dismiss the trademark infringement claims. However, even before the settlement was announced, the baton had already been passed onto American Airlines Inc, which filed suit against Google in the Northern District of Texas on August 16 2007. If there was expectancy over American Blind, which ran for over four years before being settled, this is nothing compared to the anticipation so far seen over American Airlines.

While some previous suits against Google have been dismissed as a splash to gain attention, American Airlines is a respected and well-established brand that is over 80 years old. The company also, as it is keen to point out, has very deep pockets. There is already talk that this is the case that could go all the way; talk that only increased when in October the court turned down Google's application to dismiss with no explanation.

Use in commerce

In US keywords cases, there are two issues for courts to consider. The first is whether there is use of the trademark. The second is whether there is confusion. Simple enough, it might seem; but unfortunately, the case law in this area is so confusing that there is not even consensus on whether keywords are a trademark use.

Since *U-Haul International Inc v WhenU.com Inc* in 2003, the US Court of Appeals for the Second Circuit has taken the position that a so-called 'invisible' use of a

trademark (eg, a keyword trigger) is not a 'use' and therefore does not violate the Lanham Act. However, in *GEICO v Google* in 2004, the Ninth Circuit found that Google was using GEICO's trademarks by selling them as keywords. Although the case was settled before confusion could be established, it did set up the split. As yet, no case has gone through the entire appeals process – though there is much expectancy over the *Rescue.com* case, in which a district court held that there was no trademark use. The appeal is due to be heard by the Second Circuit this year.

If the appeal affirms the initial decision, this will set a much stronger precedent.

Eric Goldman, assistant professor at Santa Clara University School of Law and director of the High Tech Law Institute, believes that there is no question that the law in this area is confusing. "The problem is that each side can make good arguments based on the statute," he explains. "There's textual support for the Second Circuit line and there's textual support for the other courts' line."

While some appellant court decisions will give a better sense of where the law is going to end up, it is not impossible that there will be dissent among appeal courts too, which would ultimately need to be resolved either by the Supreme Court or by Congress – as happened with the dilution statute. Either outcome is years off and in the meantime, Google is sticking to its guns. "We very strongly believe that Google's trademark policy strikes the proper balance between trademark owners' interests and consumer choice," says Google Litigation Counsel Catherine Lacavera. "That view has been validated by previous court decisions, namely, the *Rescue.com* decision and the *GEICO* decision."

Fair practices or foul?

One of the most interesting aspects of the *American Airlines* complaint is how it articulates the question of whether practices common in the offline world should be treated differently online.

David Wilkinson, a partner at UK law firm Stevens & Bolton, believes there is a distinction between Google selling trademarks as keywords and analogous offline practices. "One of the allegations against Google is that it is in a sense contributing to the infringement by selling the keywords," he points out. "I think that's where the distinction lies." His colleague Tom Lingard argues that there are also

A war on several fronts

Keywords are not the only area in which Google is proving unpopular. After buying YouTube in 2006, it now faces a suit from Viacom as well as a class action led by the Premier League. Both insist that Google must do more to prevent copyrighted content from being uploaded. However, YouTube already has a clear take-down policy, as well as copyright content filters, and Google argues that it is not feasible to verify clips before they are posted.

This refusal to kowtow is similar to Google's attitude in its Book Search project, billed as a way of making all books searchable. Publishers argue that copyrighted works can be digitally scanned only with their prior permission, even though users cannot access the work itself. This dispute (and the accompanying lawsuits) illustrates some of the contradictions inherent in such tussles. Yes, Google will doubtless make money from advertising on Book Search; but it will also offer a world-class digital library and an unparalleled retail opportunity for publishers – search results are accompanied with opportunities to buy books. More alarming is the huge number – some estimates put it at 40% of all books still in copyright – of orphan works (ie, works for whom no rights owner can be identified). If Google were to acquiesce and seek prior permission before scanning, then these works would remain inaccessible – to no one's benefit or profit.

problems with the supermarket comparison, pointing out that a product needs to be sufficiently well known in order for a supermarket to consider stocking it at all. "With the AdWords programme you don't need any previous reputation," he says. "Just a few pounds to buy the right keyword." This gets to the heart of many brand owners' uneasiness with Google's keywords. While they may have spent years building up a brand, newcomers can use keyword triggers to create an instant association between their (unknown) brand and an industry giant such as American Airlines. "It does seem to be a shortcut to the old-fashioned way of building your brand through hard graft," Lingard says.

Stephen Stern, a partner with Corrs Chambers Westgarth in Melbourne, is more outspoken. "I think it's actually improper," he says of the fact that intermediaries are making money out of practices that may be infringing. "Auction sites and search engines need to take responsibility for what they're telling people. There needs to be honesty in the search process."

Google, however, remains unimpressed with these arguments. "We believe that online practices should not be treated differently," Lacavera says of the role of trademarks in online advertising. "That's our position in the *American Airlines* suit, and the position that we think is correct."

Goldman calls the different treatment of online and offline practices 'cyber-exceptionalism'. In a forthcoming academic paper he has identified various ways in which offline retailers take advantage of third-party trademarks to increase their profits. One compelling example is the loss-leader proposition. The retailer will advertise a third-party trademark in order to get customers into the store, where they will buy a basket of goods – including those of other manufacturers. "There's no question that the retailer is taking economic advantage of the trademark in order to increase its profits," he says – pointing out that other manufacturers also benefit from this use of the mark. Yet he has not been able to find a single example under US law of a trademark infringement claim based on this practice. "We think the rules are unique, special or different because the activity takes place online," he says. "People are freaking out. There's no basis for it, but they are."

The stakes

If Goldman is right and this is an irrational reaction with no legal foundation, it seems a

flimsy basis for a lawsuit – especially one as expensive as *American Airlines* could be. When asked, *American Airlines*' Director of Corporate Communications Billy Saney would not comment on what losses the company was making and how it was measuring those losses. "The things we take into consideration are the utilisation of our name by others and the frequency of it," he says.

Saney explains that business driven by search engine results is a big concern for *American Airlines*. The company uses search engines across the world for its direct business and has in the past paid for Google keywords – from very broad search terms such as 'flights to the United States' or 'flights to London' to its own trademarks, although it does not purchase rivals' trademarks as keywords. For competitive reasons, Saney would not disclose what proportion of hits come from organic or natural searches and what from sponsored links, saying only that "both paid and natural searches are very important to us".

Martin Talbot of internet retailer Play.com was a little more forthcoming on this subject. Play.com sells CDs, DVDs, games, books and electronics – among other things – and is based in Jersey, one of the Channel Islands. Talbot estimates that 87% of the company's total search engine traffic comes from Google or search engines powered by Google. Of this, 67% of the results (ie, 58% of all total search traffic) come from organic search results, while 33% (ie, 29% of the total) come from paid traffic. While Play.com is involved in a different sector from *American Airlines*, these figures offer a fascinating perspective on search engine traffic, and perhaps some insight into why *American Airlines* is bringing its suit.

"*American Airlines* clearly thought this through and decided that it made commercial sense to bring this suit," says Lara Holzman of Alston & Bird LLP, who estimates that the company may have to spend upwards of \$500,000 to take this action to trial. "It could be a lot more: trademark suits are expensive. So *American Airlines* must feel this is really damaging its business."

Goldman, however, wonders whether this can be the case. "It's unclear to me just how much money *American Airlines* could be losing from competitive keyword advertising," he says. However, he concedes that the picture could be very different once brand value comes into play. "The business case could be that *American Airlines* is concerned that failing to act would degrade

its position because it hasn't satisfied its trademark policing duties," he says.

American Airlines' complaint mentions how the "need to reduce the extent of consumer confusion caused by Google's policies has cost and unless enjoined will continue to cost American Airlines millions of dollars" (para 85). However, it is not clear whether these losses result directly from lost trade, from damage to the brand or from the fact that American Airlines has to spend money buying its own trademarks as keywords. Despite the hurt tone of the complaint, Sanz claims that American Airlines has an excellent relationship with Google. "Google and other search engines have been a great vehicle for us to advertise, to understand consumers and to engage with consumers. We do continue to work with Google on different levels – this is the one thing that we disagree on." It may seem a curious strategy to sue a company so important to your business, but it certainly illustrates how high emotions on this subject run.

The rest of the world

In North America, there are split circuits, uncertain futures and headline-grabbing lawsuits. Elsewhere in the world, however, things are much quieter for Google – hardly surprising as it has a different, much less controversial, policy regarding selling trademarks as keywords; although it remains to be seen whether there will be legal challenges following the company's recent policy change in the United Kingdom and Ireland.

Chen points out that trademark rights are nationally based and that every country has its own set of trademark laws. For that reason, Google has evolved two trademark policies. The first is formulated for the United States and Canada, and now the United Kingdom and Ireland, where Google will investigate the use of trademarks in the text of advertisements, but will not disable keywords. The second policy applies to the rest of the world, where Google takes the much more conciliatory approach of allowing trademark holders to register their marks with Google and prevent them from being sold as keywords. "In the United States and Canada, trademark laws tend to be focused on consumer protection and making sure there is no likelihood of confusion," Chen explains. She argues that outside the United States and Canada, trademark law tends to focus on traditional property rights, without as much consideration for confusion. "Based

on the differing laws, we thought it was reasonable to have different policies based on the jurisdictions," she says.

This is certainly in line with existing case law. In France, there have been several cases where courts have found against Google for selling third-party trademarks as keywords. From 2003, French courts have taken the consistent attitude that search engines do not have the right to sell third-party trademarks as keyword triggers. Perhaps the most significant of these was the 2006 affirmation by the Paris Court of Appeal of a first instance ruling against Google in a case brought by Louis Vuitton. The Paris court held that Google's selling of Louis Vuitton marks as keywords amounted to infringement, as well as constituting unfair competition and misleading advertising, and ordered Google to pay €300,000 in damages.

Two of the biggest cases involving keywords in Europe during 2007 were the Austrian Supreme Court decision in *Wein* (March 20 2007) and the Strasbourg Court's ruling in *Atrya* (July 20 2007). While the courts reached different conclusions as to whether keywords constituted a trademark infringement – the Strasbourg Court breaking with tradition to dismiss the claim of trademark infringement, though it did find keying constituted unfair competition – they both held that Google was not liable for any infringement. This suggests that AdWords Trademark Complaint Procedure is working well as a litigation shield. Talbot has certainly found it adequate. "My experience is that Google is very customer-focused in almost everything it does," he says, alluding to the many free tools, such as Google Base and Google Product, designed for online retailers. "They apologise that it takes so long to get brand protection going, but once it's there it works."

This attitude is strikingly different from the *American Airlines* complaint and suggests that if Google were after a quiet life it could simply sacrifice the revenue and apply the same policy in the United States and Canada as it does in the rest of the world. The differing policies highlight that there is nothing unconsidered about the decision to continue selling third-party trademarks in the United States and Canada – Google is not in the business of picking losing battles. Where it considers it has a good chance, it seems prepared to fight to the end.

However, as if to demonstrate that a conciliatory policy is not always enough, in July 2007 the Australian Competition and

Consumer Commission (ACCC) commenced a landmark proceeding against Trading Post Australia Pty Ltd and Google. The proceeding alleges that, among other things, Google's sponsored links amount to misleading and deceptive conduct.

Stern believes it is no bad thing that the ACCC is questioning sponsored links themselves. "I think that some search engines, auction sites and the like have, on many occasions, thrown prudence to the wind," he says. He believes that in the rush to be market leaders, a number of these businesses have allowed themselves to be used and effectively get involved in various copyright and trademark breaches. "The world is moving very fast and the answer – 'Well, we can't vet every offering on our site' – is very blithe, but largely unsatisfactory," Stern says. However, despite this, he questions whether the ACCC will be able to prove confusion. "I think most users don't think twice about whether there's a connection or affiliation between a search term and a sponsored link," he explains.

Could the same happen in Europe? Wilkinson says this might be possible in jurisdictions with unfair competition laws. "Rather than getting bogged down in technical questions of whether there has been use of the trademark, it becomes a broader issue of whether Google's conduct is unfair and gives the purchaser an unfair advantage," he says. "That might be an easier claim than one of trademark infringement."

Looking ahead

For the time being, Google seems to be steering a steady course through troubled waters. It does have a (laudable) habit of refusing to err on the side of caution in cases where the law is unclear (see box for details of its belligerent stance in relation to Google Book Search). This attitude could serve it well, as it seems there is no end in sight to the lawsuits.

Part of this is down to the way that the world, and litigation, works. Goldman points out that Google has won decisive victories in other fields – for instance, the 2003 *SearchKing* case, where a federal court dismissed allegations that Google unfairly manipulated its search results. "There have been no legal changes since that have increased Google's liability, yet there are still people willing to take a swing at them on that."

Holzman notes that often market leaders feel a need to take on these battles. "I think

Google wants clarification on the law as much as American Airlines does," she explains. "Maybe the reason that Google is fighting this issue is so that some resolution can be achieved, be it through the legislature or the Supreme Court taking a position." She points out that by vigorously defending against US keywords lawsuits, Google is certainly making its position known. "Litigation is lobbying by other means." Google's consistent approach to keyword lawsuits and its unflinching belief that it is not liable for any infringement suggest that the company will be going the distance as far as the current batch of lawsuits is concerned. As rights holders of all sorts – from brand owners to copyright holders – become increasingly, sometimes excessively, protective of their rights, perhaps it is no bad thing that there is a market leader prepared to make a stand.

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