

No Confusion From Keywords: Federal Courts of Appeals Help Defendants Facing Trademark Suits on Paid Search

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In October 2024, both the US Courts of Appeals for the Second and Ninth Circuits issued published decisions that rejected trademark infringement claims based on advertising in keyword searches. While not precedent-breaking, these two decisions create a greater possibility that brands engaged in paid search advertising will be able to ward off either a disgruntled, soon-to-be plaintiff or one that has already filed.

At issue in both claims was paid search "conquesting," the practice of an advertiser bidding on its competitors' trademarks as keywords. This allows an advertiser to insert itself into a customer's search for a competitor — akin to ambush marketing on a micro, search-by-search scale. The competitors are rarely happy to see another brand crashing the search engine optimization (SEO) party.

In the Second Circuit case, which David Halberstadter's article in this issue discusses in further detail, the first link that appeared from a customer's Google search of "1800-Contacts" was an ad from a Warby Parker URL: "15% Off First Contacts Order – 90 Daily Contacts for Only \$55."¹ It was a similar story in the Ninth Circuit: searches for the law firm Lerner & Rowe first yielded advertising for the Accident Law Group.² In both, the competitors sued, claiming that consumer confusion was likely.

The trend from the courts has been that purchasing a competitor's name or mark as a keyword is not likely to cause confusion, and this is especially so when the resulting ads do not use the competitor's trademarks. In both of these cases, the advertisers followed this rule, and the competitor's marks were not used. Yet, despite following this "rule," both advertisers ended up in litigation. This is at least in part because there is not an easy way for the courts to adjudicate these cases without stepping into the multi-factor likelihood of confusion tests. These consist of weighing eight slightly different

iterations of factors under the Second Circuit's Polaroid test or the Ninth Circuit's *Sleekcraft* test.³ Additionally, these can be fact-intensive rulings.

Both cases offer boons to advertisers using this paid search tactic. In addition to contemporary, binding and precedential decisions to cite in response letters or briefs, these decisions provide hints of early exit strategies for brands.

First, the Second Circuit case proves that these claims are capable of being dismissed at the pleading stage. While the suit between the law firms in the Ninth Circuit progressed to discovery and summary judgment (with statistic and expert survey evidence being crucial in the discussion of whether actual confusion existed), the 1-800 Contacts dispute with Warby Parker was dismissed based on a motion for judgment on the pleadings. This makes it an outlier.

The bulk of the key decisions on paid search and trademark infringement spawn from review at summary judgment.⁴ Some are even Rule 50 motions for judgment as a matter of law. Here, the Second Circuit's willingness to evaluate the messy likelihood of confusion factors — even while taking the facts pleaded as true — demonstrates that defendants facing meritless suits should consider a motion to dismiss or for judgment on the pleadings: a tactic rarely taken by those defending themselves against Lanham Act claims.⁵

Accordingly, advertisers subject to similar unfair competition claims related to paid search should consider the costs associated with discovery against the risks of facing an early loss at the pleading stage.

Second, the concurrence in the Ninth Circuit case offers a framework to reconsider whether Lanham Act claims brought on the basis of search keywords are even viable. In that concurring opinion, Judge Roopali Desai recognizes the difficulty of the likelihood of confusion analysis and offers to rethink whether claims like these should be possible to bring:

[G]iven the predominance of the internet in our lives, this type of advertising has become commonplace. Scrolling through sponsored ads at the top of a results page is often the rule — not the exception — when using a search engine. The familiarity of sponsored ads to those navigating internet platforms makes the likelihood of confusion inquiry difficult, if not impossible, to satisfy.⁶

Prior Ninth Circuit precedent has ruled that keyword bidding on search platforms constitutes a "use in commerce," subjecting that conduct to potential liability under the Lanham Act.⁷ Judge Desai writes, "I am not convinced that we got it right or that our holding withstands the test of time and recent advancements in technology."⁸

She asks for reconsideration of this issue *en banc* and distinguishes other cases on internet search, explaining, "Consumers likely understand that, even when they search for a trademarked term, the sponsored results may not be associated with that trademark."⁹ If using a competitor's trademark during the keyword bidding process is not a "use in commerce," then the Lanham Act would not apply, barring a plaintiff from bringing these kinds of claims.

Unless the Ninth Circuit is able and willing to take up Judge Desai's offer, advertisers may have to wait quite a while until courts follow her approach of not treating paid keywords as a "use in commerce" under the Lanham Act. But her opinion suggests that the tides are shifting away from considering this kind of conduct as potential trademark infringement.

¹ *1-800 Contacts, Inc. v. JAND, Inc.*, --- F.4th ---, No. 22-1634, 2024 WL 4439136, at *3 (2d Cir. Oct. 8, 2024)

² *Lerner & Rowe PC v. Brown Engstrand & Shely LLC*, --- F.4th ---, No. 23-16060, 2024 WL 4537915 (9th Cir. Oct. 22, 2024).

³ *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir. 1961); *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348–49 (9th Cir. 1979).

⁴ See, e.g., *Multi Time Mach., Inc. v. Amazon.com, Inc.*, 804 F.3d 930, 935 (9th Cir. 2015) (summary judgment); *1-800 Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229, 1234 (10th Cir. 2013) (summary judgment); *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 152 (4th Cir. 2012) (summary judgment); *Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137, 1147 (9th Cir. 2011) (summary judgment); but see *Allied Interstate LLC v. Kimmel & Silverman P.C.*, No. 12 CIV. 4204 LTS SN, 2013 WL 4245987, at *1 (S.D.N.Y. Aug. 12, 2013) (granting motion for judgment on the pleadings).

⁵ <https://katten.com/motions-to-dismiss-in-meritless-trademark-infringement-claims-when-to-roll-the-dice>

⁶ *Lerner & Rowe*, 2024 WL 4537915, at *12.

⁷ *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, 638 F.3d 1137, 1144–45 (9th Cir. 2011)

⁸ *Lerner & Rowe*, 2024 WL 4537915, at *9.

⁹ *Id.* at *12.

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