



# DIGITAL SLEIGHT OF HAND

## HOW TO STOP COMPETITORS FROM STEALING YOUR CUSTOMERS VIA UNAUTHORIZED INTERNET SEARCH RESULTS

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Here's an experiment: type your company's name or product name into Google. Do you see a competitor's name, product, or service instead of your company's? You may be confused, but you're not alone.

Businesses are increasingly purchasing AdWords from Google that correspond to competitors' names, trademarks, or other protected and identifiable words. The result: confused customers and lost business for the victim company, and legal consequences for the company that bought the AdWords.

Fortunately, courts have concluded that the use of competitor's name or trademarks in a way that is deceptive and misleading is an actionable offense — namely, quietly purchasing AdWords to misdirect customers and steal business. If you know the warning signs that another company has purchased AdWords to steal your business, you can quickly stop the problem before the company makes off with your customers. And if you understand the serious and costly legal implications associated with buy-

ing and using a competitor's AdWords, you can prevent your own company from taking actions that will land it in legal hot water.

### HOW ADWORDS WORK

Computer users make sense of the Internet largely through search engines like Google, Yahoo, and Bing. Google, the most popular search engine, provides links to websites based on a user's search terms in two different ways. First, Google provides links related to search terms based on Google's proprietary search algorithm. These links often appear with larger font and some explanatory text.

It is the second form of links — context-based advertising — that is the source of competitive mischief. When a user enters search terms into Google, the search engine generates regular links and related advertising near those links. Google auctions keywords, such as "fireplace," "hot tub," and "cross-country skis," to the highest bidders. Google then agrees to place the winning

bidder's advertising link in related searches. For example, if Company X buys "cross-country skis" from Google, and a user searches for cross-country skis, Company X's link will appear as an ad on the same page as other unsponsored links.

In recent years, courts have increasingly dealt with circumstances in which a company purchased Google AdWords related to a competitor's distinctive products or services, in an effort to surreptitiously divert customers and, ultimately, business. In *CJ Products LLC v. Snuggly Plushez LLC*, 809 F. Supp. 2d 127 (E.D.N.Y. 2011), a toymaker sued a competitor for buying AdWords related to trademarks involving the popular Pillow Pet toy and misdirecting customers who searched Google for the toy. In *Rosetta Stone Ltd v. Google Inc.*, 676 F.3d 144 (4th Cir. 2012), the creator of foreign-language education software sued Google for selling AdWords related to the software to a company that was misdirecting customers and then selling them counterfeit software.

## LANHAM ACT AND STATE LAW CLAIMS

Although the problem of a competitor secretly buying your company's AdWords is a thoroughly twenty-first century problem, several traditional legal causes of action are commonly employed. In most cases, the plaintiff seeks relief through the federal Lanham Act and state laws related to unfair business practices, including false advertising.

Businesses have stopped competitors from misdirecting customers through AdWords under the Lanham Act, 15 U.S.C. § 1051 *et seq.*, which is the primary federal statute to enforce trademarks. Trademark infringement and false advertising are two Lanham-related claims that companies have successfully used to stop AdWord schemes.

To prove a claim for trademark infringement under the Lanham Act, a party must show they own the trademark and that there is a likelihood that the infringement has caused confusion. A Lanham Act false advertising claim requires a party to establish that an infringing party has used the party's trademark in advertising in a false or misleading manner that is likely to cause confusion, mistake, or deception.

*Binder v. Disability Group, Inc.*, 772 F. Supp. 2d 1172 (C.D. Cal. 2011) involved attorneys that successfully sued under the Lanham Act to stop an entity from using their trademarks. The attorneys claimed that the Defendant, a rival legal entity, purchased the AdWord for their firm name, "Binder and Binder," to misdirect people seeking the attorneys' services. *Id.* at 1174. After a bench trial, the court concluded that the attorneys had proved both of their Lanham Act claims. *Id.* at 1174-78. First, the defendant infringed the attorneys' trademark because the attorneys proved ownership of the mark and that there was a strong likelihood of confusion through evidence that computer users were actually confused by the Defendant's misuse of the AdWord. *Id.* at 1175-77. Second, the Defendant violated the Lanham Act's false advertising provision by using the attorneys' trademark "in their advertising campaign through Google to market their business in a manner that was likely to confuse potential clients and that deceived potential clients into thinking they were being led to the [attorneys'] website." *Id.* at 1178. Ultimately, the court awarded the attorneys nearly \$300,000 in lost profits. *Id.* at 1185.

The doctrine of "initial interest confusion" in a Lanham Act context has particular application to the circumstances of an AdWords scheme. "Initial interest confusion occurs when a competitor lures potential customers away from a producer by initially

passing off its goods as those of the producer's, even if the confusion as to the source of the goods is dispelled by the time any sales are consummated." *Amerigas Propane, L.P. v. Opinion Corp.*, 2012 WL 2327788, at \*10 (E.D. Pa. June 19, 2012) (internal quotations omitted). "The concern is that this bait and switch will influence the buying decisions of the consumers in the market for the goods, effectively allowing the competitor to get its foot in the door by confusing consumers." *Id.* (internal quotations omitted).

In addition to Lanham Act claims, most parties also bring state law claims to stop a competitor from using AdWords to misdirect its customers. These claims generally include unfair competition, false advertising, or trademark infringement. Every state has causes of action available to businesses that want to stop a competitor's bad behavior, such as an AdWords scheme.

## PREVENT AND STOP DAMAGE TO YOUR BUSINESS

To avoiding falling victim to a competitor's AdWords scheme — and to prevent your own company from using AdWords in a way that creates legal consequences — companies and their counsel should consider these measures:

### Establish a program to monitor trademarks and other intellectual property

Companies should set up an internal program to ensure that its trademarks and other intellectual property are not being misused. If a company allows a trademark to be misused long enough, some courts will not allow the company to sue to enforce the trademark. *See, e.g., What-A-Burger Of Virginia, Inc. v. Whataburger, Inc. of Corpus Christi, Tex.*, 357 F.3d 441, 452 (4th Cir. 2004) (explaining acquiescence and laches in trademark context).

### Ensure communication between legal and marketing departments

Counsel should lead communications between legal, sales, and marketing departments to discuss the legal consequences of an AdWords campaign. As *Binder* illustrates, a victim company that prevails in an AdWords lawsuit may be awarded significant lost profits (\$300,000), and the Lanham Act also allows a court to award attorney fees where the culpable party knowingly violated the Act through an AdWords scheme. *See, e.g., World Entm't Inc. v. Brown*, 487 Fed. App'x 758, 2012 WL 3065349, \*\*2 n.2, 4 (3rd Cir. 2012) (ordering party to pay almost \$185,000 in attorneys' fees).

### Write AdWords descriptions results to be clear

Ensure that the text of your company's AdWords clearly and unambiguously advertises your company's products and does not name your competitor's products. Such clear drafting may avoid allegations that your company's AdWord results confused or are likely to confuse Internet users.

### Ask your customers if they have been misdirected by AdWords

A company's customers or suppliers are an important source to determine whether another company is using your trademarks or protected words and phrases in AdWords. Salespersons and other employees with customer contact should be encouraged to ask customers if they have seen AdWords that look related to your business but direct Internet users elsewhere.

## CONCLUSION

The Lanham Act and related state law claims can provide relief for companies caught off-guard by a competitor's use of AdWords containing its trademarks to divert customers and business. Counsel must remain vigilant by monitoring to ensure that competitors are not using a company's trademarks against itself. And, because carrying out such an AdWords scheme can carry serious, costly legal consequences, counsel must regularly and clearly communicate the real risks of exposure with marketing and sales employees.



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