

New “Trademark Protection Act” Prohibits Keyword Advertising

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Utah has recently passed legislation prohibiting keyword advertising when such advertising involves the sale of trademarks used in the state of Utah. Specifically, Utah's new Trademark Protection Act prohibits the sale and use of advertising keywords registered in Utah as "electronic registration marks" if the advertising generated by the use of the keywords is for directly competitive businesses, products or services or is otherwise likely to cause confusion between the goods and services of the advertiser and the electronic registration mark owner.

The concept of keyword advertising has been around for some time. Search engines such as Google and Yahoo! sell selected "keywords" to advertisers. When a search engine user types that keyword into a search, the search engine returns a number of sponsored links and banner ads triggered by those keywords. When such keywords are generic terms or phrases, such as "hair salon" or "camping gear," this practice raises little controversy. However, when the keywords are trademarks, problems arise because historically there has been no legislative prohibition on the purchase of third party trademarks as search engine keywords, because the words are not being used as trademarks, per se. Accordingly, ABC Company might purchase competitor XYZ, Inc.'s XYZ mark as a search engine keyword such that when an Internet user types XYZ into a particular search engine (presumably looking for information on XYZ, Inc.'s products), the user sees a banner ad and/or sponsored link for ABC Company.

Because trademark owners invest significant resources in promoting their brands, it is understandable that they would prefer not to have Internet users who are looking for their products or services instead view information regarding competing products or services. Making this practice even more controversial is the fact that keywords are often sold in an auction format – the higher the bid the more likely it is that the bidder's sponsored link or ad will appear. As such, a trademark owner might be unable to purchase as keywords all of the trademarks associated with his business because a competitor may simply outbid him. On several occasions trademark owners have sued providers of keyword advertising and related services, but the court decisions have been inconsistent.

In an effort to protect trademark owners, Utah has enacted its Trademark Protection Act. In exchange for the payment of a fairly modest fee, a party can register its trademark or service mark as an electronic registration mark as long as that mark is used in Utah to distinguish and identify the applicant's goods or services. Once an applicant has been granted its electronic registration mark, advertisers and sellers of online advertising are prohibited from using or selling that mark to generate advertising that is likely to cause confusion with the goods or services of those of the electronic registration mark owner.

The Act applies when the party initiating the Internet search, the advertiser or the search engine is located in Utah. As such, search engines like Google and Yahoo! would be required to ascertain the geographic origin of every search request and, when a search request originated in Utah, check the Utah database of electronic registration marks and tailor the search results and banner advertising accordingly. As one might imagine, search engines and other purveyors of keyword advertising strongly oppose the legislation.

Some consumer advocates also oppose the new law on the grounds that it could be used to prohibit permissible comparative advertising. For example, it is argued that ABC Company would be unable to

purchase its competitor's XYZ mark as an advertising keyword even if the resulting ad was strictly comparative. For example, the ad might contain information from a consumer survey indicating that 9 out of 10 customers prefer ABC's products to those of XYZ. As a result, consumers may be deprived of access to information about competing goods and services which improves the quality and price of goods and services in the marketplace. Some also argue that the policy behind the Trademark Protection Act, when taken to its logical extreme, would prevent a competitor from placing a billboard next to that of a competitor or from running a television ad during a certain show if a competitor's products were featured in that show as part of a product placement.

If and when the Utah Trademark Protection Act is enforced, it is likely to be challenged in court. Google has already publicly taken the position that the act is unconstitutional (presumably as being an impermissible restriction on free speech). The Act was effective on June 30, 2007.

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