

**Case Sets Rules on Online Ad Trademark Disputes**  
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As opportunities in the Internet marketplace become increasingly competitive, the challenges businesses face in protecting intellectual property rights have increased accordingly. Internet search engine advertising illustrates competitive business strategies that challenge the boundaries of intellectual property rights.

Courts increasingly are asked to determine when actionable trademark and service mark violations occur in the context of Internet advertising.

A July 16 opinion from the U.S. Court of Appeals for the Tenth Circuit in Denver – in the case titled 1-800 Contacts Inc. vs. Lens.com Inc., dba Lens.com – is instructive about the factors considered by courts in protecting the trademark and service mark rights of businesses.

In 2003, 1-800 Contacts registered “1800CONTACTS” as a service mark with the federal trademark register. Lens.com is a direct competitor of 1-800 in the retail replacement contact lens market. In 2005, 1-800 noticed that when it did searches for the phrase “1800 CONTACTS” on the Google search engine, paid advertisements for Lens.com appeared. 1-800 concluded Lens.com must have purchased phrases similar to 1-800’s name within the Google AdWords system so that with certain searches for 1-800’s name a paid advertisement for Lens.com would appear in the search results.

According to Google, AdWords advertisers can pay to have ads prominently displayed on Google’s search results whenever someone enters certain specified search terms. For example, an art instruction studio in Greeley can pay to have its website featured in search results when someone searches for “art classes in northern Colorado” on Google. Such sponsored ads typically are highlighted on the search results page.

In 2007, 1-800 sued Lens.com alleging that “Lens.com had purchased sponsored advertisements from Google, and other search engines, for (1-800)’s marks to trigger advertising and/or a link to the Lens.com websites.” Therefore, 1-800 alleged that Lens.com had infringed upon its registered 1800CONTACTS service mark under the Lanham Act.

The Lanham Act “prohibits the infringement of trademarks (used to identify products) and service marks (used to identify services).” While Lens.com had not bid on 1-800’s exact registered service mark, discovery in the case revealed that Lens.com had purchased nine very similar keyword terms through Google’s AdWords option to trigger Lens.com ads. The keyword terms Lens.com bid on included the following: “1-800 contact lenses”; “800 contact lenses”; “800contacts.com”; and “800contaxts.com.” Lens.com did not dispute its purchase of those challenged keywords.

Under the Lanham Act, the owner of a registered trademark or service mark can claim infringement of that mark against any person who uses “in commerce any reproduction, counterfeit, copy, or colorable imitation of (the) registered mark in connection with the sale, offering for sale, distribution or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive....”

Therefore, a plaintiff claiming infringement must prove three elements: The plaintiff has a protectable interest in a mark; the defendant used an identical or similar mark in commerce; and the defendant’s use is likely to confuse consumers.

Typically, the likelihood of consumer confusion is the central question for courts. In the 1-800 case, the court said confusion “need not be limited to the incorrect perception that one party was the source of the other party’s product or service; it may also arise from ‘a mistaken belief in common sponsorship or affiliation.’ ” The court was quoting from a 1984 case involving Amoco Oil Co.

1-800 claimed “initial-interest confusion,” defined as confusion that “results when a consumer seeks a particular (mark) holder’s product and instead is lured to the product of a competitor by the competitor’s use of the same or a similar mark.” The court indicated there was no real dispute that 1-800 had proved the first two elements of its infringement claim against Lens.com. 1-800 clearly had a protected interest in the “1800CONTACTS” service mark, and the court accepted that Lens.com’s purchase of the challenged keywords satisfied the element that those similar marks had been used by Lens.com in commerce.

The only real issue for the court was whether Lens.com’s use of the challenged keywords was likely to cause confusion. Again, it is important that Lens.com never published any ads with 1-800’s registered mark in the text of the ad. 1-800 alleged that confusion arose simply because ads from Lens.com would appear in search results whenever consumer searches triggered the challenged keywords that were similar to 1-800’s protected mark.

The court described six factors it has identified to determine whether the likelihood of confusion exists: the degree of similarity between the marks; the intent of the alleged infringer; evidence of actual confusion; similarities in marketing methods between the competing parties; the degree of care likely exercised by consumers; and the strength or weakness of the protected mark. However, the court indicated this list is not exhaustive and various other factors may play a role and carry more weight depending on the circumstances of a particular case.

In the 1-800 case, the court focused on data from AdWords that showed “an upper limit on how often consumers really were lured” by Lens.com’s ads in the search results. The evidence showed that Lens.com’s ads appeared 1,626 times over an 8-month period as a result of the use of the challenged keywords, and that the users then clicked on the Lens.com ad 25 times (slightly more than 1.5 percent of the time). Of those, some may have been confused, and some simply may have wanted to view a competitor’s ad. The court stated that such a small percentage “cannot support an inference that Lens.com’s keyword activity was likely to ‘lure’ consumers away from 1-800.... In addition, once the consumers see the results page, the substantial dissimilarity between ‘1-800 Contacts’ and ‘Lens.com’...can be expected to greatly reduce the

chance that consumers will think that the parties are related enterprises; the similarity of the search term and 1-800's mark is of minor relevance.”

In this case, the court determined that the evidence of minimal actual confusion greatly outweighed evidence supporting the potential for confusion in some of the other six factors, and affirmed the lower court's determination that 1-800 had not demonstrated infringement by Lens.com. The court's opinion, in considerable further discussion, indicated that evidence of actual confusion rates above 10 percent may have led to a different result.

The important lesson here for online advertisers is that there are few bright-line boundaries short of avoiding actual use of a competitor's protected marks in ad content. Use of marks as keywords that are the same as or similar to a competitor's protected marks, if not coupled with such use in the actual advertising and not coupled with evidence of actual consumer confusion, may not result in liability. However, many factors will be examined by courts when they are faced with infringement claims, and the factors given the most weight will vary on a case-by-case basis. It is apparent that courts will need to decide many more of these cases before clearer guidelines are established.

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