

Utah Law First to Place Restrictions on Keyword Advertising

By Jeffrey Becker and Leanne Stendell

On March 19, 2007, the Utah Legislature became the first state to restrict the purchase and use of trademarks as Internet search engine keywords that trigger advertisements. The sale of such keywords, known as keyword advertising, is big business for all the major search engines. When an Internet user searches for a keyword that the advertiser has purchased, the advertiser's ad appears as a "sponsored link" along with the search results. Many search engines freely permit advertisers to purchase third-party trademarks to trigger advertisements for their competing products, a practice that has trademark owners crying foul.

Trademark owners have sought protection from the courts, filing numerous federal lawsuits for trademark infringement against both the keyword advertisers and the ad providers, such as search engines, with mixed and often inconsistent results. The Utah law attempts to provide certainty.

The Utah law, named the Trademark Protection Act, creates a new kind of intellectual property right, the "electronic registration mark." Trademarks, service marks, trade names, and possibly even domain names, whether or not they are registered with the federal government or with any state, can be registered as electronic registration marks, provided that they are in use in the state of Utah to identify and distinguish the source of goods or services. The registration is valid for one year and must be updated annually.

Once a trademark owner registers its electronic registration mark, advertisers and advertising providers are prohibited from using and selling the mark to trigger advertising that is either (1) for directly competitive businesses, products, and services, or (2) likely to cause confusion between the business, goods, or services of the electronic mark registrant and the advertiser, even if the particular goods or services are not directly competitive. The law does not apply unless the Internet user viewing the ad, the advertiser, or the ad provider is located in Utah.

The Utah law has proven controversial in the first weeks following its enactment. While some trademark owners herald it as vital protection that will prevent third-party advertisers from misleading Internet users to their sites, keyword advertisers and ad providers object that it overreaches, prohibiting a form of permissible comparative advertising that offers consumers more options. Google, one of the largest keyword advertising providers and the defendant in several keyword advertising lawsuits, believes that the law is unconstitutional and that it will be overturned in court, though Google has not confirmed that it plans to file suit.

If you would like more information or have questions, please contact one of the Haynes and Boone attorneys listed below:

Jeffrey M. Becker
214.651.5066
jeff.becker@haynesboone.com

Leanne Stendell
214.651.5110
leanne.stendell@haynesboone.com