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TRADEMARK USE AS KEYWORDS: A COMPARATIVE LOOK AT TRADEMARK USE AS KEYWORDS IN PAID SEARCH AND DIGITAL PUBLIC PERFORMANCE RIGHTS FOR SOUND RECORDINGS

KATIE PIMENTEL

ABSTRACT

A vigorous debate has emerged regarding the expansion of trademark owners' rights to have exclusive control over their marks in the paid search environment. A common practice in paid search is for advertisers to purchase other companies' trademarks as keywords for search engine results. Comparing the similarities between the current struggles concerning trademark use as paid search keywords to the evolution of the right to a digital public performance for sound recording owners, this comment proposes a model that allows purchasers of other entities' trademarks to use those marks in a Congressionally regulated fashion in a similar way section 114 of the Copyright Act regulates the digital public performance of sound recordings.

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TRADEMARK USE AS KEYWORDS: A COMPARATIVE LOOK AT TRADEMARK USE AS KEYWORDS IN PAID SEARCH AND DIGITAL PUBLIC PERFORMANCE RIGHTS FOR SOUND RECORDINGS

KATIE PIMENTEL*

INTRODUCTION

Using someone else's trademark on the Internet can be either illegal or brilliant. The difference depends on the space and media in which the mark appears.

Companies often purchase other companies' trademarks as keywords for search engine results.[1] In one of the millions of searches that occur on Google every day, the primary natural results from the search appear on the web page based upon their accuracy as determined by the "Google algorithm."[2] Also appearing on the page are "sponsored links" that Google sells when someone uses a particular word or phrase in a search.[3] This practice of selling keywords is not confined to Google.[4] To complicate this situation, a party can purchase a trademark that it does not own as a keyword in paid search.[5] This business method, therefore, uses the other party's trademark to drive business to its own website through the sponsored link.[6] Until recently the courts were split on whether use of a trademark as a keyword in paid search constituted "use in commerce" under the Lanham Act[7], and therefore whether the use created a likelihood of confusion.[8]

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* J.D. Candidate, January 2011, The John Marshall Law School. B.A.S. Human and Organizational Development, Loyola University New Orleans, August 2003. Thank you to the staff of THE JOHN MARSHALL REVIEW OF INTELLECTUAL PROPERTY LAW for this opportunity. I would like to thank Jason Koransky for his patience, insights and guidance throughout this process. Any errors are my own.

1 *See* Rescuecom Corp. v. Google, Inc., 562 F.3d 123, 125–26 (2d Cir. 2009) (offering an overview of Google's AdWords program).

2 *See* Google Corporate Information -- Technology Overview, http://www.google.com/corporate/tech.html (last visited Jan. 21, 2010) [hereinafter Google Technology Overview].

3 See Google Ads – AdWords Help, https://adwords.google.com/support/aw/bin/static.py?page=guide.cs&guide=21899&topic=21903 (last visited Jan. 21, 2010) [hereinafter AdWords Beginner's Guide].

4 *See, e.g.,* Yahoo! Terms and Conditions Applying to Local Advertising, http://www.yahoo.infoservegroup.com/demo/termsandconditions.html (last visited Jan. 21, 2010) [hereinafter Yahoo!'s Local Advertising Terms and Conditions] (defining a Sponsored Link as "an advertisement (also known as a 'featured listing') that is served on the Site in relation to a search request by a user, and which is paid for by a Customer and which includes the Sponsored Link Information").

5 *See* Gov't Employees Ins. Co. v. Google, Inc., 330 F. Supp. 2d 700, 704 (E.D. Va. 2004).

6 *See id.*

7 15 U.S.C. § 1127 (2006).

8 *See* Rescuecom Corp. v. Google, Inc., 562 F.3d 123, 131 (2d Cir. 2009) (overturning the district court's dismissal of plaintiff's keyword trademark infringement claims against defendant for failure to demonstrate use in commerce); Google Inc. v. Am. Blind & Wallpaper Factory, Inc., No. C 03-5340, 2007 U.S. Dist. LEXIS 32450 at *21 (N.D. Cal. Apr. 18, 2007) (holding that selling a trademarked term as a keyword is use in commerce); Edina Realty, Inc. v. TheMLSonline.com, No. 04-4371, 2006 U.S. Dist. LEXIS 13775, at *10 (D. Minn. Mar. 20, 2006) (holding the plaintiff's mark was used commercially when sold as a keyword and in general); Buying for the Home, LLC v.

This comment compares the similarities between the current struggles concerning trademark use as paid search keywords to the evolution of the right to a digital public performance that sound recording owners received in 1995.[9] Part I provides background information on the use of trademarks as paid search keywords.[10] It also describes how courts have defined various paid search terms and practices.[11] This section then explains the structure of the digital public performance right for sound recordings.[12] Part II analyzes the current court decisions regarding use of trademarks as keywords in paid search and compares them to the statutory requirements for the digital public performance licenses and royalties.[13] Part III sets forth various models to protect trademark owners' rights in paid search and proposes a model that allows would-be infringers, or purchasers of other entities' trademarks, to use those marks in a Congressionally regulated fashion in a similar way section 114 of the Copyright Act regulates the digital public performance of sound recordings.[14]

I. BACKGROUND

At first glance, the history of trademark use in paid search programs may appear incongruous with the history of the public performance right for digital transmissions of sound recordings.[15] The two concepts, however, both encompass a distinct right that intellectual property owners have fought to preserve or acquire in the digital space.[16] This section outlines issues that trademark owners have encountered regarding the use of their marks as keywords in paid search, as well as why sound recording owners needed a public performance right for digital audio transmissions of their copyrighted works. First, it provides background information on keyword and paid search terminology, and defines the issues in using trademarked keywords within paid search.[17] Next, the section provides background

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Humble Abode, LLC, 459 F. Supp. 2d 310, 323 (D.N.J. 2006) (holding use of the competitor's mark by purchasing the mark as a keyword was use in commerce under the Lanham Act); *Gov't Employees Ins. Co.*, 330 F. Supp. 2d at 704 ("[W]hen defendants sell the rights to link advertising to plaintiff's trademarks, defendants are using the trademarks in commerce in a way that may imply that defendants have permission from the trademark holder to do so.").

[9] *See* discussion *infra* Part II.

[10] *See* discussion *infra* Part I.

[11] *Id.*

[12] *Id.*

[13] *See* discussion *infra* Part II.

[14] *See* discussion *infra* Part III.

[15] *See generally In re* Trade-Mark Cases, 100 U.S. 82, 94 (1879) (holding Congress derives power to pass trademark laws based upon the Constitution's Commerce Clause, not the Copyright Clause); *see also* Graeme B. Dinwoodie & Mark D. Janis, *Confusion Over Use: Contextualism in Trademark Law*, 98 TRADEMARK REP. 1086, 1099 (2008) (discussing how in the *Trade-Mark Cases* the Court differentiated between the bases of copyright and trademark law).

[16] *See* Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 545 U.S. 913 (2005) (showing copyright holders' fight for stricter enforcement of their rights due to peer-to-peer file-sharing technology); Rescuecom Corp. v. Google, Inc., 562 F.3d 123 (2d Cir. 2009) (showing trademark owners' asserting their rights in the paid search environment).

[17] *See* discussion *infra* Part I.A–B.

information on the public performance right for digital audio transmissions of sound recordings.[18]

A. General Paid Search Terms and Definitions

A keyword is a word or phrase that a user enters into an Internet search engine, such as Google or Yahoo![19] Once the user enters a keyword and clicks "Search" in the search engine, the search engine presents links to the most relevant web pages related to the keyword.[20] Typically, a search engine presents two types of results when a user performs a search: sponsored links and natural search results.[21] Sponsored links appear in a labeled section at the top, side, or bottom of the page, and natural search results are listed in the primary section of the webpage, typically below the sponsored links.[22]

Advertisers pay for sponsored links to appear on a search engine in response to a user's search request.[23] Search engine marketing ("SEM") firms help to facilitate this paid search practice.[24] These firms serve as liaisons between the advertisers and search engines.[25] An advertiser can also work directly with a company that operates a search engine to purchase keywords.[26]

Advertisers bid on keywords depending on the size and scope of an advertising campaign.[27] Advertisers can purchase and use as many keywords as they wish, and typically use more than less because more purchased keywords usually results in more impressions.[28] This provides the advertiser with greater online visibility.[29] An example of a campaign would be for women's sweaters.[30] A company that sells women's sweaters would create a campaign around this category with any number of keywords that can be attributed to this category, including manufacturers or retailers of these products, color information, size information, or type of material.[31] An SEM firm can help determine the right keywords for the campaign and on which

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[18] *See* discussion *infra* Part I.C.

[19] *See* Brookfield Commc'n, Inc. v. W. Coast Entm't Corp., 174 F.3d 1036, 1045 (9th Cir. 1999).

[20] *See id.*

[21] *See* Gov't Employees Ins. Co. v. Google, Inc., 330 F. Supp. 2d 700, 702 (E.D. Va. 2004).

[22] *See id.*

[23] *See id.*

[24] *See* Shoemoney Media Group, Inc. v. Keyen Farrell, No. 8:09CV131, 2009 U.S. Dist. LEXIS 40942, at *10 (stating an example of a search engine marketing firm as a company that manages pay-per-click campaigns).

[25] *See id.*

[26] *See* AdWords Beginner's Guide, *supra* note 3.

[27] *See Shoemoney Media Group,* 2009 U.S. Dist. LEXIS 40942 at *12 (discussing strategies in purchasing keywords for paid search).

[28] *See* Storus Corp. v. Aroa Mktg., Inc., No. C-06-2454 MMC, 2008 WL 449835, at *4 (N.D. Cal. Feb. 15, 2008) (describing how a company may purchase multiple keywords as a paid search strategy).

[29] *See id.*

[30] *See, e.g., id.* (showing how the defendant purchased a number of keywords, including the plaintiff's trademark, in an effort to sell a specific product, money clips).

[31] *See, e.g.,* Rescuecom Corp. v. Google, Inc., 456 F. Supp. 2d 393, 396–97 (N.D.N.Y. 2006) (showing an example of various types of search terms an advertiser may choose to use as keywords in paid search).

search engines to launch those campaigns based on the advertiser's budget and other advertising needs.[32]

Three major search engines dominate the US market: Google, Yahoo!, and Microsoft's Bing (formerly "MSN").[33] In September 2009, Google accounted for seventy-one percent of all U.S. searches, Yahoo! accounted for sixteen percent, and Bing accounted for nine percent.[34] Each search engine has a slightly different approach to trademark use in keywords within paid search, with Yahoo!'s and Bing's policies being more restrictive than Google's.[35]

Yahoo! allows parties to bid on another party's trademarked terms if the purchaser resells the trademarked good, the use is informative, not competitive, or the use is generic or non-trademark related.[36] Bing restricts the purchase of trademarked terms to resellers of the trademarked good, informational websites, or when the keyword is used as a dictionary term.[37]

Google's AdWords program dominates the keyword search market,[38] and its keyword marketing practices differ greatly from Yahoo!'s and Bing's.[39] Before June 15, 2009, Google would investigate a complaint of trademark infringement through keywords in the country in which the trademark owner has rights, except for the United States, Canada, Ireland, and the United Kingdom.[40] In these four countries, Google left the finding of infringement up to the company that claimed infringement.[41] Once the trademark owner found the alleged infringement, Google would investigate and remove the sponsored link if the trademarked term appeared

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[32] *See Shoemoney Media Group,* 2009 U.S. Dist. LEXIS 40942 at *10 (discussing how an SEM manages a paid search campaign).

[33] *See* Press Release from Hitwise, Google Receives 71 Percent of Searches in September 2009 (Oct. 6, 2009) (on file with author).

[34] *Id.*

[35] *Compare* Legal guidelines from Yahoo! Search Marketing (formerly Overture)–Trademarks, http://searchmarketing.yahoo.com/legal/trademarks.php (last visited Jan. 21, 2010) [hereinafter Yahoo! Trademarks] (stating Yahoo!'s policy that bidding on trademarked terms is only allowed when the purchaser is a reseller of the trademarked good, the use is informative, not competitive, or the use is generic or non-trademark related), *and* Microsoft Ad Content Guidelines, http://advertising.microsoft.com/learning-center/ad-content-guidelines (last visited Jan. 21, 2010) [hereinafter Microsoft Ad Content Guidelines] (stating Microsoft's (which includes Bing) policy that restricts the purchase of trademarked terms to purchasers that are resellers of the trademarked good, the website it is used to promote is an informational site only, or the term is used as a dictionary term), *with* What is Google's AdWords and AdSense trademark policy?–AdWords Help, http://adwords.google.com/support/aw/bin/answer.py?hl=en&answer=6118 (last visited Jan. 21, 2010) [hereinafter Google AdWords Trademark Policy] (stating the region in which the trademark owner's rights are recognized determines whether Google will investigate the use of trademarks in advertisement text only or in advertisement text and keywords, and whether Google will disable the keywords in response to the trademark complaint).

[36] Yahoo! Trademarks, *supra* note 35.

[37] Microsoft Ad Content Guidelines, *supra* note 35.

[38] *See* Press Release from Hitwise, *supra* note 33.

[39] *See* Google AdWords Trademark Policy, *supra* note 35.

[40] *See* Jamie N. Nafziger & Jose Hernandez, *Keyword Advertising After* Rescuecom*: Predictability Remains Elusive* 2 (Oct. 28, 2009), http://www.dorsey.com/files/upload/nafziger_keyword_advertising_cle.pdf.

[41] *See id.*

in the copy of the sponsored link.[42] Google did not and still does not investigate or remove keywords based on a trademark infringement complaint.[43]

For trademark owners with rights in countries other than the aforementioned four, Google would investigate complaints of trademark use in keywords or copy and remove the trademarked term from the copy or keyword list if the trademark was in fact being used and the trademark owner so requested.[44] Google amended its policies in June 2009 to add approximately 190 countries to the list of those Google will not investigate the use of trademarks as keywords in its AdWords program.[45] In addition to broadening the scope of where Google will no longer investigate keywords, the new policy allows advertisers to use other parties' trademarks in the copy of their sponsored links.[46]

B. Litigation History of Trademark Use in Keywords

The Lanham Act provides federal registration and protection for trademarks used in commerce.[47] The Lanham Act broadly defines a trademark as "any word, name, symbol, or device, or any combination thereof [that is] (1) used by a person, or (2) which a person has a bona fide intention to use in commerce . . . ."[48] The Lanham Act defines "use in commerce" as, "[T]he bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark."[49] Trademarks do not need federal registration for protection against unauthorized use.[50] For example, a trademark owner may register a mark at the state level,[51] or may receive federal protection for unregistered marks.[52]

Section 1114(1) of the Lanham Act creates civil liability for a party who uses, in commerce, a counterfeit, copy, or reproduction of a registered mark without permission.[53] This liability can emerge when the party sells, distributes, or advertises any goods or services in connection with the mark in a manner that causes confusion.[54] Section 1125(a)(1)(B) of the Lanham Act imposes civil liability for the use of another's registered or unregistered mark that "misrepresents the nature, characteristics, qualities, or geographic origin of, [the other] person's goods, services, or commercial activities . . . ."[55] In order to establish a case of trademark infringement, a trademark owner must first show that the use was in commerce, and then establish that this use created a likelihood of confusion and/or diluted the

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[42] *See id.*
[43] *See* Google AdWords Trademark Policy, *supra* note 35.
[44] *See* Nafziger, *supra* note 40, at 2.
[45] *See* Google AdWords Trademark Policy, *supra* note 35.
[46] *See id.*
[47] 15 U.S.C. §§ 1051–1141n (2006).
[48] *Id.* § 1127.
[49] *Id.*
[50] *Id.* § 1125(a)(1).
[51] *See, e.g.* 765 ILL. COMP. STAT. ANN. 1036/1-999 (West 2009) (Illinois Trademark Registration and Protection Act).
[52] 15 U.S.C. § 1125(a)(1).
[53] 15 U.S.C. § 1114(1).
[54] *Id.*
[55] *Id.* § 1125(a)(1)(B).

mark.[56] U.S. courts generally agree that a trademarked term sold as a keyword for use in paid search constitutes use in commerce.[57] The major issue confronting courts now is whether that use constitutes trademark infringement by creating a likelihood of confusion.[58]

Courts in the Third,[59] Fourth,[60] Eighth,[61] and Ninth Circuits[62] have held that selling or purchasing trademarks as keywords through paid search is use in commerce. For example, in *Google, Inc. v. American Blind & Wallpaper Factory, Inc.*, Google sold American Blind's trademarked terms as keywords through its AdWords program to American Blind's competitors.[63] The trademarked keywords triggered sponsored links on Google's search results page.[64] Google acknowledged that it sold trademarked terms as keywords but claimed that doing so did not constitute use in commerce as defined by the Lanham Act.[65]

American Blind argued that Google not only sold its trademarked terms as keywords to a competitor, but that Google then refused to disable those keywords once American Blind alerted Google to the infringing act.[66] At the time of this case, Google's policies and procedures for complaints about its AdWords program stated that Google would not disable keywords in response to a trademark complaint.[67] The court held that the sale of trademarked terms in Google's advertising program was a use in commerce for the purposes of the Lanham Act.[68] The court, however, did not determine whether Google's AdWords program violated the Lanham Act.[69] The court, in denying most of Google's motion for summary judgment of American Blind's trademark infringement claims, stated that the large number of businesses and users

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[56] *Id.* §§ 1114, 1125.

[57] *See* Rescuecom Corp. v. Google, Inc., 562 F.3d 123, 131 (2d Cir. 2009) (overturning the district court's dismissal of plaintiff's keyword trademark infringement claims against defendant for failure to demonstrate use in commerce); Google Inc. v. Am. Blind & Wallpaper Factory, Inc., No. C 03-5340, 2007 U.S. Dist. LEXIS 32450 at *21 (N.D. Cal. Apr. 18, 2007) (holding that selling a trademarked term as a keyword is use in commerce); Edina Realty, Inc. v. TheMLSonline.com, No. 04-4371, 2006 U.S. Dist. LEXIS 13775, at *10 (D. Minn. Mar. 20, 2006) (holding the plaintiff's mark was used commercially when sold as a keyword and in general); Buying for the Home, LLC v. Humble Abode, LLC, 459 F. Supp. 2d 310, 323 (D.N.J. 2006) (holding use of the competitor's mark by purchasing the mark as a keyword was use in commerce under the Lanham Act); Gov't Employees Ins. Co. v. Google, Inc., 330 F. Supp. 2d 700, 704 (E.D. Va. 2004) ("[W]hen defendants sell the rights to link advertising to plaintiff's trademarks, defendants are using the trademarks in commerce in a way that may imply that defendants have permission from the trademark holder to do so.").

[58] *See Rescuecom*, 562 F.3d at 131 (finding use in commerce but not deciding whether this use created a likelihood of confusion).

[59] *See Buying for the Home*, 459 F.Supp. 2d at 323.

[60] *See Gov't Employees Ins.*, 330 F. Supp. 2d at 704.

[61] *See Edina Realty*, 2006 U.S. Dist. LEXIS 13775, at *10.

[62] *See Google*, 2007 U.S. Dist. LEXIS 32450 at *21.

[63] *Id.* at *4.

[64] *Id.*

[65] *Id.* at *7.

[66] *Id.* at *5.

[67] *Id.* at *4–5.

[68] *Id.* at *21.

[69] *Id.* at *42.

of Google's AdWords program "indicates that a significant public interest exists in determining whether the AdWords program violates trademark law."[70]

Courts in the Second Circuit held the minority opinion that a trademark used as a keyword did not constitute use in commerce until April 2009, when the United States Court of Appeals for the Second Circuit reversed and remanded Google's motion to dismiss against Rescuecom.[71] In *Rescuecom Corp. v. Google, Inc.*, Rescuecom claimed Google infringed its registered trademark by selling its mark as a keyword in its AdWords program.[72] The District Court for the Northern District of New York held that the AdWords program use of trademarks in keywords did not constitute use in commerce for trademark purposes.[73] The court separated out the Lanham Act elements of "use" and "in commerce" and held that AdWords did commercially use Rescuecom's trademark.[74] The use, however, was not substantial enough to equate to the Lanham Act definition of "use in commerce."[75] The court granted Google's motion to dismiss.[76]

Rescuecom appealed this decision to the United States Court of Appeals for the Second Circuit.[77] On April 3, 2009, the Second Circuit reversed and remanded the District Court's decision.[78] The Second Circuit did not express whether Rescuecom could prove a Lanham Act violation, but held that Google's practice of recommending and selling a trademarked term as a keyword to an advertiser was a use in commerce.[79]

C. Digital Public Performance License and Royalty Structure

1. General Industry Terms and Definitions

It would be an understatement to say that the music industry has confronted significant copyright challenges in the digital age.[80] Much like the current debate in trademark law over what constitutes use in commerce and likelihood of confusion, the courts and Congress have had to determine what types of digital transmissions and what media should be considered protected under copyright law, and how this protection should occur.[81]

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[70] *Id.*

[71] Rescuecom Corp. v. Google, Inc., 562 F.3d 123 (2d Cir. 2009) (reversing the District Court's holding, deeming use of a trademark as a keyword is use in commerce, but not deciding the likelihood of confusion issue).

[72] *Id.* at 124.

[73] Rescuecom Corp. v. Google, Inc., 456 F. Supp. 2d 393, 404 (N.D.N.Y. 2006).

[74] *Id.* at 400.

[75] *Id.*

[76] *Id.* at 404.

[77] *Rescuecom,* 562 F.3d at 123.

[78] *Id.* at 131.

[79] *Id.*

[80] *See* S. REP. No. 104–128, at 11 (1995), *reprinted in* 1995 U.S.C.C.A.N. 356, 358 (discussing how technology had and would continue to impact the delivery of sound recordings).

[81] *See* Metro-Goldwyn-Mayer Studios, Inc., v. Grokster, Ltd., 545 U.S. 913, 919 (2005) ("[O]ne who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of

According to the Copyright Act, music has two components: 1) a song written by a composer called a musical work, which is typically co-owned with a publisher;[82] and 2) the recorded version of the song called a sound recording, which is typically owned by the record label that produces the sound recording.[83]

This bifurcation of a song carries particular importance when determining public performance rights.[84] The owner of the musical work, or the writer/publisher, is the only copyright owner of a song that earns royalties for an analog (i.e. traditional radio) performance of this song.[85] Both the owner of the musical work and the owner of the sound recording get paid when a song is played via a digital transmission.[86] The Copyright Act defined a "digital transmission" as, "[A] transmission in whole or in part in a digital or other non-analog format."[87] Examples of a digital transmission include Internet radio such as Pandora and satellite radio such as SIRIUS XM Radio.[88]

A performance rights organization ("PRO") facilitates public performance royalty payments to the owners of musical works and sound recordings.[89] Three PRO's in the United States collect public performance royalties for musical works: The Association Society of Composers, Authors and Publishers ("ASCAP"), Broadcast Music, Inc ("BMI"), and Society of European Stage Authors & Composers ("SESAC").[90] These groups collect and distribute royalties to song writers or publishers of musical works for any analog or digital public performance of a musical work.[91] SoundExchange collects royalties for digital public performances of sound recordings.[92] Currently, the owner of a sound recording does not have a public performance right for analog transmissions.[93]

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infringement by third parties."); Bridgeport Music, Inc. v. Dimension Films, 383 F.3d 390, 396 (6th Cir. 2004) (holding that 17 U.S.C. § 114(b) required a different analysis for sound recording copyrights than for musical works copyrights); Bonneville Int'l Corp. v Peters, 347 F.3d 485, 500 (3d Cir. 2003) (holding the scope of the exemption set forth in 17 U.S.C. § 114(d)(1)(A) of the Digital Performance Right in Sound Recordings Act was ambiguous, therefore the USCO was empowered by Congress to interpret the ambiguity of "broadcast" to include Internet streaming).

[82] 17 U.S.C. § 102(a)(2) (2006).

[83] *Id.* § 102(a)(7).

[84] *Id.* § 106(4), (6) (stating for a musical work, the copyright owner has the exclusive right to any type of public performance, while the sound recording copyright owner only has exclusive right to a public performance via digital transmission).

[85] *Id.* § 106(4).

[86] *Id.* § 106(4), (6).

[87] *Id.* § 101.

[88] Pandora Internet Radio, http://www.pandora.com (last visited Jan. 21, 2010); Press Release, SIRIUS XM Announces New Programming Launch on Exclusive Oprah Radio (Sept. 10, 2009) (on file with author). (describing the technology behind the satellite radio service).

[89] JEFFREY BRABEC & TODD BRABEC, MUSIC MONEY AND SUCCESS: THE INSIDER'S GUIDE TO MAKING MONEY IN THE MUSIC BUSINESS 31 (5th ed. 2006).

[90] *See id.*

[91] *See id.*

[92] *See* 37 C.F.R. § 261.4(c) (2009) (designating SoundExchange as the performance rights organization to collect and distribute digital performance royalties for artists and sound recording copyright owners).

[93] *See* 17 U.S.C. § 106 (stating owners of sound recording copyrights do not include analog public performances).

2. Licensing Structures for Analog and Digital Public Performances

Various forms of licenses exist within the music industry, including compulsory and negotiated.[94] The compulsory or mechanical license under section 115 of the Copyright Act grants the right to re-record a musical work. [95] A compulsory license under section 115 applies to analog and digital sales.[96] It requires the licensee to pay the licensor a statutory dollar amount per song per copy reproduced.[97]

Except for limited exceptions, any party that wishes to publically perform a musical work in the United States must secure a license to do so from ASCAP, BMI, or SESAC.[98] Up until 1971, however, the United States did not recognize a federal copyright in sound recordings.[99] Congress enacted the Sound Recording Act of 1971 ("SRA") to prevent "piracy due to advances in duplicating technology."[100] The act granted sound recording copyright owners a limited bundle of rights of reproduction, distribution, and adaptation.[101] The act did not grant public performance rights, under the "presumption that the granted rights would suffice to protect against record piracy."[102]

In the years following the implementation of the SRA leading up to the Copyright Act of 1976, Congress heard testimony from the Register of Copyrights and others lobbying for a public performance right for sound recordings.[103] Broadcasters and others who publically performed sound recordings opposed the adoption of such a right.[104] In 1978, the U.S. Copyright Office ("USCO") again recommended a sound recording public performance right.[105] In a report issued to Congress, the USCO wrote, "[A] sound recording performance right, applicable to all public performances, would be 'entirely consonant with the basic principles of copyright law generally, and with those of the 1976 Copyright Act specifically.'"[106] The USCO recognized that advancing technology could provide sound recording owners with substantial revenue streams.[107]

In spite of these recommendations, Congress failed to enact any legislation for the next 13 years.[108] In 1991, the USCO issued a report that addressed the future of sound recording copyrights.[109] It stated that "[d]igital represents such a technological advance in sound delivery that it is certain to be the audio transmission

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[94] *See* BRABEC, *supra* note 89, at 287.

[95] 17 U.S.C. § 115(a).

[96] *Id.*

[97] *Id.* § 115(c). The current rate is 9.1 cents per copy per song or 1.75 cents per minute of playing, whichever is greater. Mechanical License Royalty Rates, http://www.copyright.gov/carp/m200a.pdf (last visited Jan. 21, 2010) [hereinafter Copyright Compulsory License].

[98] *See* BRABEC, *supra* note 89, at 287.

[99] *See* S. REP. No. 104–128, at 10 (1995), *reprinted in* 1995 U.S.C.C.A.N. 356, 357 (explaining the Sound Recording Act of 1971).

[100] *See id.*

[101] *See id.*

[102] *See id.*

[103] *See id.*

[104] *See id.*

[105] *See id.* at 10–11.

[106] *See id.* at 11.

[107] *See id.*

[108] *See id.*

[109] *See id.*

medium of the future."[110] The report recommended, once again, that Congress extend a public performance right to sound recordings.[111]

Based on the 1991 USCO report, the House Judiciary Subcommittee on Courts and Intellectual Property hosted discussions with several groups, including broadcasters, cable and satellite digital audio service providers, and music copyright owners, to build consensus over sound recording legislation.[112] Broadcasters lobbied against adding the right, arguing that the public performance of sound recordings drove sales of the sound recordings that were being performed.[113] On the other hand, the sound recording copyright owners argued that digital public performances did not drive sales, but rather led to music piracy resulting in decreased sales.[114] Balancing these varying interests, Congress created a digital public performance right for sound recordings with the Digital Performance Right in Sound Recordings Act of 1995 ("DPRSRA").[115] Analog performances of sound recordings, in particular traditional radio, were not covered in the Act.[116]

In 1998, Congress passed the Digital Millennium Copyright Act ("DMCA").[117] The DMCA indicated that the "digital audio transmission" included the webcasting business.[118] This act created a new statutory license that provided a blanket license to Internet radio stations.[119] This license allowed the Internet radio stations to play any music without fear of copyright infringement or the burden of having to negotiate individual licenses from each label group.[120] The DMCA, however, did not establish a statutory rate for the license.[121] The USCO established the Copyright Arbitration Royalty Panel ("CARP") to determine what the royalty rate would be between 1998–2005.[122]

The structure for creating statutory royalties proved controversial due to the resistance of small webcasters to the high licensing fees established by the USCO.[123] The Librarian of Congress rejected the rates set by CARP and as a result revised the rates downward.[124] Congress intervened by enacting the Small Webcaster Settlement Agreement ("SWSA") of 2002 and by appointing SoundExchange to collect

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[110] *See id.* (quoting the 1991 Register of Copyright, Report on Copyright Implications of Digital Audio Transmission Services).

[111] *See id.*

[112] *See id.* at 12.

[113] *The Performance Rights in Sound Recordings Act of 1995: Hearing on S. 227 Before the S. Comm. On the Judiciary*, 104th Cong. 1 (1995) (statement of Steven Randall, owner, Mountain West Audio Inc., a Muzak affiliate) (stating broadcasters do "not displace sales of prerecorded music, but rather promotes their sale . . .").

[114] *See* S. REP. No. 104–128, at 10 (1995), *reprinted in* 1995 U.S.C.C.A.N. 356, 357 (explaining the Sound Recording Act of 1971).

[115] Digital Performance Right in Sound Recording Act of 1995, Pub. L. No. 104-39, 109 Stat. 336 (codified at 17 U.S.C. § 106(6) (2006)).

[116] 17 U.S.C. § 106.

[117] Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860.

[118] 17 U.S.C. § 114(f)(5)(A).

[119] *Id.* § 114(f).

[120] *Id.*

[121] *Id.* § 114(f)(2)(A).

[122] *Id.* § 114(f)(2)(B).

[123] *See* H.R. REP. NO. 111–139, at 2 (2009).

[124] *See id.*

and distribute the royalties.[125] The traditional PRO's were not set up to handle the additional administrative tasks of paying digital royalties directly to sound recording owners, so the USCO appointed SoundExchange to collect and distribute all sound recording owners' royalties.[126]

The Copyright Royalty and Distribution Reform Act of 2004 abolished CARP and created the Copyright Royalty Board ("CRB").[127] In March 2007, the CRB announced royalty rates for 2006–10.[128] Small webcasters did not respond well to these rates either.[129] As a result, Congress enacted the Webcaster Settlement Act of 2008, which gave SoundExchange a limited statutory authority to negotiate and enter into alternative royalty fee arrangements with webcasters from 2006–10.[130] Another opportunity to negotiate alternative fee arrangements was given to webcasters and SoundExchange in 2009 through the Webcaster Settlement Act of 2009.[131] This act treated sites differently depending on their size and business model.[132] For example, it required large Internet radio stations, such as Pandora, to pay the greater of twenty-five percent of their revenue or a specific fee each time a song is heard.[133] Smaller sites, such as AccuRadio, will be required to pay between twelve to fourteen percent of revenue in royalties.[134] This is only the latest chapter in the ongoing struggle of digital public performance rights of sound recordings.[135]

II. ANALYSIS

A. Finding the Nexus Between the Public Performance Right of Digital Sound Recordings and Trademark Use in Paid Search

Understanding the monetary impact that trademark use in keywords in paid search has had on trademark owners would help to craft and expedite a solution to this issue.[136] A comparable lost revenue exigency led to the creation of the performance right for digital transmissions of sound recordings.[137] Copyright owners

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[125] 37 C.F.R. § 270.5(c) (2009).

[126] *Id.*

[127] *See* H.R. REP. NO. 111–139, at 2.

[128] *See id.*

[129] *See id.*

[130] *See id.*

[131] *See id.*

[132] *See* Notification of Agreements Under the Webcaster Settlement Act of 2009, 74 Fed. Reg. 40,614, 40,615, 40,618, 40,622, 40,625–26, (Aug. 12, 2009) (to be codified at 17 U.S.C. § 114(f)(5)).

[133] *See id.* at 40,615; *see also* Claire Cain Miller, *Music Labels Reach Deal With Internet Radio Sites*, N.Y. TIMES, July 8, 2009, at B2 (explaining the terms of the Webcaster Settlement Act of 2009).

[134] *See* Claire Cain Miller, *supra* note 133.

[135] *See* Notification of Agreements Under the Webcaster Settlement Act of 2009, 74 Fed. Reg. 40,614.

[136] *See, e.g.*, Storus Corp. v. Aroa Mktg., Inc. No. C-06-2454-MMC, 2008 WL 449835, at *4 (N.D. Cal. Feb. 15, 2008) (describing how campaigns are measured to assess potential damages through clicks and impressions).

[137] *See* S. REP. NO. 104–128, at 14 (1995), *reprinted in* 1995 U.S.C.C.A.N. 356, 361 (explaining the Sound Recording Act of 1971).

of sound recordings quantified their revenue loss through lost CD sales.[138] No party has quantified trademark owners' lost revenue and decrease in value of their marks due to competitors' use of their marks as keywords in paid search.[139] Trademark owners generally believe that this use results in lost sales, but no hard data exists to back up this assertion.[140] The loss to the trademark owner becomes harder to quantify because this use can decrease brand value, public perception of a mark, and the goodwill that a party has garnered for its mark.[141] U.S. courts do not have clear guidance from the Lanham Act regarding trademark use as keywords in search engine advertising programs.[142] The solution to clarify this gray area in the law lies within the United States Supreme Court or Congress.[143] The Supreme Court could interpret the Lanham Act as banning the use of another entities' trademark in keywords in paid search programs altogether.[144] Alternatively, Congress could address this issue as it did with digital transmissions of sound recordings by bringing the Lanham Act up to date with technology and providing an additional revenue stream for trademark owners.[145]

As two forms of intellectual property, copyrights and trademarks possess different protection needs in the digital space.[146] The similarities of the struggles, however, to keep the respective intellectual property statutes current with technological advances and how consumers encounter copyrights and trademarks through technology is strikingly similar.[147] At the crux of the issue for both copyright and trademark owners lies the issue of lost revenues.[148] These similarities provide a foundation to begin the analysis of how the evolution of the copyright royalty structure for digital transmissions of sound recordings can be applied to the current

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[138] *See id.*

[139] *But see Storus Corp.*, 2008 WL 449835, at *4. Aroa had purchased Storus' mark as a keyword as well as used the mark in its Google AdWords ad copy. *Id.* Storus provided the court with metrics around how many times the ad appeared (impressions) as well as how many times the ad was clicked on (click-through-rate). *Id.* The court accepted the click-through-rate to "establish the requisite use." *Id.* at *6.

[140] *See* Mark Bartholomew, *Making a Mark in the Internet Economy: A Trademark Analysis of Search Engine Advertising*, 58 OKLA. L. REV. 179, 196 (2005) (describing the need for more empirical evidence to show the impact of trademark use as keywords in paid search).

[141] *See* Barton Beebe, *The Semiotic Analysis of Trademark Law*, 51 UCLA L. REV. 621, 623 (2004) (describing the value of trademarks in the digital marketplace).

[142] *See* Rescuecom Corp. v. Google, Inc., 562 F.3d 123, 140–41 (2d Cir. 2009) ("It would be helpful for Congress to study and clear up this ambiguity.").

[143] *See id.*

[144] *See, e.g.*, H.B. 450, 2009 Gen. Sess. (Utah 2009) (proposing the ban of the use of trademarks as keywords within a "qualified interactive information service" within the state of Utah).

[145] *See* 17 U.S.C. § 114(f) (2006); *see also* PAUL GOLDSTEIN, INTELLECTUAL PROPERTY: THE TOUGH NEW REALITIES THAT COULD MAKE OR BREAK YOUR BUSINESS 127 (Penguin Books 2007) (describing how trademark owners need to lobby Congress for additional rights in a similar manner in which copyright owners went to Congress).

[146] *See* GOLDSTEIN, *supra* note 145, at 127.

[147] *See id.*

[148] *See* S. REP. NO. 104–128, at 10 (1995), *reprinted in* 1995 U.S.C.C.A.N. 356, 357 (explaining the purpose of giving sound recording copyright owners copyright protection was to protect their livelihood in light of new technology development); Storus Corp. v. Aroa Mktg., Inc., No. C-06-2454-MMC, 2008 WL 449835, at *4 (N.D. Cal. Feb. 15, 2008) (showing potential lost revenue by diverted clicks).

trademark use issues within new technology and how to appropriately compensate trademark owners.[149]

B. Digital Public Performance Rights and Licenses

1. Issues that Caused the Digital Public Performance Right for Sound Recording Copyright Owners to Come Into Being

The public performance right for sound recording copyright owners went through a similar evolution that trademark law is currently experiencing.[150] Throughout the life of the 1909 Copyright Act, analog formats such as player pianos, jukeboxes, and radio were the primary media available for public performances of sound recordings.[151] Per the Copyright Act of 1976, the owner of a sound recording does not have the exclusive right to a public performance of the recording.[152] The historic reasoning behind this was that the public performance was essentially advertising for the owner of the sound recording, which led to more sales of the sound recording (in hard copy—usually CD format), thus allowing the owner of the sound recording to get paid.[153]

Advances in technology reframed this traditional model.[154] Initially, duplicating technology allowed consumers to obtain copies of sound recordings without purchasing them.[155] This traditional model was further disrupted by the availability of high-quality versions of songs over satellite or cable systems, sometimes on demand.[156] Next, and more significantly, downloading and streaming music over the Internet made sound recordings available through means that did not promote CD sales.[157] The owner of a sound recording did not receive remuneration for performances of his works streamed or downloaded over the Internet, legally or illegally.[158] A website could provide a sound recording to the end user, who then had the ability to capture this recording onto his own computer or listening device and

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[149] *See* Digital Performance Right in Sound Recording Act of 1995, Pub. L. No. 104-39, 109 Stat. 336 (codified at 17 U.S.C. § 106(6) (2006)).

[150] *See* BRABEC, *supra* note 89, at 107.

[151] *See, e.g.*, H.R. REP. NO. 94–1476, at 107, 111–12 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5727 (explaining an issue that dealt with the public performance right for jukebox performances of sound recordings).

[152] 17 U.S.C. § 106 (2006).

[153] *See, e.g.*, *The Performance Rights in Sound Recordings Act of 1995: Hearing on S. 227 Before the S. Comm. on the Judiciary*, 104th Cong. 1 (1995) (statement of Steven Randall, owner, Mountain West Audio Inc., a Muzak affiliate).

[154] *See* S. REP. NO. 104–128, at 14 (1995), *reprinted in* 1995 U.S.C.C.A.N. 356, 361 (explaining that copyright law was inadequate to deal with the public performance ramifications of new technologies).

[155] *See id.* at 13–14.

[156] *See id.* at 14.

[157] *See, e.g.*, Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 545 U.S. 913, 920 (2005) (stating that peer-to-peer networks were used to share and download copyrighted works without compensating the sound recording copyright owner for the public performance).

[158] *See, e.g.*, *id.*

circumvent any payment requirement for the sound recording.[159] This caused copyright owners of sound recordings to seek additional protection.[160]

Sound recording owners were losing CD sales and not being paid for the public performances of digital transmissions of their music.[161] The theory that the analog public performance promotes sales has validity.[162] The sales-leader argument becomes substantially weaker, however, relative to digital public performances.[163] When an FM radio station broadcasts a sound recording, the only way a listener can obtain a copy of that sound recording is to record the actual transmission.[164] This practice is cumbersome and most likely results in a poor-quality recording.[165] To obtain a quality copy of the recording, a consumer must either purchase a hard copy of it or purchase an electronic copy via a service such as iTunes.[166] Traditional analog radio, therefore, helps to drive sales.[167] On the other hand, when the sound recording is performed publicly in a digital format, the listener can easily capture on a computer a precise replication of the sound recording.[168] The issues of access or timing no longer exist with a digital public performance.[169]

The sound recording copyright owners' outcry led to the creation of the digital public performance right.[170] This created a new revenue stream for sound recording owners.[171] Copyright law grants the copyright owner a bundle of exclusive rights on his copyrights.[172] The copyright owner may choose to not allow anyone to use the work, or may choose to freely allow anyone to use it, with or without compensation.[173]

Congress intervened regarding the digital public performances of sound recordings when it realized that the Copyright Act as applied to the marketplace presented an unfair situation for sound recording owners.[174] Congressional

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[159] *See id.*

[160] *See* S. REP. NO. 104–128, at 10 (1995), *reprinted in* 1995 U.S.C.C.A.N. 356, 357 (explaining that sound recording copyright owners testified before Congress in favor of a public performance right).

[161] *See id.*

[162] *See The Performance Rights in Sound Recordings Act of 1995: Hearing on S. 227 Before the S. Comm. on the Judiciary*, 104th Cong. 1 (1995) (statement of Steven Randall, owner, Mountain West Audio Inc., a Muzak affiliate).

[163] *See, e.g.*, *Metro-Goldwyn-Mayer Studios*, 545 U.S. at 920 (showing the digital access to copyrighted works via peer-to-peer file sharing in this case can easily infringe the owner's rights).

[164] *See* S. REP. NO. 104–128, at 11 (1995), *reprinted in* 1995 U.S.C.C.A.N. 356, 358 (explaining how digital technology created new opportunities to capture sound recordings).

[165] *See* Recording Indus. Ass'n of Am. v. Diamond Multimedia Sys. Inc., 180 F.3d 1072, 1073 (9th Cir. 1999) (explaining how sound quality degenerates with each successive recording from an analog source).

[166] *See id.*

[167] *See, e.g.*, *The Performance Rights in Sound Recordings Act of 1995: Hearing on S. 227 Before the S. Comm. on the Judiciary*, 104th Cong. 1 (1995) (statement of Steven Randall, owner, Mountain West Audio Inc., a Muzak affiliate).

[168] *See Recording Indus. Ass'n of Am.*, 180 F.3d at 1073.

[169] *See id.*

[170] *See* S. REP. NO. 104–128, at 10 (1995), *reprinted in* 1995 U.S.C.C.A.N. 356, 357 (explaining the purpose of giving sound recording copyright owners copyright protection was to protect their livelihood in light of new technology).

[171] 17 U.S.C. § 106(6) (2006).

[172] *Id.*

[173] *Id.*

[174] *Id.*

intervention is not necessary to make the law comply with every advance in technology.[175] In some instances, the market will normalize whatever impact the technology has had on the rights holder or the courts will interpret the existing law relating to new technology.[176]

In the realm of digital music, the marketplace in the mid-1990s was broken, with the rights holders losing sales.[177] A culture of theft had embedded itself into the marketplace, and without legislative and judicial intervention, the rights holders would not have received compensation.[178] In granting a public performance right for digital transmissions of sound recordings, Congress gave sound recording owners a new revenue stream.[179] This new revenue stream, however, created a complicated new set of problems.[180] Congress had to set a fair royalty rate and establish a system to collect and pay out the royalties.[181] Congress enacted CARP in 1998, and replaced it with CRB in 2002 to solve these issues.[182] Congress then allowed SoundExchange to negotiate alternative royalty rates in 2009.[183] The primary issue with the rates has been the impact on the long tail of the digital music marketplace—the small webcasters who could potentially have had to pay more in royalties than their Internet radio stations brought in.[184] A new rate plan that offered fair rates to small webcasters was established in 2009 with the assistance of SoundExchange.[185]

When this public performance right first came into place, the existing PRO's, ASCAP, BMI, and SESAC, were in the business of handling public performance royalties for musical works.[186] SoundExchange, on the other hand, provides sound recording owners accurate data relative to the sound recordings performed in the digital realm, including what work, when it was performed, and how many times it was performed.[187] SoundExchange already collected a royalty for other types of technology that came preloaded with copyrighted works.[188] Therefore, the USCO

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[175] *See* Carolina Saez, *Enforcing Copyrights in the Age of Multimedia*, 21 RUTGERS COMPUTER & TECH. L.J. 351 (1995) (discussing how contracts may be used to deal with licensing issues arising out of new technologies).

[176] *See, e.g.*, Sony Corp. of Am. v. Universal Studios, Inc., 464 U.S. 417, 431 (1984) (explaining that the Court must interpret the existing law without explicit guidance from Congress).

[177] *See* S. REP. No. 104–128, at 14 (1995), *reprinted in* 1995 U.S.C.C.A.N. 356, 361 ("[C]urrent copyright law is inadequate to address all of the issues raised by these new technologies dealing with the digital transmission of sound recordings . . . .").

[178] *See id.*; Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 545 U.S. 913, 920 (2005).

[179] 17 U.S.C. § 114(f) (2006).

[180] *See* H.R. REP. NO. 111–139, at 2 (2009) (stating the rates for digital performance of sound recordings proved difficult to negotiate for webcasters and sound recording owners).

[181] *See id.*

[182] *See id.*

[183] *See* Notification of Agreements Under the Webcaster Settlement Act of 2009, 74 Fed. Reg. 40,614, 40,615, 40,618, 40,622, 40,625–26, (Aug. 12, 2009) (to be codified at 17 U.S.C. § 114(f)(5)) (explaining the various rate structures negotiated for different types of webcasters).

[184] *See* H.R. REP. NO. 111–139, at 2.

[185] *Id.*

[186] *See* BRABEC, *supra* note 89, at 31.

[187] SoundExchange, http://www.soundexchange.com (follow "About" hyperlink; then follow "Royalty Distribution and SX Methodology" hyperlink) (last visited Jan. 21, 2010) (explaining the data source collection methodology) [hereinafter "SoundExchange"].

[188] *See id.* (follow "About" hyperlink).

appointed SoundExchange as the PRO for all digital transmissions and public performances of copyrighted sound recordings.[189]

Overall, it took almost twenty-five years for sound recording owners to obtain a recognized public performance right from the time they were first granted a copyright in their sound recordings.[190] It appears that the trademark use in keywords debate is heading down a similar path in terms of the time it is taking to figure out how to respond to the rights owners.[191]

C. Trademark Use in Keywords Through Paid Search Today

The majority of U.S. courts have held that the purchase of a trademark as a keyword through paid search constitutes a use in commerce; however, to date, none have held this use to constitute a likelihood of confusion.[192] The litigation surrounding this issue can be attributed, at least in part, to the evolution of technology that allows companies to market their goods by using their trademarks as keywords in paid search programs.[193] Search engines like Google and Yahoo! have provided new business models in the advertising space that allow advertisers to narrowly target their audiences through the search engine's technology.[194] Given these practices, search engine marketing has created challenges for trademark owners to protect their marks.[195] Trademarks are bought and sold from business to business as keywords without consumers knowing about this practice.[196] This has created the potential for confusion because consumers are not aware that the mark is being used by the competitor.[197] The confusion can occur with the end user believing

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[189] *See* 37 C.F.R. § 261.4(b–c) (2009).

[190] *See* S. REP. NO. 104–128, at 10–13 (1995), *reprinted in* 1995 U.S.C.C.A.N. 356, 357–360 (describing the general history of the sound recording copyright).

[191] *See* Rescuecom Corp. v. Google, Inc., 562 F.3d 123, 131 (2d Cir. 2009) (showing that more than 10 years after the first cases dealing with trademark use as keywords, courts still have not come to consensus as to the state of the law, and are still acting without Congressional direction).

[192] *See Rescuecom*, 562 F.3d at 131 (overturning the district court's dismissal of plaintiff's keyword trademark infringement claims against defendant for failure to demonstrate use in commerce; however also stating that it was not for the court to judge as to whether the practice is confusing); Buying for the Home, LLC v. Humble Abode, LLC, 459 F. Supp. 2d 310, 323 (D.N.J. 2006) (holding use of the competitor's mark on the Internet by purchasing the mark as a keyword was in commerce and was in connection with goods or services under 15 U.S.C. § 1127); Edina Realty, Inc. v. TheMLSonline.com, No. 04-4371, 2006 U.S. Dist. LEXIS 13775, at *10 (D. Minn. Mar. 20, 2006) (holding the plaintiff's mark was used commercially when sold as a keyword and in general, based on the plain meaning of the Lanham Act, the purchase of search terms is a use in commerce); Gov't Employees Ins. Co. v. Google, Inc., 330 F. Supp. 2d 700, 704 (E.D. Va. 2004) ("[W]hen defendants sell the rights to link advertising to plaintiff's trademarks, defendants are using the trademarks in commerce in a way that may imply that defendants have permission from the trademark holder to do so.").

[193] *See* GOLDSTEIN, *supra* note 145, at 125.

[194] *See* J.G. Wentworth v. Settlement Funding LLC, No. 06-0597, 2007 U.S. Dist. LEXIS 288, at *5 (E.D. Pa. Jan. 4, 2007) (explaining Google's AdWords program).

[195] *See Rescuecom*, 562 F.3d at 131.

[196] *See, e.g.*, *J.G. Wentworth*, 2007 U.S. Dist. LEXIS 288, at *17.

[197] *See, e.g.*, Brookfield Commc'n, Inc. v. W. Coast Entm't Corp., 174 F.3d 1036, 1066 (9th Cir. 1999) (holding that using a competitor's trademark in metatags is likely to cause initial interest confusion).

the trademark owner sanctioned the site, or that the trademark owner is connected with the site the end user lands on.[198] While the majority of U.S. courts have held that trademark use in paid search keywords is a use in commerce, the issue of whether this use has created a likelihood of confusion within the Lanham Act has yet to be determined in any case.[199]

1. *Impact of Current Issues to the Paid Search Industry and Trademark Owner*

Search engines claim it is not their responsibility to police trademark use within keywords.[200] In the U.S. Google, for example, does not restrict any trademark use in relation to keywords or copy.[201] Yahoo! and Bing, on the other hand, restrict trademark use to fair uses, descriptive or resellers.[202]

The monetary impact of this issue on the trademark owner can be quantified through damages awarded in court cases; however, most cases have settled out of court, with few allotting for damages.[203] Another method of quantifying the impact is to measure key performance indicators ("KPI") of the keyword in question.[204] The court in *Storus Corp. v. Aroa Marketing* measured the impact of the infringing activity by looking at the number of impressions and clicks generated by the infringing advertisement.[205] A method also exists to view conversions, which are the clicks that result in sales.[206] By measuring conversions by use of the keyword in sponsored search results, it is possible to quantify the monetary impact trademark use in keywords can have on the trademark owner.[207]

In search engine marketing where companies bid on keywords, typically the more popular keywords cost more than less popular keywords.[208] This presents a classic case of supply and demand.[209] If a trademark owner bids on his own mark as

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[198] *See* Gov't Employees Ins. Co. v. Google, Inc., 330 F. Supp. 2d 700, 704 (E.D. Va. 2004) (stating when trademarks are used as links in advertising, an implication exists that the trademark owner has given permission for the use).

[199] *See Rescuecom*, 562 F.3d at 131 (remanding to the district court to determine whether the practice of trademark use in keywords within paid search is confusing).

[200] *Compare* Yahoo! Trademarks, *supra* note 35, *and* Microsoft Ad Content Guidelines, *supra* note 35, *with* Google AdWords Trademark Policy, *supra* note *supra* note 35.

[201] *See* Google AdWords Trademark Policy, *supra* note 35.

[202] *See* Yahoo! Trademarks, *supra* note 35; Microsoft Ad Content Guidelines, *supra* note 35.

[203] *See* Google Inc. v. Am. Blind & Wallpaper Factory, Inc., No. C 03-5340, 2007 U.S. Dist. LEXIS 32450, at *21 (N.D. Cal. Apr. 18, 2007) (holding use in commerce but did not adjudicate consumer confusion and parties settled); Edina Realty, Inc. v. TheMLSonline.com, No. 04-4371, 2006 U.S. Dist. LEXIS 13775, at *10 (D. Minn. Mar. 20, 2006) (holding use in commerce but did not adjudicate consumer confusion and parties settled); *Gov't Employees Ins.*, 330 F. Supp. 2d at 704 (holding use in commerce, but the parties subsequently settled).

[204] *See* Storus Corp. v. Aroa Mktg., Inc., No. C-06-2454–MMC, 2008 WL 449835, at *4 (N.D. Cal. Feb. 15, 2008) (stating the court looked at the impressions and clicks as an indicator of the infringing impact).

[205] *See id.*

[206] *See* STEPHANIE DIAMOND, WEB MARKETING FOR SMALL BUSINESSES: 7 STEPS TO EXPLOSIVE BUSINESS GROWTH 112 (Sourcebooks 2008) (defining conversions).

[207] *See id.* at 168 (explaining how to track online campaign results through conversions).

[208] *See id.* at 152 (explaining that generic keywords cost more than niche keywords).

[209] *See id.*

a keyword and his competitor also bids on that same mark as a keyword, the cost of that keyword rises.[210] This situation raises the advertising price for the trademark owner for his own mark within the search engine sponsored advertising space.[211] This situation can cause companies to have to bid on their own brand name terms to reduce consumer confusion within search engines, even though they may normally not spend their marketing dollars in that way.[212]

The situation that the company Rosetta Stone has confronted concerning the use of its trademarks in paid search constitutes a vivid example of this scenario.[213] The company actively chose to not use its trademarks within search engine marketing; however, they were savvy enough to understand that competitors were using their trademarks in search engine marketing to sell either competing products or counterfeit products online.[214] Rosetta Stone began to bid on its own trademarks in order to outrank the competitors or counterfeiters within the sponsored links section of a search engine results page.[215] Not only does Rosetta Stone have to pay to protect its marks, it has to pay a premium because it competes with a competitor to use its own marks.[216]

2. Information Indexing for Natural Results vs. Paying for the Indexing in the Sponsored Links

The Lanham Act does not expressly make a party liable for using another's trademark as an information indexing tool.[217] In *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, the court held that the embedded use of a trademark name and site name in metatags was sufficient to create a likelihood of confusion.[218] At the time of this case, search engines used metatags as an indexing tool to rank the organic results.[219] Two fundamental shifts have occurred in web advertising since this case.[220] First, major search engines no longer use metatags for indexing natural search rankings.[221] This reduces the impact of using a trademark

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[210] *See* Jonathan J. Darrow & Gerald R. Ferrera, *The Search Engine Advertising Market: Lucrative Space or Trademark Liability?*, 17 TEX. INTELL. PROP. L.J. 223, 229 (2009) (describing factors that impact the cost of a keyword).

[211] *See id.*

[212] *See* Complaint at ¶52, Rosetta Stone Ltd., v. Google, Inc., No. 1:09cv736 (E.D. Va. July 10, 2009) (complaining that Google's practice of allowing non-trademark owners to bid on the Rosetta Stone mark as a keyword forced Rosetta Stone to also purchase this mark, and advertise on Google, "to reduce the likelihood that web users will be diverted to other websites").

[213] *See id.*

[214] *See id.*

[215] *See id.*

[216] *See id.* at ¶67.

[217] *See* Stacey L. Dogan & Mark A. Lemley, *Grounding Trademark Law Through Trademark Use*, 98 TRADEMARK REP. 1345, 1347 (2008).

[218] 174 F.3d 1036, 1059 (9th Cir. 1999).

[219] *See id.* at 1045.

[220] *See* Mark A. Thurmon, *Recent Developments in Trademark Law*, 9 WAKE FOREST INTELL. PROP. L.J. 1, 41–42 (2009) (describing current search engine technology).

[221] *See id.* at 42 ("[C]ourts . . . ignore what Google and others have said over and over again: keyword meta-tags are *not* indexed by Google and, therefore, have no impact on search results obtained using Google.").

in a metatag.[222] Second, the trademark use issue has gone from use within metatags for natural search result indexing to use as keywords within paid search results.[223] When a trademark is used in metatags for organic rankings, the trademark is not paid for by the party using the mark and consumers do not see or interact with the trademark.[224]

A debate exists regarding the scope of trademark owners' control over their marks in paid search.[225] One side argues that mark owners possess a property right in their mark, and therefore should retain tight controls over the mark's use.[226] The other side of the debate argues that such controls would result in a world where consumers cannot obtain access to all relevant information.[227] Natural search results are a combination of the quality score of the website within the search engine and a proprietary algorithm that the engine uses to rank the sites based on consumer interaction.[228] Consumers, in general, get the most relevant links within the natural search results when using a search engine.[229]

The relevancy of the results in the sponsored links is a completely different matter.[230] Google argues that its AdWords program creates relevant search results in its sponsored links because parties pay a fee to appear in this section.[231] Google claims it changed its AdWords policy to allow trademark usage in copy in order to offer more relevant search results to consumers.[232] This argument has flaws.[233] The sponsored links results cost advertisers money.[234] Unless every single entity on the Internet advertises on Google, the company could not possibly give consumers the

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[222] *See id.*

[223] *See id.* at 42–46.

[224] *See* JERRY LEE FORD, JR. & WILLIAM R. STANEK, INCREASE YOUR WEB TRAFFIC IN A WEEKEND 46–47 (Thomson Course Technology, 5th ed. 2008) (explaining how meta data is used within a website).

[225] *See* Dogan, *supra* note 217, at 1345 (2008) ("The debate over 'trademark use' has become a hot-button issue in intellectual property . . . law.").

[226] *See, e.g.*, Rescuecom Corp. v. Google, Inc., 562 F.3d 123, 126–27 (2d Cir. 2009) (offering an example of a mark owner asserting that it should retain exclusive control of its mark in paid search).

[227] *See* Graeme B. Dinwoodie & Mark D. Janis, Confusion Over Use: *Contextualism in Trademark Law*, 92 IOWA L. REV. 1597, 1640 n.181 (2007) (stating opposition to absolute property rights by trademark owners).

[228] *See* DIAMOND, *supra* note 206, at 149 (explaining how natural listings are displayed within search engines).

[229] *See id.*

[230] *See* Miguel Helft, *Companies Object to Google's Policy on Trademarks*, N.Y. TIMES, May 14, 2009, at B1 (offering Google's acknowledgment that relevancy of sponsored links is a different matter than those in the organic listings).

[231] *See id.*

[232] *See id.*

[233] *But see* Mike Gordon & Peppi Kiviniemi, *Google Wins Ground in Ad Case*, WALL ST. J., Sept. 23, 2009, at B6 ("Internet users expect more information to be returned as a result of a search than just the products of the firms that own the trademarks.").

[234] *See, e.g.*, Storus Corp. v. Aroa Mktg., Inc., No. C-06-2454–MMC, 2008 WL 449835, at *4 (N.D. Cal. Feb. 15, 2008) (discussing how parties pay to place ads within Google's AdWords).

most relevant searches within the sponsored links section.[235] The more relevant links appear in the natural results of the search.[236]

When an advertiser pays to appear within Google's sponsored links, it does not create a "relevant" result.[237] Rather, it simply creates a result that is relevant to the price that the term garnered in the marketplace.[238] A consequence of Google expanding its policy is that the prices for branded or trademarked keywords will be higher by allowing more companies to bid on them.[239] Google stands to increase its revenue by opening the flood gates on trademark use within its AdWords program.[240] This practice, however, will lead to trademark owners having significantly less control over the use of their marks in the paid search marketplace.[241]

Just as owners of sound recordings faced significant legal hurdles with procuring digital public performance rights, trademark owners are confronted with myriad obstacles in protecting their rights within paid search.[242] These range from whether the use of a trademark as a keyword constitutes a use in commerce, to whether it rises to the level of likelihood of confusion, to ancillary issues such as trademark use within the ad copy text.[243] My proposal aims to rectify this issue by monetizing the system through a licensing model.[244]

III. PROPOSAL

The issues facing trademark owners today on the Internet should lead to new legislation similar to how the outcry of sound recording copyright owners led to legislation that resulted in a new right and revenue stream for the copyright owner.[245] The legislation can do one of two things. First, it could ban the use of a

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[235] *See* DIAMOND, *supra* note 206, at 149 (explaining that Google's natural results are relevant because Google uses proprietary technology that indexes the vast majority of web pages).

[236] *See id.*

[237] *See id.*

[238] *See* GREGORY H. SISKIND, DEBORAH MCMURRAY & RICHARD P. KLAU, THE LAWYER'S GUIDE TO MARKETING ON THE INTERNET 124–25 (American Bar Association, 3d ed. 2007) (explaining the factors that impact the cost of clicks).

[239] *See* Helft, *supra* note 230 (quoting a digital marketing executive who asserted that the new policy will raise the cost of bids on brand terms).

[240] *See id.*

[241] *See id.* (showing advertisers' resentment at the increased ability of third parties to bid on their marks as keywords).

[242] *See* Rescuecom Corp. v. Google, Inc., 562 F.3d 123, 131 (2d Cir. 2009) (overturning the district court's dismissal of plaintiff's keyword trademark infringement claims against defendant for failure to demonstrate use in commerce; however also stating that it was not for the court to judge as to whether the practice is confusing); Storus Corp. v. Aroa Mktg., Inc., No. C-06-2454–MMC, 2008 WL 449835, at *7 (N.D. Cal. Feb. 15, 2008) (holding that Aroa infringed Storus' trademark by using the mark in the copy of the advertisement within its Google AdWords program).

[243] *See Rescuecom*, 562 F.3d at 131; *Storus*, 2008 WL 449835, at *7.

[244] *See* discussion *infra* Part III.

[245] *See* S. REP. NO. 104–128, at 10 (1995), *reprinted in* 1995 U.S.C.C.A.N. 356, 357 (explaining the purpose of giving sound recording copyright owners copyright protection was to protect their livelihood in light of new technology).

competitor's trademark as keywords in paid search programs altogether.[246] Alternatively, it could create a model that allows purchasers of other entities' trademarks as keywords in paid search programs to use those marks in a Congressionally regulated fashion in a similar way section 114 of the Copyright Act regulates the digital public performance of sound recordings and royalty payments.[247]

I propose the second option. If Congress legislated a royalty structure for the use of a competitor's trademark as keywords in paid search, it would face many issues similar to those it worked through regarding the performance right for digital transmissions of sound recordings.[248] These include how the rate should be measured, to whom and for what the fees should apply, who should collect the rate, and who is responsible for enforcing this system.[249]

A. Setting and Applying a Rate Structure

The fee for using a keyword in paid search should apply to any party that purchases a trademarked keyword for use of that keyword within paid search.[250] The rate could be calculated several different ways: 1) percent of the click cost of the trademarked keyword[251]; 2) flat fee per click[252]; 3) flat fee per thousand impressions[253]; or 4) flat fee based on a blanket license.[254] The United States Patent and Trademark Office ("USPTO") would have to enforce the rate structure in a similar manner that the Copyright Royalty Board enforces the digital public performance royalty rate structure.[255]

1. Percent of Click Cost of the Trademarked Keyword

For this rate system, when a party places a bid on a trademarked keyword, a percent of the cost of that keyword would go back to the trademark owner as a royalty or licensing fee for the use of that trademark.[256] In general, search engines

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[246] *See, e.g.*, Brookfield Commc'n, Inc. v. W. Coast Entm't Corp., 174 F.3d 1036, 1066 (9th Cir. 1999) (holding use of a competitor's trademark in the metatags of one's website is likely to cause confusion and is "exactly what the trademark laws are designed to prevent").

[247] *See* 17 U.S.C. § 114(f) (2006).

[248] *See* S. REP. No. 105–190, at 2–8 (1998) (describing the process Congress worked through to create a digital public performance sound recording right).

[249] *See, e.g.,* 37 C.F.R. § 261.3–.4 (2009) (explaining the royalty fees for public performance of sound recordings and the structure and terms for collection and distribution of the royalties).

[250] *See* SISKIND, *supra* note 238, at 124–25 (describing paid search programs).

[251] *See id.* (discussing the cost-per-click form of payment method in online advertising).

[252] *See* BRABEC, *supra* note 89, at 287 (stating that the fees for blanket licenses for musical works can be a flat fee).

[253] *See* SISKIND, *supra* note 238, at 127 (describing what cost per impressions ("CPM") is and how advertisers use the model).

[254] *See* MICHAEL A. ACZON, THE MUSICIAN'S LEGAL COMPANION 34–35 (Course Technology, 2d ed. 2008) (describing blanket licenses and how they are used to license small performance copyrights through the PRO's).

[255] *See* 17 U.S.C § 801(b)(1) (2006) (defining the duties of the Copyright Royalty Board).

[256] *See* SISKIND, *supra* note 238, at 124–25 (discussing the cost-per-click form of payment method in online advertising).

and SEM firms collect the required information for this structure based on the common cost per click ("CPC") model and could likely report on the specific trademarked terms.[257] The CPC model allows for the advertiser to run its ad on a search engine but only pay for the ad if a consumer clicks on it.[258] This rate structure is popular within SEM firms and advertisers because firms can manage an advertiser's budget to a narrow ROI range that the advertiser sets.[259] In addition, search engines, SEM firms, and advertisers are familiar with this system.[260]

Because the advertiser only pays for the click cost if the ad is clicked on, the trademark owner would only be paid each time the ad clicked on is triggered by the trademarked keyword.[261] The CPC model allows the market to determine the number of clicks the term gets and a percentage-based model allows for the market to determine the amount of fees collected by the trademark owner.[262] If the cost of a trademarked keyword goes up or down, so would the trademark owner's fee.

This model would likely require additional administrative work by the entity that would collect and distribute the fees.[263] The entity would need to possess the ability to separate the trademarked terms from non-trademarked terms in order to calculate which trademarked terms were clicked on and what the number of clicks were, as well as whether the owner bid on that term or another person or entity.[264]

The larger search engines currently have technology that separates out the trademarked terms from the generic terms as it is in use today to determine the costs of the trademarked vs. generic keywords to either the advertiser directly or the SEM firm.[265] Depending on the platform used, some SEM firms also have this capability as they sometimes offer varying fee structures for trademarked vs. generic keywords.[266]

2. Flat Fee Per Click of the Trademarked Keyword

A flat fee per click system would charge a flat rate per click of a trademarked term, regardless of the cost of the keyword.[267] This model varies from the percent of the trademarked keyword cost because this structure is a flat fee per click, regardless of the cost of the keyword or click.[268] In this model, the market would not determine

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[257]. *See, e.g.*, *In re* DoubleClick Inc. Privacy Litigation, 154 F. Supp. 2d 497, 504–05 (S.D.N.Y. 2001) (explaining the way DoubleClick, the largest Internet advertising service provider at the time, collected and stored data from users of DoubleClick affiliated websites).

[258] *See* SISKIND, *supra* note 238, at 124–25.

[259] *See* SISKIND, *supra* note 238, at 143 (describing how a program may be run to a specific ROI set by an advertiser).

[260] *See, e.g.*,In re *DoubleClick*, 154 F. Supp. 2d at 500.

[261] *See* SISKIND, *supra* note 238, at 124–25.

[262] *See id.*

[263] *See, e.g.*, 37 C.F.R. § 261.4(b–c) (2009).

[264] *See id.*

[265] *See* SISKIND, *supra* note 238, at 124–25.

[266] *See, e.g.*, *In re* DoubleClick Inc. Privacy Litigation, 154 F. Supp. 2d 497, 504–05 (S.D.N.Y. 2001).

[267] *See* BRABEC, *supra* note 89, at 287 (stating that the fees for blanket licenses for musical works can be a flat fee).

[268] *See id.*

the flat fee per click; however, it would drive the number of clicks each trademarked term received, thus having an impact on the fees generated for the trademark owner.[269]

The same administrative issues within the percent of click cost model apply to this model.[270] The difference is how the fee itself is calculated, which is less of a technological issue and more of an accounting issue that is easily solved.[271]

3. Flat Fee Per Impressions of the Trademarked Keyword

A flat fee per impressions would charge a flat fee for each time an ad is generated under the sponsored links section as a result of a trademarked keyword search.[272] A cost per thousand impressions ("CPM") model is used primarily for advertisers that are looking for brand awareness or are lead generators, and not necessarily online retailers.[273] The impressions are the important factor for these advertisers, as they simply want their message to get to as many consumers as possible, within the confines of their budget and target audiences.[274] The impressions are measured and priced by the thousand.[275] The number of impressions is typically exponentially greater than the number of clicks.[276]

The trademark owner's fee per impression would likely be much lower than the fee per click, but the quantity of impressions much higher.[277] This balances the resulting fee to the trademark owner to be similar to the flat-fee-per-click model.[278] The market impact is different than the per click model. Since the key indicator is impressions and not clicks, the driver of the fee is not the click-through rate but rather simply the search itself on that keyword.[279] This means that if the consumer searches on a specific keyword but immediately looks at something else on the page, the trademark owner would still be compensated if his sponsored link showed up in the results.[280]

The threshold for the trademark owner being paid is much lower based on market demand than that of the flat-fee-per-click model.[281] The search engine and cost per keyword drive the eventual success for the advertiser more so than market demand.[282] If two advertisers bid on the same trademarked term, the cost of the

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[269] *See* SISKIND, *supra* note 238, at 124–26 (describing how the market impacts advertisers' cost for keywords).

[270] *See, e.g.*, 37 C.F.R. § 261.4(b–c) (2009).

[271] *See id.*

[272] *See* SISKIND, *supra* note 238, at 127 (explaining how cost per impression advertising is used in the marketplace).

[273] *See id.*

[274] *See id.*

[275] *See id.*

[276] *See id.*

[277] *See id.*

[278] *See id.*

[279] *See id.*

[280] *See id.*

[281] *See id.*

[282] *See id.*

keyword will continue to rise until the bidding ends.[283] The impression that the consumer ultimately sees is primarily based on the fact that the advertiser paid more for the search term than the other party.[284] Thus, the cost of the keyword should come into play when calculating the trademark owner's fee for this model.[285] The same administrative and market impact factors apply to this model as the flat fee per click model.[286]

4. Flat Fee Based on a Blanket License

A blanket license would be an annual license issued through a centralized organization similar to SoundExchange for the digital sound recording public performance royalty.[287] This could consist of a flat-rate minimum fee for the use of the trademarked keyword.[288] The system could consist of a tiered rate structure based on the market value of the keyword, on the market demand of the keyword, or the size of the organization that owns the trademarked keyword.[289]

This model could mirror the set-up of the Small Webcaster's Settlement Agreement of 2009 ("SWSA") regarding the digital sound recording public performance royalty.[290] The SWSA allows smaller webcasters to play music over the Internet without being cost prohibitive, but still provides a royalty to the sound recording owners of the webcast.[291] It sets up a model that allows webcasters to negotiate a rate with SoundExchange somewhat based on the webcaster's own revenue stream.[292] The SWSA fee ends up being anywhere from twelve to twenty-five percent of the advertising revenue of the webcaster.[293] This rate structure could be mimicked in the paid search market.

Search engine marketing firms are ideally situated to collect this type of fee and administer the payments to the trademark owners.[294] SEM firms work with multiple search engines, already collect the data needed for payment (regardless of the rate model adopted), and have relationships with many advertisers involved in these types of transactions.[295] Regardless of the type of firm that would administer these royalties, it would need to be a non-profit, Congressionally sanctioned organization,

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[283] *See id.*

[284] *See id.*

[285] *See id.*

[286] *See, e.g.*, 37 C.F.R. § 261.4(b–c) (2009).

[287] *See* 17 U.S.C. § 114(f) (2006) (laying forth the blanket license for digital public performance of sound recordings).

[288] *See* Notification of Agreements Under the Webcaster Settlement Act of 2009, 74 Fed. Reg. 40,614, 40,615, 40,618, 40,622, 40,625–26, (Aug. 12, 2009) (to be codified at 17 U.S.C. § 114 (f)(5)).

[289] *See id.*

[290] *See id.*

[291] *See id.*

[292] *See id.*

[293] *See id*; *see also* Miller, *supra* note 133.

[294] *See, e.g.*, *In re* DoubleClick Inc. Privacy Litigation, 154 F. Supp. 2d 497, 500 (S.D.N.Y. 2001) (discussing the business structure of DoubleClick, an SEM firm).

[295] *See id.* at 502.

similar to what SoundExchange is today to the digital public performance royalty administration.[296]

B. Compulsory Use vs. Compulsory Rate Structure

Another issue Congress must address is whether the use of the trademark or the rate or rate structure imposed on the trademark use should be compulsory.[297] I propose that the rate should be compulsory but the use optional.

1. Compulsory Use and Rate

Compulsory use of a trademark would mean that the trademark owner could not prevent another entity from bidding on and using its trademark in paid search.[298] This would also mean that a rate for the use of the trademark as the keyword would be compulsory.[299] While this model works well in copyright for mechanical licensing, it would probably not bode well in the trademark world where likelihood of confusion is the primary concern.[300] The inherent value in a trademark is that no person or company may use it without the owner's permission (fair use exceptions aside) due to the public perception and goodwill that the mark is determined to represent and the potential likelihood of confusion that may ensue from another's use.[301] If the use of the mark were compulsory, this would essentially impinge on the owner's most basic rights within the mark to protect their own market perception and goodwill.[302]

2. Compulsory Rate Only

Another possible solution is to make only the rate compulsory, not the use.[303] If an advertiser wanted to use another entity's trademark as a keyword in a search, the trademark owner would need to give permission, but would not be able to set the rate.[304] The rate would be legislatively set, per one of the models explained above.[305]

This model would require a centralized organization to administer the licenses between trademark owners and the licensees.[306] While potential licensees could track down trademark owners individually, this would be an impracticable and cost

[296] *See, e.g.*, 37 C.F.R. § 261.4(b–c) (2009).

[297] *See* 17 U.S.C. § 115 (2006) (setting forth the compulsory license for making and distributing musical works).

[298] *See id.*

[299] *See id.*

[300] *See id.* § 1114 (setting forth likelihood of confusion as the primary element for trademark infringement).

[301] *See id.*

[302] *See id.*

[303] *See, e.g.*, Copyright Compulsory License, *supra* note 97 (describing the compulsory license rates for recording and distributing musical works).

[304] *See, e.g.*, *id.*

[305] *See, e.g.*, *id.*

[306] *See, e.g.*, 37 C.F.R. § 261.4(b–c) (2009).

prohibitive practice for licensees to undertake.[307] An organization would need to be established for the licensing and royalty structure that would administer the licenses and royalties, similar to the function that SoundExchange provides in the digital public performance royalty administration.[308]

3. Administering a Compulsory Model

Regardless of whether the use and rate are compulsory or just the rate, this proposed model would result in increased administrative needs for both search engine marketing firms and search engines.[309] Both entities would need to enhance their technologies that currently differentiate between a trademarked term and a non-trademarked term to also delineate a licensed trademarked term from and a non-licensed trademarked term.[310]

An additional issue emerges when deciding who would police the use: the centralized agency that handles the licensing, the search engine, the search engine marketing firm, or the trademark owner.[311] This management issue should be determined based on the technology that is developed to track the use and where that technology resides.[312]

C. For Profit or Pass-Through Rate?

In light of the additional resources required to administer any of these monetized models, a consideration is whether the fee, regardless of structure or compulsory nature, is for profit for the entity that administers this structure or a straight pass-through of the royalties (less administrative fees) to the trademark owner.[313]

1. For Profit

If the rate were for profit, the first question is who receives the profit.[314] The trademark owner would receive the rate itself.[315] The profit would seemingly go to the organization that administered the rates, licenses, or meets the general needs of

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[307] *See id.*

[308] *See id.*

[309] *See, e.g.*, *In re* DoubleClick Inc. Privacy Litigation, 154 F. Supp. 2d 497, 500, 504–05 (S.D.N.Y. 2001) (describing current administrative tactics to support an advertiser's campaign).

[310] *See, e.g.*, Rescuecom Corp. v. Google, Inc., 562 F.3d 123, 125–26 (2d Cir. 2009) (discussing the scope of Google's AdWords technology which currently does not include this additional technology).

[311] *See, e.g.*, 37 C.F.R. § 261.4(b–c) (choosing SoundExchange as the receiving and designated agent for royalties of digital public performance of sound recordings).

[312] *See id.*

[313] *See id.*

[314] *See* BRABEC, *supra* note 89, at 290 (stating that SESAC is a for-profit performance rights organization).

[315] *See id.*

the structure adopted.[316] The search engines, however, would likely want a cut of this profit, if the bulk of the model's success relied on their technology to aggregate the data needed to administer the model.[317] The profit would likely go to the firm or engine that developed the technology which allowed for the management of the licensed trademarked keywords within paid search.[318]

The second question is at what percentage this profit would be set.[319] The market could determine the profit if it were a set margin or markup of the cost of the keyword.[320] The more demand for the keyword, the higher the cost, and the higher the cost, the more profit would be generated.[321]

Congress would need to determine whether the rate would include a profit or portion for the administrative entity, or whether this profit would be set by the entity that administered the model.[322] This would likely drive the cost of the keyword up, and possibly make it cost prohibitive to license the trademark to use as a keyword.[323]

2. Pass Through Model

A pass through model sets a rate for the trademark owner, but allows for a percentage of the rate to be withheld by the administering entity to cover its costs.[324] This would essentially make the administering entity a non-profit organization.[325] The percentage withheld would be legislated to make it a standardized amount.[326]

This may increase the costs of the legislated rate, but likely not as much as a potential for-profit model.[327] This model would allow trademark owners to take control of the use of their mark.[328] They may choose to not allow anyone to use it as a keyword, or may choose to allow other companies to license the mark.[329] Companies should have the right to opt out of allowing other companies to license their mark, and they should not lose the right to litigate infringing uses of their mark.[330] Essentially, a trademark would not be able to be used as a keyword unless the owner of the trademark grants permission through a license.[331]

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316 *See id.*

317 *See id.*

318 *See id.*

319 *See id.*

320 *See* SISKIND, *supra* note 238, at 125 (explaining how the market determines the cost per click in paid search).

321 *See id.*

322 *See* 17 U.S.C. § 114(g) (2006) (describing the structure for royalty payments from digital sound recording transmissions).

323 *See* SISKIND, *supra* note 238, at 125.

324 *See* 17 U.S.C. § 114(g) (offering SoundExchange two-and-a-half percent of the royalty fee as an administrative fee).

325 *See id.*

326 *See id.*

327 *See id.*

328 *See* 15 U.S.C. § 1114(1) (indicating that a trademark owner must consent to the use of his mark by a third party, otherwise the third party potentially infringes the mark if he uses it in commerce).

329 *See id.*

330 *See id.*

331 *See id.*

This licensing model would not change the fair uses of trademarks in keywords, but would attempt to define them better.[332] Currently, courts determine the fair use based upon the facts specific to the case.[333] This legislation would clarify this use so as to delineate it from the license requirement.[334]

D. Counter-Arguments to this Paid Search Licensing System

The primary issue presented by these proposals is why a company would choose to license its mark for use in paid search.[335] The solutions proposed are primarily aimed at the "long tail" within the paid search industry.[336] This segment comprises advertisers who pay a minimum amount of money to maintain a presence online within paid search.[337] They may manage their paid search program in-house or work with a smaller SEM firm to handle it for them for a minimal fee.[338] These advertisers would not necessarily litigate the use of their trademarks, or possibly even know that other companies are using their marks.[339]

If the advertiser does not know about this activity, he may not be able to stop it.[340] If he is unaware of it, then the tendency is to think that the impact to his business is minimal.[341] But this is not necessarily the case. When SoundExchange began to administer the digital public performance royalty system, an issue emerged with sound recording copyright owners not claiming their royalties.[342] A similar situation may be happening with trademark owners who are unaware that their marks are being purchased by other advertisers. While the sound recording copyright owner was not directly losing money by his work being publicly performed, the trademark owner may be losing traffic to his website or sales of his goods, and may be experiencing a loss of reputation or dilution of his mark.[343]

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[332] *See* JOY R. BUTLER, THE PERMISSION SEEKER'S GUIDE THROUGH THE LEGAL JUNGLE 107–08 (Sashay Communications 2007) (explaining fair use within trademark law).

[333] *See id.*

[334] *See, e.g.*, Buying for the Home, LLC v. Humble Abode, LLC, 459 F. Supp. 2d 310, 329–30 (D.N.J. 2006) (discussing comparative advertising as a form of fair use of trademarks).

[335] *See generally* Irene Calboli, *The Sunset of "Quality Control" in Modern Trademark Licensing*, 57 AM. U. L. REV. 341 (2007) (describing the current trends in trademark licensing).

[336] *See* CHRIS ANDERSON, THE LONG TAIL: WHY THE FUTURE OF BUSINESS IS SELLING LESS OF MORE (Hyperion 2008) (discussing how technology allows businesses to provide their goods and services to niche markets).

[337] *See, e.g.*, Storus Corp. v. Aroa Mktg., Inc., No. C-06-2454-MMC, 2008 WL 449835, at *1 (N.D. Cal. Feb. 15, 2008) (showing an example of an advertiser with a narrow online marketing focus within paid search).

[338] *See id.* at *4.

[339] *See* STEPHEN ELIAS & RICHARD STIM, TRADEMARK LEGAL CARE FOR YOUR BUSINESS & PRODUCT NAME 256–57 (NOLO, 8th ed. 2007) (describing the cost of trademark infringement litigation).

[340] *See, e.g.*, Ben Sisario, *Old Songs Generate New Cash For Artists*, N.Y. TIMES, at E1 (Dec. 28, 2004) (explaining how many sound recording copyright owners did not know about the sound recording copyright and therefore did not collect).

[341] *See id.*

[342] *See id.*

[343] *See, e.g.*, Storus Corp. v. Aroa Mktg., Inc., No. C-06-2454-MMC, 2008 WL 449835, at *4 (N.D. Cal. Feb. 15, 2008) (looking at impressions and clicks as indicators of the infringing impact);

This proposal tends to go against the responsibility that a trademark owner has in policing his mark.[344] However, trademark owners do not have control of the use of their marks in paid search programs currently.[345] While the limited litigation on this issue has shown that the use of a trademark in keywords within paid search does constitute a use in commerce within the meaning of the Lanham Act, no case has determined whether this use has created a likelihood of confusion.[346] Therefore, the current paid search system can legally continue to sell trademarks as keywords.[347]

This proposal seeks to extend the control that a trademark owner has over his mark and take it out of a virtual purgatory regarding how he may police use of his marks in paid search programs.[348] This proposal will statutorily retain the strength of the mark as it relates to its use as a keyword in paid search without the owner having to employ extensive policing tactics.[349] In the new system, rather than third parties having a right to use another's mark in paid search without the mark owner's permission and without compensating the mark owner, the mark owner would retain control of whether his mark was licensed by third parties.[350] Part of the responsibility of the firm that administers the royalties would be to ensure compliance from mark owners.[351] If a mark is licensed, it would be because the owner has given strict permission as to that particular licensee.[352]

Another issue is the potential for trademark abandonment if a mark owner allows for another advertiser to license his mark but does not participate in paid search himself.[353] Not outbidding a competitor for one's own mark or disallowing a competitor to use one's own mark does not constitute abandonment of the mark today.[354] Mark owners may have this concern today, but under this proposal, they would no longer have this issue.[355]

This proposal would allow advertisers to ban the use of their marks if they choose.[356] It also creates a revenue stream for mark owners for an activity that currently takes place.[357]

Complaint at ¶58, Rosetta Stone Ltd., v. Google, Inc., No. 1:09cv736 (E.D. Va. July 10, 2009) ("Google intentionally traffics in the infringement and dilution of the Rosetta Stone Marks . . . .").

[344] *See* 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 17:17 (4th ed. 2009) (explaining how failure to police one's mark may cause the mark to lose significance in the marketplace, but that litigating "every possible infringing use to avoid a holding of abandonment" is not required).

[345] *See, e.g.*, Rescuecom Corp. v. Google, Inc., 562 F.3d 123 (2d Cir. 2009).

[346] *See id.* at 131 (remanding to the district court to determine if a likelihood of confusion exists when using a trademarked term as a keyword in paid search).

[347] *See* Google AdWords Trademark Policy, *supra* note 35.

[348] *See* Dogan, *supra* note 217, at 1347 (discussing the need for more clear guidance in trademark law on use of a trademarked keyword within paid search).

[349] *See* MCCARTHY, *supra* note 344.

[350] *See* 15 U.S.C. § 1055 (2006) (setting forth trademark owners' right to license their marks).

[351] *See, e.g.*, 37 C.F.R. § 261.4(b–c) (2009).

[352] *See* 15 U.S.C. § 1055.

[353] *See* MCCARTHY, *supra* note 344.

[354] *See id.*

[355] *See* Complaint at ¶52, Rosetta Stone Ltd., v. Google, Inc., No. 1:09cv736 (E.D. Va. July 10, 2009).

[356] *See* 15 U.S.C. § 1055.

[357] *See* 17 U.S.C. § 114(f) (laying forth the blanket license for digital public performance of sound recordings).

CONCLUSION

The magnitude of the impact of search engine marketing on trademark law has only recently started to come into focus.[358] As technology evolves and creates new streams of commerce, the laws to protect advertisers' and consumers' intellectual property rights rarely keep pace.[359] We witnessed this in the copyright arena with digital public performance rights for sound recording owners,[360] and we are witnessing it again in the trademark arena with the increased use of trademarks within paid search programs.[361]

Congress needs to decide whether advertisers who use competitor's trademarks in their own keywords for paid search are brilliant marketing strategists or are infringing the trademark owner's rights.

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[358] *See, e.g.*, Rescuecom Corp. v. Google, Inc., 562 F.3d 123, 131 (2d Cir. 2009) (holding Google's use of Rescuecom's trademark as a keyword in its AdWords program was a use in commerce).

[359] *See, e.g.*, Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 545 U.S. 913 (2005) (showing copyright holders' fight for stricter enforcement of their rights due to peer-to-peer file-sharing technology); *Rescuecom*, 562 F.3d 123 (showing trademark owners' asserting their rights in the paid search environment).

[360] *See* Digital Performance Right in Sound Recording Act of 1995, Pub. L. No. 104-39, 109 Stat. 336 (codified at 17 U.S.C. § 106(6) (2006)).

[361] *See Rescuecom*, 562 F.3d 123.