IS PROFITING FROM THE ONLINE USE OF ANOTHER'S PROPERTY UNJUST? THE USE OF BRAND NAMES AS PAID SEARCH KEYWORDS

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ABSTRACT

This article begins with a basic question: Is Google's profiting from the use of another's brand in its AdWords program unjust? Answering that question will profoundly affect the online economy. Indeed, many services, including most of those offered by Google, are funded by advertising revenue, a large portion of which comes from the sale of third-party brand names. Academic articles and court opinions thus far have applied trademark law when evaluating liability. The consensus view, including the Fourth Circuit's recent *Rosetta Stone* opinion, finds no infringement by Google—third-party purchasers of AdWords may be liable for dilution or infringement claims—even though Google profits from every sale while brand owners often suffer a prejudice from the sale and use of their brand name. If one agrees that this misuse is a wrong that must be remedied, are there other avenues to explore beyond the strictures of trademark law? The law usually takes a dim view of one who uses a third party's property without authorization and yet in the case of AdWords, it has not—at least not up to now. This inconsistency arises from a failure to reach beyond the limits of trademark law in search of a remedy.

After evaluating several legal and equitable bases for a remedy and surveying the preemption question as it interfaces with trademark law, the authors advance unjust enrichment as the best legal basis of liability and remedy for the

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unauthorized, profitable and therefore wrongful use of another's property. Such a remedy would impose reasonable limits on the use of brand names in AdWords.

TABLE OF CONTENTS

I. INTRODUCTION

When one person uses someone else's property without permission to make a profit in a way that might negatively affect the value of that asset, it is natural to think that the owner would have a remedy before a court of law. Yet Google is making enormous profits selling the right to use other people's (or entities') brand names for advertising purposes by selling paid search keywords—or what Google identifies by its registered trademark "AdWords"—every day.[1] AdWords (and similar programs provided by other online providers and search engines) allows anyone to purchase real estate on Google's search

[1] *See* Rescuecom Corp. v. Google Inc., 562 F.3d 123, 125–26 (2d Cir. 2009). Rescuecom alleged that AdWords accounted for 97% of Google's revenue. *Id.* at 126.

results lists. The ads, in the form of brief text and sponsored links, are prominently displayed on results lists linked to certain search terms purchased by the advertiser. Organic results from the user's search are displayed in a list format with results deemed by Google's proprietary algorithms to be most relevant at the top of the list and less relevant results at the bottom of the list and on following pages.[2] However, advertisements are generally displayed in a group at the very top of the list (that is, before organic results). Advertisements are also displayed through banners and sometimes as lists in a column on the side of the page.[3] As can be observed, the result is essentially an integrated list of search results, in some cases with only some slight background shading differentiating the sponsored links (ads) from organic search results. These advertisements, while topping the list of search results, are not based solely on a relevancy algorithm, but rather on keywords purchased by the highest-bidding advertiser.[4]

Advertisers pay Google for each click by a user on their sponsored link.[5] Because of this payment structure, Google has an incentive to encourage advertisers to purchase keywords that will result in clicks on their advertisement. In fact, Google has implemented a keyword suggestion tool program towards that end.[6] This tool suggests the use of brand names to advertisers that are not the owners of such brands.[7] The keyword suggestion tool suggests keywords to advertisers that, based on information gathered by Google's history of searches, are likely to generate clicks on the advertisement, thus creating more exposure for the advertiser and more revenue for Google.[8] For example, the keyword suggestion tool might suggest that Samsung purchase the keyword "iPhone," because a user searching to purchase an iPhone is likely to also consider purchasing a Galaxy S III.

The sale of ABC's name by Google to XYZ is expected to provide value to XYZ, which is why XYZ is willing pay for its name to appear when someone searches for ABC's name or product. As a result, ABC might lose a sale even when a user is specifically looking for ABC's product. ABC's name and goodwill might also be damaged by the use, not just by the loss of a sale and the opportunity to gain a new consumer, but also by potentially inferior or counterfeit products that the consumer may then associate with the brand. As

2 *Id.* at 125.

3 *Id.* at 126.

4 Rosetta Stone, Ltd. v. Google, Inc. (*Rosetta Stone II*), 676 F.3d 144, 150–151 (4th Cir. 2012).

5 *Rescuecom*, 526 F.3d at 125.

6 *Id.* at 126.

7 *Id.* at 126–27.

8 *Id.*

we further discuss below, the very value and function of the brand may also be diminished. In other words, ABC bears the risk and cost associated with the brand while Google and XYZ share in the rewards. This causes our equitable nerve to twitch.

It is worth emphasizing that this is not comparative advertising in the traditional sense because the two products are not *compared* as they would be in, for example, a claim by XYZ that its product is better than ABC's. Comparative advertising is something the law allows (within limits) and it often performs a useful function. In a paid search keyword context, however, nothing is compared. A search for one product directs a user, or at least draws a user's attention, to a different product. For example, a user searches for information on, say, Apple's new iPhone 5 but the first link on the results page is a paid ad for Samsung's Galaxy S III. The link to the iPhone 5 *may* also appear on the same screen (that is, without having the user scroll down). However, on smaller screens such as those found on mobile devices, this may not in fact happen, especially if the brand or product that the user is looking for is not quite as well-known as the iPhone 5 in our example—and consequently not ranked first or second in the organic results. Links far down the results screen or on a page other than the first are essentially invisible without time and related search costs being incurred by the user and, thus, are often not viewed. This is why businesses are willing to pay more for the virtual real estate at the top of the list.

Let us not forget that Google makes a profit selling ads that appear in prominent positions on the search results page generated by the sale of a third party's brand name.[9] In fact, Google makes virtually all of its profits from advertising revenue from ads that are displayed based on the search term entered by users.[10] Might it be said that it is, in fact, in Google's financial interest to have more users clicking on sponsored links than on organic ones (the Galaxy S III, not the iPhone 5, in the above example) given payment incentives? If the answer is affirmative, then logically, it is not unreasonable to suggest that this might influence how Google decides to display search results as opposed to sponsored links. With this in mind, it seems clear that things are not likely to get better for brand owners without some legal or regulatory action.

One might retort that users (the public) gain in allowing this process to flourish without limit. That is something on which reasonable people might

9 *Id.* at 126.

10 *See* Stephanie Yu Lim, *Can Google Be Liable for Trademark Infringement? A Look at the "Trademark Use" Requirement as Applied to Google Adwords*, 14 UCLA ENT. L. REV. 265, 269 (2007). In 2004, Google reported $3.1 billion in revenue, all but $50,000 accounted for by advertising. *Id*.

disagree. As a rhetorical matter, those who favor the practice can certainly find examples where an Internet user is informed of the existence of a new product this way (via a paid search keyword) and thus gains valuable information. In such cases, AdWords may provide a valuable tool similar to comparative advertising. In the aggregate, however, the argument is like asserting that television viewers necessarily gain by being exposed to more ads. As with television ads, an Internet user's time is valuable, and the bombardment of ads from Google coupled with the distraction from the product they were actually looking for may cost the user more than the benefit they receive from discovering competing products.

There are other important concerns at play, including corporate and individual free speech, but courts have recognized that there are limits to advertising-based speech using other people's brands.[11] This seems commonsensical, and an absolute or extreme application of First Amendment protections in this context would render trademark law and other similar protections useless.

Naturally, paid search keywords may be bought by the brand owner itself. This is obviously a legal transaction, and it occurs frequently. However, even this transaction causes potential normative and equitable concerns and could be viewed as Google free-riding on the goodwill of the brand owner. In a perfect world, one might argue that the link to a brand owner's website would be at the top of the search results list because it is the most relevant. Paid search keyword programs, however, may result in links sold to the highest bidder at the top of the search results list, such that links at the top of the list are not necessarily the most relevant. Another reason, perhaps the most important one, that might motivate a brand owner to participate in a paid search keyword program is to keep competitors from being at the top of the list when a user searches for their brand. Put differently, some brand owners are paying Google to prevent Google from selling their own brand names to competitors that want to free-ride on their brand. In this scenario, Google wins whether the competitor or the brand owner is the highest bidder. A more plain injustice occurs when paid search keywords are purchased and used by sellers of counterfeit goods.

In all cases, a form of free riding on the brand owner's investments seems to take place each time a brand name is sold as a keyword to a competitor. In such cases, Google is knowingly and intentionally (remember the key-

[11] Rogers v. Grimaldi, 875 F.2d 994, 1000 (2d Cir. 1989) (balancing public interest in avoiding consumer confusion with public interest in free speech where plaintiff "essentially claims . . . false advertising). "The analysis of Rogers has been adopted by three other Courts of Appeals," particularly where works of artistic expression are involved. Facenda v. N.F.L. Films, Inc., 542 F.3d 1007, 1015 (3d Cir. 2008).

word suggestion tool) selling the right to use the brand name as a paid search keyword to a non-owner. In some cases, the non-owner *buyer* of the brand name may also be found to infringe a trademark right, which creates a legal obligation to the owner of the mark. However, in this article, we want to consider the matter mostly beyond the confines of trademark law and specifically from the point of view of the entity enjoying most of the benefits from this process, Google (and others who have similar programs).

Our starting point is that in selling the right to brand names as paid search keywords, Google is, in many cases, free-riding on brand-building investments made by brand owners. Put differently, while it seems generally settled that the actions of Google in selling keywords, including brand names, does not constitute a direct act of trademark infringement by Google, it is obvious that by selling the right to use a brand name they do not own, Google's apparent free riding may also be harming at least some brand owners. Not all free riding is illegal or indeed undesirable, but some of it is. The question that follows from this is whether the law cares, and if so, how it puts proper boundaries on acceptable free riding.

Trademarks have transcended the initial rationale for their protection, which was the reduction of search costs and the quality assurance function that they performed for consumers, which in turn generated protection for the goodwill of the mark owner.[12] Trademarks form part of an overall "brand," and the law should protect brands not just as trademarks in the classical sense, but as communicative tools. People may walk into a store and, because of the brand, buy a product he or she had no plans to purchase. What are the search costs in this scenario? Many brands today are sold using psychographic market segmentation and there is an increasing use of "big data" to sell to individual users based on "values, attitudes and lifestyles," not just the intrinsic characteristics of the product or service per se.[13] We believe it is time for the law to recognize this shift.

Federal trademark law quite simply does not adequately address the contemporary development and use of brands. Indeed, when considering potential equitable violations that involve trademarks and trade names, one is tempted

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12 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION §§ 2:1, 2:15 (4th ed. 1994) ("Good will of a business and its symbol, a trademark, are inseparable.").

13 Another version of this is to define quality to match, by stating that quality is not objective but a mere matter of perception. It is true that few purchasing decisions are based on "objective" comparisons (e.g., Consumer Reports, etc.). In many cases, the consumer is "buying into" a brand not because of perceived quality, however, but because of the signaling function of the brand.

to turn to the Lanham Act[14] and state trademark laws. However, due to their origins, the genesis of these laws lies primarily in the domain of consumer protection, not in the domain of property rights and related trespass violations (i.e., infringement).[15] This article focuses instead on brands as business assets used primarily as communicative tools through the lens of property rights and equity. We believe that, in some cases at least, selling brand names as AdWords impairs the ability of the brand owner to use them as communicative tools. It adds noise to the communication channel.

We selected AdWords as the canvas for our discussion of the issue because it is by far the largest player in this field, though certainly not the only one.[16] Google's sheer size and market position makes its search more than just "one of many providers" of a search service. It is also undeniable that Google generates profits by selling the right to use the brand assets of others without their consent and, in some cases, to their detriment.[17] While existing trademark laws may partially address the needs of trademark owners through the remedy that exists against buyers of AdWords that are ultimately found to be direct infringers, trademark law does not address these new forms of brand use by online intermediaries such as Google.

In this article, we argue that state unjust enrichment laws provide the best currently available legal recourse for brand owners. Unjust enrichment is a doctrine that US litigators often invite last to the dance floor. It frequently shows up as a last claim, a potential gap-filler listed after other causes of action. In our experience at least, it is seldom taught in detail in US law schools. Whether this is seen as cause or consequence of the above, the doctrine suffers from significant doctrinal fuzziness. If this Article serves to shed light on its potential use in appropriate cases, we will have achieved a useful aim. Indeed, we assert that some excesses of trademark law and perhaps other intellectual property rights could be remedied by a limited but real application of unjust enrichment for, when trademark law is separated from its core normative mooring (consumer confusion/deception), courts have struggled to find proper boundaries, as overreaches in sponsorship-based and dilution cases have

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14 15 U.S.C. § 1051 *et seq.* (2006).

15 Though this may not be true, or at least not in the same way, in the case of anti-dilution statutes. 3 MCCARTHY, *supra* note 12, § 24:72 (writing that dilution does not protect the consumer, only the property right of the trademark owner).

16 *See comScore Releases March 2012 U.S. Search Engine Rankings*, COMSCORE (Apr. 11, 2012), http://www.comscore.com/esl/layout/set/popup/Insights/Press_Releases/2012/4/comScore_Releases_March_2012_U.S._Search_Engine_Rankings.

17 *See, e.g.*, *Rosetta Stone II*, 676 F.3d 144, 152 (4th Cir. 2012).

shown.[18] We are encouraged by the fact that other jurisdictions often have much more robust unjust enrichment remedies.[19]

However, as will be discussed later, anti-cybersquatting laws have demonstrated how legislative responses to equitable issues presented by new uses of technology can, at times, provide better solutions than existing laws. In the case of AdWords, which provide a company with the possibility of using a competitor's brand name, a similar legislative response might be needed beyond the equitable remedies discussed in this article.

This article proceeds as follows. After a *tour d'horizon* of the economics of brands, this article explores trademark and a number of legal doctrines that may be applicable in addressing the problem presented by paid search keyword sales. Our analytical focus then turns to unjust enrichment. We discuss this doctrine against the backdrop of the Restatement (Third) of Restitution and Unjust Enrichment and recent cases dealing with paid search keywords. Because a possible overlap with (federal) trademark law might be used to object to the application of state law, we also discuss preemption. Finally, we consider possible legislative changes that could usefully address the harm caused to brand owners.

II. ECONOMIC ANALYSIS

A. Brands as Business Assets

Brands are valuable business assets that often embody years of effort in creating a special relationship with consumers.

What constitutes a "brand" may differ depending on whether it's being viewed from the perspective of accounting, economics, management, or marketing.[20] Even within these disciplines, brands may be viewed narrowly or broadly. In the narrowest sense, a brand is the sum of elements that constitute the visual

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18 On potential problems with dilution, *see generally* Rebecca Tushnet, *Gone in Sixty Milliseconds: Trademark Law and Cognitive Science*, 86 TEX. L. REV. 507 (2008). On the excesses of sponsorship-based causes of action without significant consumer confusion, *see generally* Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413 (2010).

19 For example, in a discussion of British and Canadian law on this point, commentators referred to the "rather straightforward doctrinal underpinnings of the notion of unjust enrichment." William E. McNally et al., *Recent Developments Regarding Unjust Enrichment*, 73 THE BARRISTER 10, 12 (2004), *available at* http://www.bottomlineresearch.ca/articles/articles/pdf/unjustenrichment.pdf. The three authors also discuss the application of the doctrine in a class action context. *See id.* at 16–19.

20 *See* GABRIELA SALINAS, THE INTERNATIONAL BRAND VALUATION MANUAL 2 (2009).

identity of a company—the name, logo, colors, and shapes associated with a business or product.[21] A broader view of the notion of brand includes not only these visual elements but also related market associations.[22] This more expansive view considers the broader manner in which a brand embodies the image and reputation of the seller. While the narrower view of brand relates primarily to consumer associations, the broader view of brand may also consider associations with other stakeholders such as employees, investors, suppliers, distributors, and regulators.[23] Clearly, if a strong brand helps a company attract talented employees, investors, or resellers, this too provides economic value.

In its most basic sense, an asset is "an item that is owned and has value."[24] From an accounting and economic perspective, assets are resources obtained or controlled by an individual or business entity that are expected to generate future economic benefits.[25] Assets can be financial (e.g., cash and marketable securities), tangible (e.g., real estate and equipment), and intangible. Five generally recognized categories of intangible assets are:

(a) marketing-related;

(b) customer-related;

(c) artistic-related;

(d) contract-related; and

(e) technology-based.[26]

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[21] *Id.* at 5.

[22] *Id.* at 6.

[23] *Id.* at 5.

[24] BLACK'S LAW DICTIONARY 134 (9th ed. 2009).

[25] *See* DONALD E. KIESO & JERRY J. WEYGANDT, INTERMEDIATE ACCOUNTING 32 (6th ed. 1989).

[26] *See* 2 FINANCIAL ACCOUNTING STANDARDS BOARD, ACCOUNTING STANDARDS CODIFICATION 95 (2011); INTERNATIONAL FINANCIAL REPORTING STANDARDS, IAS 38 INTANGIBLE ASSETS (2012); INTERNATIONAL FINANCIAL REPORTING STANDARDS, IFRS 3 BUSINESS CONTRIBUTIONS (2012) (relating to international accounting standards.). While internally generated brands may have great value (think Coca-Cola), this value is not recognized on the company's balance sheet due to basic principles of conservatism in accounting, which prevent intangible assets from being "marked-up." *See* KIESO & WEYGANDT, *supra* note 25, at 43. However, brand value is recognized for accounting purposes in licensing transactions and in business acquisitions where actual transactions have taken place. For instance, in 2010 Diamond Foods acquired premium potato chip maker Kettle Foods for $616 million. Diamond Foods, Inc., Quarterly Report (Form 10-Q) 11–12 (Dec. 8, 2012). In its initial post-deal purchase price allocation, Diamond Foods placed a $235 million asset value on Kettle's "Brand Intangibles." *Id.* at 11. In this transaction, approximately 38% of the purchase price was related to the Kettle Foods brand. *See id*.

While the narrower view of brand would consist of marketing-related intangible assets such as trademarks, service marks, and trade dress (unique color, shape, package design, etc.), the more expansive view of brand could reflect value from items in other intangible asset categories, including the goodwill of the company.[27]

B. The Economic Value of Brands

According to Professor William Landes and Judge Richard Posner, the economic purpose of trademark law is not in general to encourage innovation and creativity, but instead to reduce consumer search costs by identifying the source of goods, thereby incidentally encouraging quality by protecting reputation.[28]

From the perspective of the consumer, brands provide economic value by reducing search costs.[29] By providing a succinct representation of the nature, quality, and reputation of a company and its offerings, brands provide consumers with a shorthand method for identifying, communicating, and associating meaningful product and service attributes, thus reducing time, money, and decision anxiety.[30]

From the perspective of the business, brands provide economic value for various reasons, which include providing: (i) a unique means to identify the company and its offerings; (ii) a means by which a product's quality and differentiating characteristics can be efficiently communicated; (iii) overall messaging efficiency through advertising, public relations, online efforts, and word of mouth; (iv) a platform for introducing new products and services; (v) a basis for market segmentation, targeting, and product repositioning; and (vi) the basis for charging a price premium to the extent that the brand is associated with a higher degree of quality or desirability than its competitors.[31]

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27 *See* SALINAS, *supra* note 20, at 5–7.

28 Willam M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J. L. & ECON. 265, 269 (1987).

29 *See* WILLIAM M. LANDES & RICHARD A. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW 168 (2003).

30 *Id*.

31 *See* PHILIP KOTLER, MARKETING MANAGEMENT 441–49 (7th ed. 1991); WILLIAM M. PRIDE & O. C. FERRELL MARKETING: BASIC CONCEPTS AND DECISIONS 151–54 (3d ed. 1983).

Due to the above factors and others, brands create economic value for businesses, which may be referred to as "brand equity."[32] One view suggests that brand equity is derived from a combination of (i) perceived quality; (ii) brand loyalty; and (iii) brand awareness and associations that exist in the relevant market.[33] Based on these three brand equity drivers, business investments in the following areas would tend to increase brand value:

Marketing and Legal:

- Trademark registration.
- Brand identity development through name selection, visual design, and related research through focus groups and other sources.
- Marketing strategy to assess market-positioning, brand messaging, pricing, etc.
- Advertising, public relations, and promotional activities that create brand awareness and communicate brand attributes.
- Brand policing and enforcement to ensure compliance with brand usage policies within the company and to prevent unauthorized external use.
- Investments in the distinctiveness and differentiation of the company and its offerings.

Sales:

- Direct sales force investments in the selection, training, and education of sales staff.
- Indirect channel investments in resellers of the company's products and services.
- Online sales investments.

Other:

- Product and service development activities that perpetuate the brand.
- Packaging that reinforces the brand.
- Quality control activities that reinforce the perceived quality of the brand.

32 *See, e.g.*, David A. Aaker, *Measuring Brand Equity Across Products and Markets*, 38 CALIF. MGMT. REV. 102, 104–05 (1996); Boonghee Yoo, et al., *An Examination of Selected Marketing Mix Elements and Brand Equity*, 28 J. ACAD. MARKETING SCI. 195, 195 (2000).

33 Yoo, et al., *supra* note 32, at 208.

All of the items listed above in some way contribute to the image, reputation, and awareness of the company and its offerings. In this regard, each of these items constitutes a brand-building investment even though some may not fit neatly within the classical rubric of marketing. For instance, product development might be deemed more of an engineering function in some companies. However, at a company like Apple, product development reinforces a brand identity built on developing fashionable, leading-edge consumer products like the iPad.

C. Intellectual Property and the Free-Rider Problem

If protected by a patent, trademark, copyright, or as a trade secret, owners have the right to exclude others from using their intellectual property, with various exceptions such as fair use in a copyright setting. The right to exclude is necessary to encourage investments in intellectual property that may ultimately improve societal welfare. Nowhere is the importance of intellectual property investment incentives more apparent than in the case of life-saving drugs for which hundreds of millions of dollars may be spent in research, development, and testing to obtain needed regulatory approvals. Without patents to exclude others from using discoveries and inventions, innovators and their financial backers would have little incentive to invest the money needed to develop drugs that provide clear societal benefits.

Commenting on the economic characteristics of intellectual property, Judge Posner stated:

> Intellectual property is characterized by heavy fixed costs relative to marginal costs. It is often very expensive to create, but once it is created the cost of making additional copies is low, dramatically so in the case of software, where it is only a slight overstatement to speak of marginal cost as zero. Without legal protection, the creator of intellectual property may be unable to recoup his investment, because competitors can *free ride* on it; and so legal protection can expand output rather than, as in the usual case with monopoly, reduce it.[34]

A free rider is "one who obtains an economic benefit at another's expense without contributing to it" or without "paying a fair price" for the economic benefit obtained.[35] Without the ability to obtain and enforce rights to exclude others from unauthorized use, free riding would run rampant and would,

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[34] Richard A. Posner, *Antitrust in the New Economy* 3 (U. Chicago L. Sch., Working Paper No. 106, 2000) (emphasis added) (footnote omitted).

[35] BLACK'S LAW DICTIONARY 737 (9th ed. 2009).

in most cases, eliminate economic incentives to investment in the development of intellectual property.

Consistent with Judge Posner's comments, the upfront costs associated with developing a life-saving drug, timesaving computer program, or memorable brand can be substantial relative to the minimal costs associated with subsequent copying or use. While a company may have spent millions of dollars developing its brand, there is little or no marginal cost associated with using the company's name and logo on printed materials or websites. Importantly, this lack of marginal costs applies not only to the brand owner, but also to infringers, counterfeiters, and other free riders, including Google.

While the period of protection for patents and copyrights is limited, the period of protection for trademarks is generally limited only by non-use.[36] Given that the purpose of a trademark is to designate the source of origin for goods and services, it makes economic sense that protection is conditioned on continued use in commerce.[37] After all, such use provides consumers with continued value in reducing their search costs while providing ongoing gains in market efficiency and societal benefit. Moreover, the economic benefits associated with search cost reductions and market efficiency grow as businesses invest more to develop their brands. Such investments allow the brand's message to touch more consumers, thus providing greater reach, while deepening the knowledge of those already aware of the brand, thus providing greater richness. Through investments that enable greater brand reach and richness, aggregate search costs are reduced further, creating even greater market efficiency and societal benefit.

If the period of protection for a trademark were limited, as with copyrights and patents,[38] this would create a disincentive to invest and open the door to free riding by the next user(s) of the trademark. In this scenario, the next user(s) of the trademark might initially obtain some free-rider benefits. However, consumers would ultimately become aware of the change. At that point, the value that once existed for the brand would likely deteriorate as previous brand associations are invalidated. In addition to destroying brand value, this situation would cause confusion in the market and destroy the economic value created previously through reduced search costs. Similar economic concerns appear to have influenced the prohibition against selling a trademark "in gross."[39] Gener-

36 3 MCCARTHY, *supra* note 12, § 17:9 ("[L]ack of actual usage of a symbol as a 'trademark' can result in a loss of legal rights.").

37 *See* 15 U.S.C. § 1127 (2006).

38 *See* 17 U.S.C. § 302; 35 U.S.C. § 154.

39 *See* 15 U.S.C § 1060(a)(1); *see also* LANDES & POSNER, *supra* note 29, at 184–87.

ally speaking, a trademark cannot be transferred unless the buyer is going to use it to produce the goods that the mark identifies.[40] This rule prevents confusion by ensuring that the historical associations made by consumers between the mark, and related products continues such that benefits derived from reduced search costs are maintained.

While free riding is generally considered within the context of infringement, that is not always the case.

D. The Free-Riding Problem Arising from Sales of Someone Else's Brand Names

At the time of this writing, Americans were performing approximately 18 billion online searches each month.[41] Google dominated searches conducted in March 2012.

Search Engine Provider	Search Share (%)
Google Sites	66.4%
Microsoft Sites(Bing)	15.3%
Yahoo! Sites	13.7%
Ask Network	3.0%
AOL, Inc.	1.6%[42]

Consistent with the earlier discussion regarding the economic merits of reducing consumer search costs, Google is an economic contributor and consumers are economic beneficiaries of online search capabilities. To monetize increasingly valuable free search capabilities, however, Google began selling search terms to advertisers with the launch of its AdWords program in October 2000.[43] Google used a bidding process in selling these search terms, which evolved to include brand names.[44]

Today, brand names are being purchased as search terms by the companies that own them and by competitors, including counterfeiters. This activity has set the stage for the economic and legal challenges considered in this article. To explore these challenges, subsequent discussion will refer to Figure 1 below

40 *See* 15 U.S.C. § 1060(a)(1).

41 COMSCORE, *supra* note 16.

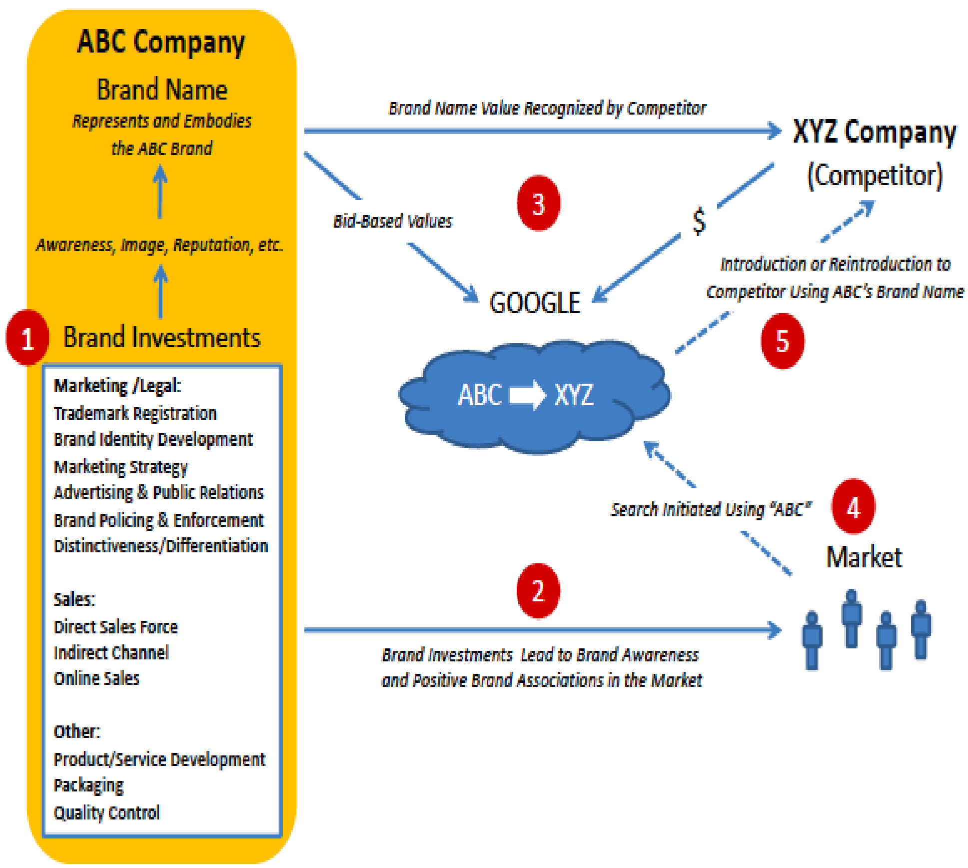
42 *Id.* Metrics cited were for the "explicit core search" activity. *Id.*

43 *See Our History in Depth*, GOOGLE.COM, http://www.google.com/intl/en/about/company/history/ (last visited Jan. 22, 2013).

44 See *id.*

which considers the owner of a valuable brand, ABC Company ("ABC"), and its relatively new competitor, XYZ Company ("XYZ"). The remaining discussion in this section will follow the numbered portions of Figure 1.

Figure 1: Brand Name Keyword Sales and the Brand Free-Riding Problem



1. ABC has invested in building its brand. As a result, ABC has a positive image in its industry based on a reputation for good quality and service. The ABC brand embodies these positive brand attributes.

2. ABC is a familiar name to consumers. Awareness of the ABC brand is high among relevant consumers and is associated with good quality and service.

3. XYZ understands the strength of the ABC brand. As a relative newcomer to the industry, XYZ is well aware of ABC and its strong brand.

XYZ management believes that its products and services provide greater value than do ABC's. In response, XYZ's marketing manager develops an Internet marketing plan that includes the purchase of the "ABC" brand name as a paid search keyword from Google. Convinced that this approach will be successful, XYZ bids aggressively for the "ABC" brand name.

4. Consumers search for ABC. Due to its strong brand, past buyers and potential new buyers of ABC's products launch searches that include the "ABC" brand name as a search term in an effort to find the closest ABC reseller.

5. Consumers are introduced to XYZ as a result of their ABC search. In reviewing the search results, some consumers notice the ad for XYZ. Several click on the XYZ ad and ultimately buy from XYZ instead of ABC.

In the above scenario, investments made by ABC in building its brand created market value that was recognized and usurped by a direct competitor. This competitor was able to purchase limited use rights to ABC's brand name as a paid search keyword to gain access to consumers that had expressed their awareness of, and interest in, ABC. In a way, Google has created a royalty-free compulsory licensing system for Internet searches—with itself as the beneficiary.

Faced with this scenario, ABC's management considers two questions: (1) Does it make sense for us to continue investing in a brand for which some of the economic benefit of the investment accrues to competitors and Google? Or (2) should we try to outbid our competitors for the use of our own brand simply to prevent them from using it against us? Question one addresses the investment disincentive presented by this scenario while question two considers a defensive approach in which the brand owner essentially pays a ransom to Google to regain the rights to his own property.

Despite a number of attempts, no plaintiff thus far has successfully held Google primarily or secondarily liable for causing confusion or dilution when it sells ABC's trademark to XYZ.[45] We generally agree with these findings under

[45] Plaintiffs have, however, been successful in claims against competitors using plaintiff's trademarks as AdWords. For instance, in *Binder v. Disability Group, Inc.*, defendants Disability Group, Inc., a law firm specializing in Social Security benefit claims, and Ronald Miller (collectively, the "Defendants"), used and purchased plaintiff Binder & Binder's (the "Plaintiffs") trademark in an advertising campaign through Google AdWords. 772 F. Supp. 2d 1172, 1174 (C.D. Cal. 2011). Google's AdWords program allows advertisers to purchase targeted ads on the results page of a Google search. *Id.* "In order to have their ads appear on the search results page, Google advertisers select and bid on AdWords (purchased keywords) so that their ad might be displayed on the search results." *Id.* Defendants used Plaintiffs' registered trademark—"Binder and Binder"—as AdWords linked to their website. *Id.* As a

traditional trademark infringement and anti-dilution principals. The owner of a trademark does not hold a right in gross to prohibit all unconsented uses of the mark by others.[46] Ownership of a trademark provides a limited right of exclusion enforceable only to the extent that an unconsented use of the mark by another is likely to cause confusion as to source or sponsorship of the product.[47] Trademark law supports the principles of the free market by insuring that consumers may readily identify products and services. And in some cases, consumers may benefit in the above-described scenario. However, we raise the question whether at least some uses of another's brand in the AdWords context are unjust, and then whether a remedy exists in such cases against the provider of the AdWords service.

Indeed, in the above example, Google undeniably provided XYZ with use of ABC's trademark and received compensation for doing so. In this setting, Google is free riding on the brand investments made by ABC. If there are cases of free riding of this nature that justify a remedy, trademark law has not provided one. We suggest that other legal regimes should be considered. In the next Part we consider, first, the role and limits of trademark law and, second, the potential role of other doctrines.

III. RELEVANT LEGAL DOCTRINES

A. Federal Trademark Law

Trademark law comes to mind, of course, in discussing the use and protection of brands, in part because many of them are also federally registered

result, Plaintiffs brought a trademark infringement claim, among others, under the Lanham Act. *Id.* The United States District Court for the Central District of California focused on whether Plaintiffs had ownership of the trademarks and whether Defendants' use of the trademark through Google's AdWords program was "likely to cause confusion." *Id.* at 1175. After rejecting the Defendants' challenges to Plaintiffs' ownership of the trademarks, the Court evaluated the likelihood of confusion of Defendants' use of Plaintiffs' trademark through Google's AdWords program. *Id.* at 1175–76. The Court found that there was a "strong likelihood of confusion." *Id.* at 1176. Plaintiffs' marks and that used by Defendants were identical because "both [were] Plaintiffs' registered trademark of 'Binder and Binder.'" *Id.* "[B]ased on testimony that Plaintiffs extensively marketed and advertised their services and worked hard to build their reputation based around their name"—Binder and Binder—the Court found that Plaintiffs' marks were "strong." *Id.* The Court also found that the services provided by the two firms were identical, since both firms were "competing for clients for social security disability claims cases." *Id.*

46 *See* 1 MCCARTHY , *supra* note 12, § 2:15.

47 Other than dilution. *See supra* note 18 and accompanying text; *infra* Part III.A.

marks. Some may even be considered famous and distinctive from the perspective of dilution.[48] The federal trademark statute, the Lanham Act, provides two major causes of action: first against uses that cause a likelihood of confusion[49] and, second, against uses that dilute the value of a famous mark.[50] To be liable for infringement under either a confusion or dilution theory, the infringement must be a "use[] in commerce."[51] By selling the brand of another to third parties and suggesting that brand to their competitors, Google is most likely using marks in commerce as the Second Circuit has recently held in *Rescuecom Corp. v. Google, Inc.*[52]

Assuming that paid search keyword programs constitute a "use in commerce," but one in which Google does not cause a likelihood of confusion, a court may evaluate a claim under a dilution theory. To succeed on a dilution claim, the mark owner must show that the mark is famous and distinctive.[53] In a few cases, it is possible that the owner of a brand shown to be famous and distinctive could possibly succeed under either a dilution by blurring (if the use impairs the distinctiveness of the mark) claim, or under a dilution by tarnishment (if the use harms the reputation of the mark) claim.[54] But the fact that, in a few narrow cases, there is a small intersection between the harm caused to brand owners and dilution does not, in our view, exclude the application of equitable doctrines.[55]

One such example is Google's sale of Rosetta Stone's brand to a competitor as an AdWord.[56] In its first consideration of the case, the district court found that:

> If there is evidence that the association is likely to impair the distinctiveness of the Rosetta Stone Marks, there may be a dilution by blurring claim. If there is evidence that the association is likely to harm the reputation of the Marks, there may be a dilution by tarnishment claim.[57]

48 *See* 15 U.S.C. § 1125(c)(1)(A) (2006).

49 *Id.* § 1125(a)(1)(A).

50 *Id*. § 1125(c)(1).

51 *Id*. § 1125(a)(1); *see id.* § (c)(1).

52 562 F.3d 123, 127 (2d Cir. 2009).

53 Louis Vuitton Malletier S.A. v. Haute Diggity Dog, L.L.C., 507 F.3d 252, 264 (4th Cir. 2007).

54 Rosetta Stone Ltd. v. Google, Inc. (*Rosetta Stone I*), 730 F. Supp. 2d 531, 551 (E.D. Va. 2010), *aff'd in part and vacated in part by* 676 F.3d 144 (4th Cir. 2012).

55 We discuss preemption issues in detail below. *See infra* Part V.

56 *See Rosetta Stone I*, 730 F. Supp. 2d at 531.

57 *Id.* at 551.

Applying dilution by blurring or dilution by tarnishment fails to provide an accurate cause of action against Google for the sale of trademark-protected keywords other than in those few, mostly marginal cases.[58] More importantly, dilution does not, as a doctrine, rest on the protection of the brand as a communicative tool rather than as a mark in the traditional sense. In many cases, the brand *is* the product, and the physical product or online service used in connection with the brand is mere support for the brand as a signal to others. As such, dilution does not offer a satisfactory solution.

B. Property Rights, Equity, and Common Law

Fundamental to the issue being explored in this article is the concept of property rights and the equitable principles that protect these fundamental rights.

Generally speaking, property rights give an owner the right to exclude others from use and give them the right to transfer the property to another party. When the question is posed not from the viewpoint of the trees of individual legal doctrines but from the forest of principles and equitable considerations—that is, when one asks what happens when someone uses someone else's property to make a profit without permission and in a way that might negatively affect the value of that property—tort law and other equitable common law remedies come to mind. Then, in searching that vast area of law, a number of equitable principles seem potentially relevant.

Conversion is unlikely to apply due to its limit to tangible property. However, the basic elements of the tort do resonate here on a normative level. As explained recently by the Tennessee Court of Appeals: "Conversion is an intentional tort, and a party seeking to make out a prima facie case of conversion must prove: (1) the appropriation of another's property to one's own use and

58 Under the Lanham Act, dilution is subject to a fair use defense. 15 U.S.C. § 1125(c)(3). As noted by the Ninth Circuit, "The 'fair-use' defense, in essence, forbids a trademark registrant to appropriate a descriptive term for his exclusive use and so prevent others from accurately describing a characteristic of their goods." New Kids on the Block v. News Am. Publ'g, Inc., 971 F.2d 302, 306 (9th Cir. 1992). Because Google's use of the brands is not merely descriptive and because of the normative concerns that make paid search keyword programs unjust, a court will not necessarily find fair use as it relates to such programs. Contrary to a recent holding by the United States District Court for the District of Virginia in *Rosetta Stone v. Google*, courts should also reject any functionality defense asserted by Google, as that defense is more properly suited for trade dress disputes than trademark disputes. *See Rosetta Stone I*, 730 F. Supp. 2d at 152; *see also* Traffix Devices, Inc. v. Mktg. Displays, Inc., 532 U.S. 23, 34–35 (2001). In fact, the Fourth Circuit recently rejected functionality as a possible affirmative defense and remanded *Rosetta Stone* for consideration of fair use as an affirmative defense. *Rosetta Stone II*, 676 F.3d 144, 162–63 (4th Cir. 2012).

benefit, (2) by the intentional exercise of dominion over it, (3) in defiance of the true owner's rights."[59]

Perhaps more on point than conversion is the lesser offense to conversion, trespass to chattels. Although not applicable here either because of the tangible property limitation, conversion is generally understood as a nearly complete destruction of the property owner's ability to use and enjoy the property, while trespass to chattels may be invoked where there is a slight interference with use or possession of property.[60]

Tortious interference might also be relevant.[61] Arguably, by selling the right to use something they don't own, Google is interfering with a brand owner's ability to sell the goodwill in the brand to a competitor for a fee. The direct interference, though, seems to be from the competitor, who, by bidding highest on the brand as a paid search keyword, prevents Google from entering into an agreement with the brand owner, even though Google induces this violation by selling the brand to the highest bidder instead of the brand owner. This view of tortious interference is difficult in the paid search keyword context, however, because the competitor of the brand owner seems to be the one interfering with a proper contractual relationship, not Google. For obvious reasons, Google makes a much more attractive defendant than multiple competing companies whose violations, taken separately, are small amounts.

Another possible application of a tortious interference claim against Google by the brand owner might arise from the manner in which Google, by selling the right to use the brand name to competitors, interferes with the brand owner's ability to discharge its duties to police the use of its mark by others. Through its AdWords program, Google is enabling others to use the brand own-

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59 PNC Multifamily Capital Inst'l Fund v. Bluff City Cmty. Dev. Corp., No. W2011-00325-COA-R3-CV, 2012 WL 1572130, at *21 (Tenn. Ct. App. May 4, 2012).

60 75 AM. JUR. 2D *Trespass* § 12 ("[T]he tort of trespass to chattels allows recovery for interference with possession of personal property not sufficiently important to be classed as conversion, and the plaintiff may recover only the actual damages suffered by reason of the impairment of the property or the loss of its use.").

61 44B AM. JUR. 2D *Interference* § 48.

> Tortious interference with business relations occurs when one unlawfully diverts prospective customers away from another's business. The elements of a claim for intentional interference with business expectancy are: (1) a valid business relationship or expectancy but not necessarily a contract; (2) the defendant's knowledge of the relationship; (3) intentional interference by the defendant inducing or causing a breach of the relationship; (4) the absence of justification; and (5) damages, resulting from the defendant's conduct.

Id.

er's property in a manner that might be harmful and that might impinge upon their ability to efficiently and effectively police the use of their mark as Google sells this right to use without any authorization from, or even notification to, the brand owner.[62]

After analysis of legal and equitable doctrines, the theory most suitable to address the harm that may be caused to brand owners by paid search keyword programs is unjust enrichment. The doctrine and corresponding remedies provided via an unjust enrichment claim best address the harms caused by Google's misuse of brand names in its AdWords program. Also, a freestanding unjust enrichment claim will survive trademark preemption analysis because such a claim will not be rooted in a trademark violation.

IV. UNJUST ENRICHMENT

A. Unjust Enrichment Doctrine and Remedies

Like the tort-based theories just described, unjust enrichment is a flexible doctrine that empowers courts to recognize legal and equitable causes of action and remedies in unique circumstances.[63] Unjust enrichment, also confusingly referred to as the law of restitution,[64] provides alternative remedies to breaches of substantive law claims such as tort, contract, or trademark violations.[65] These alternative unjust enrichment remedies range from legal to equitable and include, for example, *quantum meruit* for services rendered for which it would be unjust to retain without paying,[66] disgorgement of unjust gains,[67] and

62 *See Rosetta Stone II*, 676 F.3d at 151.

63 Caprice L. Roberts, *Restitutionary Disgorgement as a Moral Compass of Breach of Contract*, 77 U. CINN. L. REV. 991, 1001 (2009) (hereinafter *Restitutionary Disgorgement*); Caprice L. Roberts, *The Restitution Revival and the Ghosts of Equity*, 68 WASH. & LEE L. REV. 1027, 1059–60 (2011) (hereinafter *Restitution Revival*); Emily Sherwin, *Restitution and Equity: An Analysis of the Principle of Unjust Enrichment*, 79 TEX. L. REV. 2083, 2108 (2001).

64 RESTATEMENT (THIRD) OF RESTITUTION & UNJUST ENRICHMENT § 1 (1995). The United States receives credit for inventing the law of restitution and unjust enrichment via the introduction of the original Restatement of Restitution adopted in 1937. Yet in the decades that followed, unjust enrichment doctrine and theory faded from the collective American consciousness, while legal and scholarly advances flourished abroad throughout the Commonwealth, Israel, and beyond. The United States now reenters as a leader in the law of unjust enrichment with the passage of the new Restatement in 2011.

65 DOUG RENDLEMAN & CAPRICE L. ROBERTS, REMEDIES: CASES AND MATERIALS 469 (8th ed. 2011).

66 *Id.*

67 *Restitutionary Disgorgement*, *supra* note 63, at 1000.

constructive trusts for misappropriated property belonging to another in equity.[68] Regardless of whether unjust enrichment leads to a legal or equitable remedy, it is always rooted in principles of justice and fairness,[69] making it particularly suited to adapt to novel theories of breach.[70] Importantly, the doctrine of unjust enrichment also supports an independent, freestanding cause of action with its own remedies to eradicate and deter wrongful, unjust gains.[71] "Seavey and Scott described unjust enrichment as a 'postulate' underlying the law of restitution, analogous to the postulates underlying tort law (a right against unjust harm) and contract law (a right against breach of promise)."[72] Beginning in 1937, the Restatement recognized "unjust enrichment as an independent basis of liability in common-law legal systems—comparable in this respect to a liability in contract or tort," but separate from contract or tort.[73] This article advances freestanding

[68] Beatty v. Guggenheim Exploration Co., 122 N.E. 378, 380 (N.Y. 1919); RESTATEMENT (THIRD) OF RESTITUTION & UNJUST ENRICHMENT § 55.

[69] This deep, historical connection to justice and fairness leads courts, lawyers, and scholars to assume and refer loosely to unjust enrichment as always equitable in nature. *Restitution Revival*, *supra* note 63, at 1047–48. The doctrine is thus saturated in *equitable* meaning fairness considerations, but it is not purely equitable in application per the law-equity divide when determining whether the constitutional Seventh Amendment right to a jury trial may apply to legal remedies awarded via unjust enrichment theory. *Id.* at 1030.

> This equitable conception of the law of restitution is crystallized by Lord Mansfield's famous statement in Moses v. Macferlan, 2 Burr. 1005, 1012, 97 Eng. Rep. 676, 681 (K.B. 1760): "In one word, the gist of this kind of action is, that the defendant, upon the circumstances of the case, is obliged by the ties of natural justice and equity to refund the money." . . . . Restitution in this view is the aspect of our legal system that makes the most direct appeal to standards of equitable and conscientious behavior as a source of enforceable obligations.

RESTATEMENT (THIRD) OF RESTITUTION & UNJUST ENRICHMENT § 1 cmt. b.

[70] *Id.* § 51 cmt. b.

[71] *Id*. § 51 cmt. a ("This profit-based measure of unjust enrichment determines recoveries against conscious wrongdoers and defaulting fiduciaries. Recovery so measured may potentially exceed any loss to the claimant."); *see also* RENDLEMAN & ROBERTS, *supra* note 65, at 469 ("A defendant's civil liability to a plaintiff for restitution based on the defendant's unjust enrichment is a substantive branch of the common law like property, contract, and tort. The plaintiff may seek restitution as a freestanding remedy based on the defendant's unjust enrichment alone. The defendant's breach of contract, tort, or violation of plaintiff's property rights is not a prerequisite.").

[72] Sherwin, *supra* note 63, at 2085. Similarly, "[t]he law of restitution is organized around the idea of unjust enrichment, just as tort law is organized around unjust harm and contract law is organized around unjust breach of promise." *Id.* at 2108.

[73] RESTATEMENT (THIRD) OF RESTITUTION & UNJUST ENRICHMENT § 1 cmt. a.

unjust enrichment as a proper basis for courts to find liability and issue remedies for the unauthorized, profitable use of another's property.

It may be time for this doctrine to adapt to new realities and for courts to flex the equitable muscle that unjust enrichment grants to them in the paid search keyword context. Indeed, it is a cardinal virtue of common law that it can grow and adapt in this way. The flexibility of the unjust enrichment doctrine lends itself to adapting nimbly to technological advances that create new,[74] inventive opportunities for wrongful misuses of and profiting from property belonging to others. Specifically, with the advent of the Internet, the law must evolve to respond to the new issues brought about by the illicit use of brands. Such may be the case where Google is unjustly enriched through the unauthorized sale of brands that can and do cause harm to the brand owner.

B. Unjust Enrichment Applied

Unjust enrichment presents an ideal basis for remedying the wrong at issue. Multiple sections of the Restatement support this theory. A particularly helpful section of the Restatement provides, "If a third person makes a payment to the defendant to which (as between claimant and defendant) the claimant has a better legal or equitable right, the claimant is entitled to restitution from the defendant as necessary to prevent unjust enrichment."[75] Could one not consider AdWords as a situation so described? Google (the defendant) sells brand names (of the claimants) as keywords to the brand owners' competitors (the third person). There can be no argument that Google has a better legal or equitable right in the brand than the brand owner does. At minimum, Google misappropriates the brand without authorization and reaps an unjust profit. At maximum, the same occurs and Google effectively forces the brand owner to (re)secure its own interests by the necessary purchase of the AdWord for the privilege of using its own mark as a keyword. Under either scenario, Google is unjustly enriched when it profits from using a brand owner's mark and is thus liable to the brand owner for the net profits associated with the sale of the brand name through its paid search keyword program, AdWords. Conventional trademark and related theories have thus far failed, but the law of restitution and unjust enrichment can yield a viable remedy.

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74 *Id*. § 1 cmt. b ("Explaining restitution as the embodiment of natural justice and equity gives the subject an undoubted versatility, an adaptability to new situations, and (in the eyes of many observers) a special moral attractiveness.").

75 *Id*. § 48.

The unjust enrichment doctrine in its essential form provides a sound basis for liability and remedy here: "[a] person who is unjustly enriched at the expense of another is subject to liability in restitution."[76] Accordingly, the basic claim requires a showing of an enrichment—a benefit—that would be wrongful to retain without paying for—that is unjust.[77] It is unjust to retain a benefit when one ought in good conscience pay. A helpful interpretation to bound unjust enrichment within reason is the notion of "unjustified enrichment."[78] "Broadly speaking, an ineffective [unjustified enrichment] transaction for these purposes is one that is nonconsensual."[79] Unjust enrichment remedies such as disgorgement of unjust gains should flow "where defendant gains value from a wrongful use of plaintiff's property—such gains that the plaintiff had a right to make or at least a right to have the opportunity to make."[80]

Under unjust enrichment's essential elements, liability and remedy should flow for Google's wrongful profiting from another's brand. Google is using a brand owner's property (the brand and its corresponding good will) without consent, deliberately, and profitably. The profits earned constitute an enrichment, a clear monetary benefit. Google earns profits from third parties when Google sells the AdWords. If a brand owner *has to* pay for the privilege of using its own mark as a keyword and protect her "cyber real estate" of search results Google profits from that as well. Google receives payment for each click on the advertisement, whether it is the competitors ad or the brand owner's ad.[81]

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76 *Id.* § 1.

77 Andrew Kull, *Rationalizing Restitution*, 83 CAL. L. REV. 1191, 1193 (1995) ("Must a restitution plaintiff allege that the defendant has actually been enriched by the transaction in question, or will it be enough to show that the defendant has obtained a benefit (at plaintiff 's expense) to which he has an insufficient legal entitlement?"). Kull's

> proposition is that the law of restitution be defined exclusively in terms of its core idea, the law of unjust enrichment. By this definition it would be axiomatic (i) that no liability could be asserted in restitution other than one referable to the unjust enrichment of the defendant, and (ii) that the measure of recovery in restitution must in every case be the extent of the defendant's unjust enrichment retained a benefit (at plaintiff's expense) to which he has an insufficient legal entitlement?

Id. at 1196.

78 RESTATEMENT (THIRD) OF RESTITUTION & UNJUST ENRICHMENT § 1 cmt. b. ("Unjustified enrichment is enrichment that lacks an adequate legal basis; it results from a transaction that the law treats as ineffective to work a conclusive alteration in ownership rights.").

79 *Id*.

80 Caprice L. Roberts, *The Case for Restitution and Unjust Enrichment Remedies in Patent Law*, 14 LEWIS & CLARK L. REV. 653, 672 (2010).

81 *Rosetta Stone II*, 676 F.3d 144, 151 (4th Cir. 2012).

That enrichment occurs at the expense of the brand owner, and Google does not pay any sort of fee to the brand owner for the use of their brand, despite the brand owner's ongoing investment in the brand. Nor does Google or the competitor buying a brand name as a paid search keyword afford the brand owner the opportunity to oppose the use of its brand. In so doing, Google deprives the brand owner of a higher rank order in the search as well as depriving the brand owner an opportunity by Google's essentially selling a license to use the brand owner's property—its brand and good will. Thus, the deprivation is at the expense of the brand owner. Google is thus reaping what another has sown,[82] and a court should properly award the unjust enrichment remedy of disgorgement of the unjust gains. It is inconsequential that the gains may exceed the brand owners' losses or furthermore that such losses may be nonexistent or difficult to prove.[83]

This straightforward application of unjust enrichment's quintessential elements warrants relief. Additional support exists for unjust enrichment relief in two more particularized sections of the Restatement (Third) of Restitution and Unjust Enrichment: section 42 (Interference with Intellectual Property and Similar Rights)[84] and section 48 (Payment to Defendant to Which Claimant Has a Better Right).[85] To be clear, liability and remedy for unjust enrichment recovery require no more than meeting the essential elements already described. If a court deemed Google's conduct as novel enough to warrant further support, the court might analogize to cases citing section 42 or authorize direct application of section 48 and its corresponding cases. This article will now briefly articulate both theories.

Brand owners in these circumstances should be able to argue that Google's wrongful profiting is tantamount to a misappropriation of its legally protected right. Section 42 provides: "A person who obtains a benefit by misappropriation or infringement of another's legally protected rights in any idea,

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82 Roberts, *supra* note 80, at 670.

83 RESTATEMENT (THIRD) OF RESTITUTION & UNJUST ENRICHMENT § 1 cmt. a ("While the paradigm case of unjust enrichment is one in which the benefit on one side of the transaction corresponds to an observable loss on the other, the consecrated formula 'at the expense of another' can also mean 'in violation of the other's legally protected rights,' without the need to show that the claimant has suffered a loss.").

84 *Id*. § 42 ("A person who obtains a benefit by misappropriation or infringement of another's legally protected rights in any idea, expression, information, image, or designation is liable in restitution to the holder of such rights.").

85 *Id.* § 48 ("If a third person makes a payment to the defendant to which (as between claimant and defendant) the claimant has a better legal or equitable right, the claimant is entitled to restitution from the defendant as necessary to prevent unjust enrichment.").

expression, information, image, or designation is liable in restitution to the holder of such rights."[86] Although a violation of intellectual property law is not required to establish an unjust enrichment claim under section 42 (or the other Restatement sections advanced in this article), the intellectual property cases provide analogous avenues in which unjust enrichment remedies have piggy-backed on violations of other substantive laws. Google's use of brands without authorization is a misappropriation of another's legally protected interest in the brand and thus Google is liable in restitution to the brand owner.

Brand owners often spend vast amounts of time and money developing their brand. They market under that brand and are held accountable under that brand.[87] Google AdWords violates the most basic principles set forth in the landmark intellectual property law case, *International News Service v. Associated Press* (*INS*).[88] When Google sells a brand name to a competitor as a key-word, Google deprives the brand owner the benefit of his investment "precisely at the point where the profit is to be reaped,"[89] that is, when the consumer is purchasing a product or deciding which product to purchase. Put another way, Google "reap[s] where it has not sown"[90] and free-rides on the brand owner's good will when selling in an unauthorized manner the right to use the brand name to a third party.[91]

Misappropriation of a business' brand through paid search keyword programs is comparable to the misappropriation of someone's likeness in violation of an individual's right of publicity. Alicia Keys, for example, markets her copyright-protected music through the use of her likeness in the same way that Apple, markets its patent-protected products under the Apple brand. Both Alicia Keys and Apple, are incentivized to make quality products and invest in marketing under their respective identifiers. Nonconsensual uses of a brand owner's brand is similarly violative and warrants remedy.

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86 *Id*. § 42.

87 MCCARTHY, *supra* note 12, § 2:4.

88 248 U.S. 215 (1918). Although intellectual property rights are specifically included within the scope of the Restatement's conception of unjust enrichment, the Restatement provides, with regard to intellectual property, that "the acts that constitute a prohibited interference[] are defined by state and federal law outside the scope of this Restatement." RESTATEMENT (THIRD) OF RESTITUTION & UNJUST ENRICHMENT § 42 cmt. a. Because an unjust enrichment claim may be preempted by trademark law, a close consideration of the exact scope of the rights protected under federal trademark law is addressed in Part VI below.

89 *INS*, 248 U.S. at 240.

90 *Id.* at 239.

91 Ty Inc. v. Perryman, 306 F.3d 509, 512 (7th Cir. 2002).

Courts have already exhibited comfort in preventing unjust enrichment based on unauthorized use of another's good will. In *Zacchini v. Scripps-Howard Broadcasting Co.*,[92] Scripps-Howard broadcast the entire fifteen-second act of the "human cannonball" on the nightly news, without the performer's consent.[93] The court found a violation of the right of publicity, not a violation of copyright.[94] In finding that there had been a violation of the performer's right of publicity, the Court noted:

> The rationale for [protecting the right of publicity] is the straightforward one of preventing unjust enrichment by the theft of good will. No social purpose is served by having the defendant get free some aspect of the plaintiff that would have market value and for which he would normally pay.[95]

Just as the broadcasting company in *Zacchini* unjustly misappropriated the performer's good will in his likeness, Google unjustly misappropriates the goodwill of legitimate brand owners through its paid search keyword programs.

This right of publicity theory illuminates faults in Google's rationale supporting its establishment and expansion of its paid search keyword programs. Like the broadcasting company in *Zacchini*, Google is not saved by the fact that its infringement serves a public purpose.[96] The case of Google in profiting from third-party brand names as paid search keywords is significantly weaker than the broadcasting company in *Zacchini* because Google's actions do not fall under the purview of a protected constitutional right such as freedom of the press.[97] Further, like the newscast of the human cannonball, the editorial nature of the use should not save Google from liability.[98] As stated in *Zacchini*, the "economic value lies in the 'right of exclusive control over the publicity given to [the performer's] performance.'"[99] Similarly, economic value to a brand owner ex-

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92 433 U.S. 562 (1977).

93 *Id.* at 564. The broadcasting company asserted a First Amendment right as a news agency, and the Court held for the performer, finding that an action against the broadcaster did not violate its First Amendment rights. *Id.* at 578.

94 *Id.* at 566.

95 *Id.* at 576 (emphasis added).

96 The broadcasting company provides news to the public and Google provides information about competitors to the public.

97 *See* U.S. CONST. amend. I.

98 Google displays ads as one piece of its search results window, like the broadcasting company in *Zacchini* displayed the human cannonball video as one piece of its broadcast. *Zacchini*, 433 U.S. at 564.

99 *Id.* at 575.

ists through its right of exclusive control over marketing with its brand.[100] Like in *Zacchini*, Google should not get to free-ride on an aspect of another's property that would have a market value and for which it would normally pay.

Another section of the Restatement provides a direct application of an unjust enrichment theory to Google's wrongful behavior. Section 48 of the Restatement makes it clear that Google's actions are unjust as understood under the unjust enrichment doctrine. That section provides: "If a third person makes a payment to the defendant to which (as between claimant and defendant) the claimant has a better legal or equitable right, the claimant is entitled to restitution from the defendant as necessary to prevent unjust enrichment."[101] Section 48's intended application is precisely the situation at issue here: Google (the defendant) sells brand names (of the claimants) as keywords to the brand owners' competitors (third parties). Without doubt, the brand owner has a better legal or equitable right in the brand than Google does. They have invested in the brand and are held accountable by that brand, while Google's only association with the mark is to sell it for a profit without paying anything for the unauthorized use of the property. Hence, while Section 1 allows for a broad claim for unjust enrichment recovery, the authors assert that Section 48 provides the closest factual analog to issues that may emerge for some brand owners with the AdWords fact pattern. More specifically, the argument would be that Google is unjustly enriched when it profits from using a brand owner's mark and is thus liable to the brand owner for the net new profits associated with the sale of the brand name through its paid search keyword program, AdWords.

With respect to the viable remedies available to prevent and deter unjust enrichment, the most appropriate option is disgorgement. "Disgorgement is a restitutionary remedy geared to undo unjust enrichment. When granted, it strips all or part of a defendant's profits."[102] Disgorgement often exceeds compensatory harms,[103] but such a result may be warranted because of the difficulty in cal-

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[100] While, ex post, it may be appealing to justify Google's free ride on brands as anecdotally beneficial to consumers, it is difficult to imagine that lawmakers or the general public would agree ex ante (as a rule) that the sale of brands by a non-owner is just.

[101] RESTATEMENT (THIRD) OF RESTITUTION & UNJUST ENRICHMENT § 48 (1995). Section 47 provides similarly, "[i]f a third person makes a payment to the defendant in respect of an asset belonging to the claimant, the claimant is entitled to restitution from the defendant as necessary to prevent unjust enrichment." *Id*. § 47.

[102] Roberts, *supra* note 80, at 655.

[103] RESTATEMENT (THIRD) OF RESTITUTION & UNJUST ENRICHMENT § 1 cmt. c (noting examples of unjust enrichment remedies where the relief does not involve restoring anything plaintiff lost such as "cases involving the disgorgement of profits, or other benefits wrongfully obtained, in excess of the plaintiff's loss").

culating traditional restitutionary remedies. "Restitution is the law of nonconsensual and nonbargained benefits in the same way that torts is the law of nonconsensual and nonlicensed harms."[104] Thus, while Google creates value for the use of brands by creating the market, that use is nonconsensual and nonbargained. Traditionally, the amount of restitution is, at a minimum, the market value of a license.[105] Naturally, this could be a difficult determination for a court because of the unwillingness of brand owners to license their marks to competitors. Instead, it might be more feasible for a court to calculate damages based upon the disgorgement of Google's profits from the unauthorized sale of keywords. Disgorgement would only be available if Google could be found to be a "conscious wrongdoer," and would deprive Google of all net profits related to the sale of brand infringing keywords.[106] "A 'conscious wrongdoer' is a defendant who is enriched by misconduct and who acts (a) with knowledge of the underlying wrong to the claimant, or (b) despite a known risk that the conduct in question violates the rights of the claimant."[107]

The conduct of Google in selling brand names as keywords (for example through its keyword search tool) makes Google a conscious wrongdoer within the meaning of the Restatement. Google is not a passive intermediary in this context. For example, Google actually suggests to competitors of the brand owner that they use certain brand names as a keyword.[108] This conduct clearly falls into the category of "with knowledge of the underlying wrong to the claimant."[109] Even if Google were to argue that it did not have knowledge that there was an underlying wrong to the brand owner because it reasonably believed it could successfully assert a fair use defense, Google is at least aware of "a known risk that the conduct in question violates the rights of the claimant."[110]

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104 *Id.* § 1.

105 *Id.* § 51. "The value for restitution purposes of benefits obtained by the misconduct of the defendant, culpable or otherwise, is not less than their market value. Market value may be identified, where appropriate, with the reasonable cost of a license." *Id.*

106 "[T]he unjust enrichment of a conscious wrongdoer . . . is the net profit attributable to the underlying wrong. The object of restitution in such cases is to eliminate profit from wrongdoing while avoiding, so far as possible, the imposition of a penalty." *Id.*

107 *Id.*

108 *Cf.* Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 103 (2d Cir. 2010), *cert. denied*, 131 S. Ct. 647 (2010) (finding that an online auction site had general knowledge of trademark infringing activities but did not know of specific infringements nor did the site encourage the infringements).

109 RESTATEMENT (THIRD) OF RESTITUTION & UNJUST ENRICHMENT § 51.

110 *Id.*

In sum, this article asserts that unjust enrichment is the most appropriate tool to address the unjust and unfair nerve-twitching caused by paid search keyword programs. Under an unjust enrichment theory, Google could be held liable for some of the profits associated with the sale of brand names as keywords through its paid search keyword programs if Google is seen as a conscious wrongdoer. The actions of Google are unjust for some brand owners because Google ought in good conscience to pay for its deliberate, nonconsensual, profitable taking of the brand and good will of another. Because the brand owner has a better legal or equitable right in the brand than does Google, Google is unjustly enriched at the expense of the brand owner's investment in its brand. Google's unauthorized use of the brand is a quintessential example of wrongful conduct that the Restatement seeks to deter and correct: conscious advantage-taking of another without asking or paying.

We agree that the public interest may be served by allowing AdWords comparisons in some cases, where it performs a comparative advertising function, and not mere diversion.[111] We assert that in some cases AdWords is unjust and further, that relying on purely non consumer-focused trademark doctrines such as sponsorship (with little or no confusion) and dilution seems suboptimal. This leads us to the issue of preemption, to which we now briefly turn our attention.

V. PREEMPTION

A. Preemption Principles

Federal trademark law does not preempt an unjust enrichment claim against Google, even if it is ultimately decided that paid search keyword programs are a fair use as a matter of trademark law under a dilution theory. First, there is no preemption problem because the statutory language authorizes other causes of action. Second, an unjust enrichment claim against Google is not preempted merely because a court ultimately decides the case on federal trademark law grounds, specifically, whether paid search keyword programs constitute a "use in commerce" of brands protected as trademarks under the Lanham Act and are a fair use, diluting use, or confusing use of the mark. In any of these scenarios, the unjust enrichment cause of action lies outside of the scope of federal trademark law. In other words, Google should be held liable under unjust enrichment even if dilution or likelihood of confusion applies to some of the conduct. If liability were imposed under confusion or dilution, unjust en-

111 *See supra* notes 10, 12 and accompanying text.

richment could be used to supplement liability of Google as long as the unjust enrichment award is complementary and not duplicative. Other fields of intellectual property law allow common law claims to proceed when the rights at stake are on the fringe of the intellectual property right and "it is generally agreed that a[n] . . . *INS*-like claim survives preemption."[112]

As Professor McCarthy explains, "[t]he federal Lanham Act does not occupy the field of trademark and unfair competition law in such a way that it would preempt parallel state law"[113] and there is no express preemption provision in the Lanham Act.[114] Preemption of state law by federal trademark law will occur only if the state law conflicts with federal law by reducing the rights of a trademark holder and states are free to grant more rights to mark holders than federal law does.[115] Therefore, state law and unjust enrichment may be used to create a cause of action where federal trademark law does not recognize one, or to impose greater liability upon a defendant found to violate the Lanham Act under confusion or dilution theories.

It is well established that federal and state powers of government overlap substantially in the United States' federal structure,[116] and that in the majority of areas where the federal government has the power to regulate, the states retain concurrent authority to regulate as well.[117] Federal law, however, will preempt state law in three contexts: (1) where Congress has expressly stated an intent to preempt state law (express preemption); (2) where, in the absence of an express preemption clause, the federal regulatory scheme is "so pervasive" as to imply "that Congress left no room for states to supplement it" (implied or "field" preemption);[118] and (3) where there is a conflict between federal and state law (conflict preemption).[119] None of these apply here.

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112 Barclays Capital Inc. v. Theflyonthewall.com, Inc., 650 F.3d 876, 894 (2d Cir. 2011); *see* Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 491 (1974) (concluding that Ohio trade secret law does not preempt federal patent law where Ohio grants trade secret protection despite the fact that plaintiff failed to file a timely patent). *See generally* Goldstein v. California, 412 U.S. 546 (1973), *superseded by* 17 U.S.C. § 301 (1976) (holding that the Copyright Act of 1909 preempts only state laws conflicting or interfering with its provisions).

113 3 MCCARTHY, *supra* note 12, § 22:2.

114 James Abe, *Federal Preemption and State Trademark Law: Exception or Indifference?*, 19 J. CONTEMP. LEGAL ISSUES 28, 30 (2010).

115 3 MCCARTHY, *supra* note 12, § 22:2.

116 Caleb Nelson, *Preemption*, 86 VA. L. REV. 225, 225 (2000).

117 *Id*.

118 English v. Gen. Elec. Co., 496 U.S. 72, 79 (1990); *see also* Rice v. Santa Fe Elevator Corp., 331 U.S. 218, 230 (1947).

119 Nelson, *supra* note 116, at 226.

"[T]he purpose of Congress is the ultimate touchstone in every preemption case."[120] Discerning the purpose of congressional action when there is an express preemption clause is obviously an easy task,[121] but determining whether Congress intended to preempt the entire field—that is, whether there is implied preemption—is more complicated. Field preemption will be found where preemption is "implicitly contained in [the] structure and purpose" of the statutory scheme.[122] Further, in the absence of an express congressional command, as with the Lanham Act, state law is preempted if that law actually conflicts with federal law,[123] or if federal law so thoroughly occupies a legislative field "as to make reasonable the inference that Congress left no room for the States to supplement it."[124] Courts will also refer to "legislative history, or generalized notions of congressional purposes that are not embodied within the text of federal law" when making a determination on implied preemption.[125]

"In all pre-emption cases, and particularly in those in which Congress has legislated . . . in a field which the States have traditionally occupied, we start with the assumption that the historic police powers of the States were not to be superseded by the Federal Act unless that was the clear and manifest purpose of Congress."[126] Thus, courts are hesitant to find preemption in fields where states have traditionally exercised their police power and there is a general presumption against preemption in those contexts. Particularly relevant are historical changes in the regulatory scheme in question.[127]

Trademark law grew out of state common law. The central theory of infringement in trademark law, the likelihood of confusion, was not codified in a federal statute under the Lanham Act until after the doctrine arose in common

120 Medtronic, Inc. v. Lohr, 518 U.S. 470, 485 (1996).

121 The U.S. Supreme Court favors a "narrow reading" of express preemption clauses. Nelson, *supra* note 116, at 227.

122 Jones v. Rath Packing Co., 430 U.S. 519, 525 (1977).

123 *See* Pac. Gas & Elec. Co. v. State Energy Res. Conservation & Dev. Comm'n, 461 U.S. 190, 204 (1983).

124 Fid. Fed. Sav. & Loan Ass'n v. de la Cuesta, 458 U.S. 141, 153 (1982) (quoting Rice v. Santa Fe Elevator Corp., 331 U.S. 218, 230 (1947)).

125 Wyeth v. Levine, 555 U.S. 555, 583 (2009) (Thomas, J., concurring in the judgment).

126 Medtronic, Inc. v. Lohr, 518 U.S. 470, 485 (1996) (internal quotation marks and citations omitted).

127 *See Wyeth*, 555 U.S. at 566 ("In order to identify the 'purpose of Congress,' it is appropriate to briefly review the history of federal regulation of drugs and drug labeling.").

law courts.[128] Similarly, "[s]tatutes providing legal remedies for dilution . . . began in the United States at the state level."[129] Like the likelihood of confusion standard, dilution theories were also later incorporated into federal trademark law in 1996 pursuant to the Federal Trademark Dilution Act.[130] With this historical context in mind, it is clear that states have traditionally exercised their police power in the realm of trademark law and, similar rights, and there should be a general presumption against preemption.

Therefore, conflict preemption is the only form of preemption relevant to federal trademark law. As previously stated, there is no express preemption clause in the Lanham Act.[131] Further, courts hold that the Lanham Act does not give rise to field preemption.[132] "The federal Lanham Act does not occupy the field of trademark and unfair competition law in such a way that it would preempt parallel state law."[133] In "the field of trademark law, federal preemption of state law 'is the exception rather than the rule.'"[134]

The Seventh Circuit "found that because 'the Lanham Act has not been interpreted as a statute with broad preemptive reach,' a state law providing for punitive damages was not preempted by the federal Lanham Act, which has no provision for punitive damages as such."[135] Similarly, the Third Circuit could not find any

> Congressional manifestation of intent comprehensively to control all aspects of the trademark field, so as to preclude a state from legislating or adjudicating in this area . . . [d]espite the adoption of a uniform federal registration scheme, local trademarks may be enforced by statute or common law unless conflict develops with a national trademark.[136]

Thus, federal trademark law will preempt parallel state law only if the parallel state law is in direct conflict with the federal trademark law.

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128 4 RUDOLF CALLMANN, CALLMANN ON UNFAIR COMPETITION, TRADEMARKS, AND MONOPOLIES § 22:4 (4th ed. 2010) ("[P]rior to the Lanham Act, other types of trade identity confusion were recognized by the courts.").

129 *Id*. § 22:18.

130 *Id*.

131 Abe, *supra* note 114, at 30.

132 *E.g.*, Attrezzi, L.L.C. v. Maytag Corp., 436 F.3d 32, 41 (1st Cir. 2006) ("It is settled that the Lanham Act does not in general preclude state unfair competition statutes from operating, so 'field' preemption is a dubious argument.").

133 3 MCCARTHY, *supra* note 12, § 22:2.

134 *Id.* (quoting JCW Invs., Inc. v. Novelty, Inc., 482 F.3d 910, 919 (2007)).

135 *Id.* (quoting *JCW Invs.*, 482 F.3d at 919).

136 Mariniello v. Shell Oil Co., 511 F.2d 853, 857–58 (3d Cir. 1975).

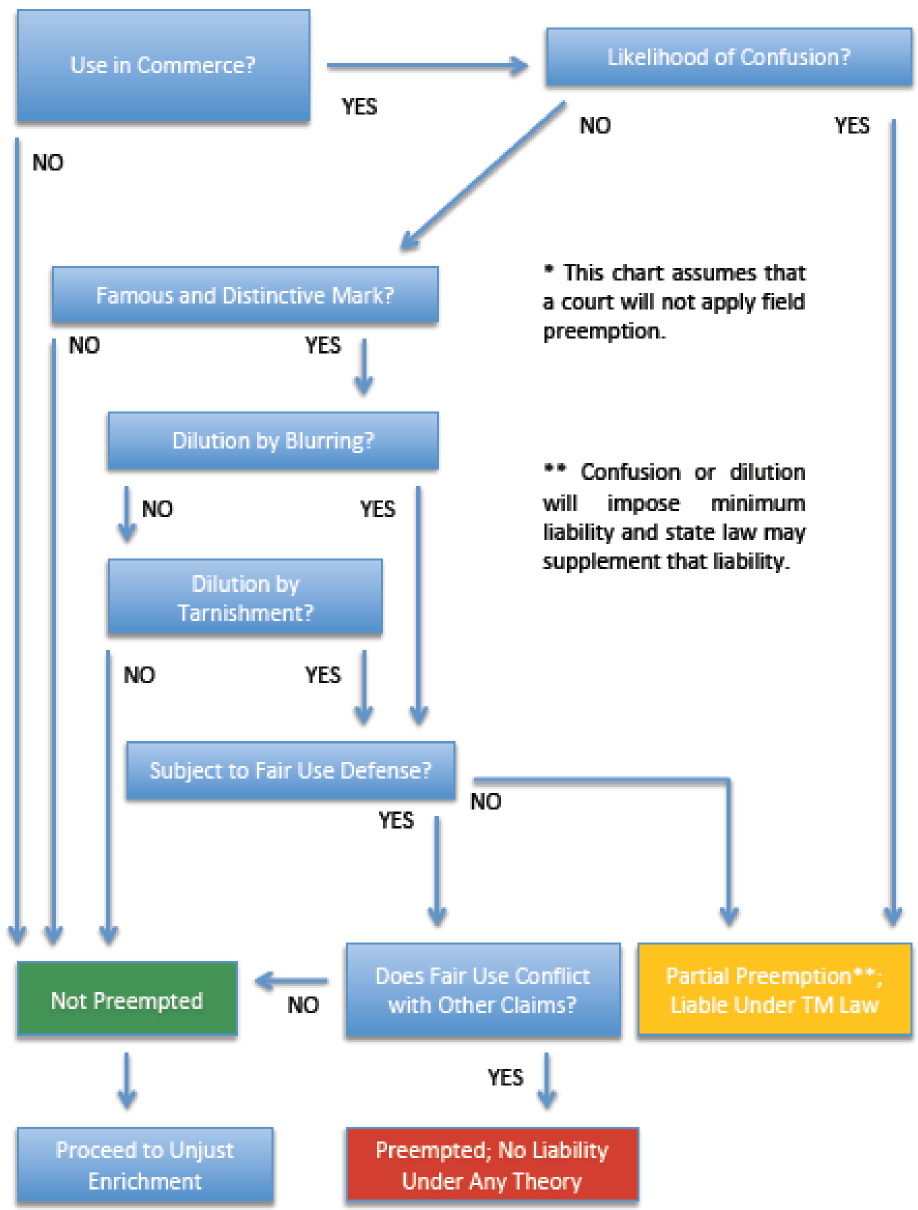
B. Application to Paid Search Keyword Programs

As noted previously, the Lanham Act provides two major causes of action against a trademark infringer: one against uses that cause a likelihood of confusion and one against uses that dilute the value of the trademark by either tarnishment or blurring.[137] Google's AdWords program is the subject of current litigation[138] and it is unclear if the program will be held to dilute trademarks, to be a fair use of trademarks, or to cause a likelihood of confusion, or if trademark law fits the actions of Google at all. Which doctrines apply and which do not, may, however, have an impact on the preemption analysis.

[137] 15 U.S.C. §§ 1125(a), (c) (2006). Dilution claims, unlike likelihood of confusion claims, are subject to a statutory fair use defense. *Id.* § 1125(c)(3)(A).

[138] *See* Jurin v. Google, Inc., 104 U.S.P.Q.2d (BNA) 1480 (E.D. Cal. 2012); Home Décor Center, Inc. v. Google, Inc., No. 2:2012cv0576 (C.D. Cal. filed July 2, 2012); CYBERsitter, L.L.C. v. Google, Inc., No. 2:2012cv05293 (C.D. Cal. filed June 18, 2012).

Figure 2: Preemption Possibilities as Applied to AdWord Programs*



Because there is no express or field preemption with regard to trademark law, would Google escape liability from common law claims such as unjust enrichment or liability under federal trademark law if a court found paid search keyword programs to be fair uses under federal dilution theories? A fair use defense to a dilution claim should not preempt state common law claims, such as unjust enrichment, because of a conflict. First, "[w]hile state law cannot limit the federal rights of trademark owners, it can expand those rights without conflicting with federal law or policy."[139] Therefore, federal trademark law sets a floor, not a ceiling, on the protection afforded to those who invest in a mark. Even if Google were to be held liable under federal trademark law through confusion or dilution theories, state law could increase liability. For example, "[a]ttorney's fees may be awarded to [the] prevailing plaintiff under state law even in the absence of a finding that the case is 'exceptional' under the Federal Lanham Act."[140] Similarly, an Illinois court found that state criminal laws against counterfeiting were not preempted even though federal trademark law provided applicable affirmative defenses to the counterfeiter and the state law did not.[141] Preemption of state law by federal trademark law occurs only when the rights of a trademark holder are reduced; "[t]he Supremacy Clause bars only state statutes or doctrine that would permit the sort of confusing or deceptive practices the draftsmen of the Lanham Act sought to prevent."[142]

Holding Google liable for paid search keyword programs under an unjust enrichment theory would expand, not reduce, the brand owner's rights. Although a fair use defense to a dilution claim grants a right to a would-be infringer under a dilution theory, preemption in trademark law is found only when the rights of a trademark holder are shrunk.[143] Therefore, even if a fair use defense were to apply to paid search keyword programs, that defense should not preempt an unjust enrichment claim. Further, the text of the fair use provision in the Lanham Act in no way indicates an intent for a successful fair use defense to preempt state law, but instead indicates that when fair use defeats a dilution claim, other causes of action may survive. The relevant text provides:

> The following *shall not be actionable as dilution by blurring or dilution by tarnishment* under this subsection:

[139] 3 MCCARTHY, *supra* note 12, § 22:2.

[140] *Id.*

[141] People v. Ebelechukwu, 937 N.E.2d 222, 227 (Ill. App. Ct. 2010), *appeal denied*, 942 N.E.2d 457 (Ill. 2010).

[142] Keebler Co. v. Rovira Biscuit Corp., 624 F.2d 366, 372 n.3 (1st Cir. 1980).

[143] 3 MCCARTHY, *supra* note 12, § 22:2 ("[S]tate law cannot narrow the rights of a federal registrant or permit confusion of customers which federal law seeks to prevent.").

> (A) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services, including use in connection with—
>
> (i) advertising or promotion that permits consumers to compare goods or services; or
>
> (ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.[144]

The text of the statute clearly limits the scope of the fair use defense to dilution. It states that an otherwise valid dilution claim "shall not be *actionable as* dilution by blurring or dilution by tarnishment"[145] if a fair use defense is successfully asserted. The logical reason for drafting the statute this way is that the drafters of the statute realized that the claim may be "actionable as" something else. If the drafters intended fair use to be a complete bar to a trademark holder and preempt all other claims, the drafters would have used only "shall not be actionable" and would not have included the "as," and they would not have limited the scope of the defense to dilution only.

In sum, federal trademark law does not preempt an unjust enrichment claim against Google for the sale of other people's brand names as paid search keywords.

C. The Fourth Circuit in **Rosetta Stone v. Google**

In April 2012, the Fourth Circuit squarely rejected an application of unjust enrichment to Google's AdWord programs in *Rosetta Stone Ltd. v. Google, Inc.*[146] This was improper and was caused by a misconception of unjust enrichment perpetuated for some time in courts and by the cursory treatment given to unjust enrichment by the litigants in their briefs to the court.[147]

Rosetta Stone's unjust enrichment claim failed because the court incorrectly relied upon three formulaic factors[148] when it should have applied unjust enrichment as an independent claim, free from such a restrictive formula. "Formulas of this kind are not helpful, and they can lead to serious errors. They lend a specious precision to an analysis that" should be flexible so that equity

144 15 U.S.C. § 1125(c)(3) (2006) (emphasis added).

145 *Id.* (emphasis added).

146 676 F.3d 144, 166 (4th Cir. 2012).

147 Rosetta Stone dedicated only about 3 pages of its 60-page appellate brief to unjust enrichment. *See* Brief of Appellant at 57–60, *Rosetta Stone II*, 676 F.3d 144 (4th Cir. 2012) (No.10-2007).

148 *See Rosetta Stone II*, 676 F.3d at 165–66.

may prevail.[149] Even if not viewed as a purely equitable claim, the court erred in not analyzing as a freestanding unjust enrichment claim and in misconstruing the basic elements required. The Fourth Circuit was correct when it stated, "[a] cause of action for unjust enrichment in Virginia rests upon the doctrine that a man shall not be allowed to enrich himself unjustly at the expense of another."[150] This is very similar to the test given for unjust enrichment in the Restatement, but, as counseled in the Restatement, the court should have stopped there and should not have used a list of factors in evaluating Rosetta Stone's unjust enrichment claim.

Rosetta Stone's unjust enrichment claim failed because the court used a formula that, as predicted by the Restatement, led to "serious errors."[151] Particularly, the court was improperly hung up on the idea that Google could not "reasonably have expected to repay" Rosetta Stone for its use of Rosetta Stone as a keyword.[152] In addition to the fact that any formulaic factor test such as the one used by the court is inappropriate, the three-factor test[153] used by the court was originally created by the Virginia Supreme Court in a loan dispute case,[154] and that test is inappropriate for application to Google AdWords. Thus, Rosetta Stone's unjust enrichment claim should not have failed because Google could not "reasonably have expected to repay" Rosetta Stone,[155] and Rosetta Stone's unjust enrichment claim would likely survive under a proper application of unjust enrichment, as that doctrine is expressed in the Restatement.

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149 RESTATEMENT (THIRD) OF RESTITUTION & UNJUST ENRICHMENT § 1 cmt. d (2011).

150 *Rosetta Stone II*, 676 F.3d at 165 (internal quotation marks omitted).

151 RESTATEMENT (THIRD) OF RESTITUTION & UNJUST ENRICHMENT § 1.

152 *Rosetta Stone II*, 676 F.3d at 165–66.

153 "(1) [The plaintiff] conferred a benefit on the defendant; (2) the defendant knew of the benefit and should reasonably have expected to repay the plaintiff; and (3) the defendant accepted or retained the benefit without paying for its value." *Id.* at 166.

154 Schmidt v. Household Fin. Corp., II, 661 S.E.2d 834, 838 (Va. 2008). Reasoning that the loan from Household Finance to Schmidt was illegal, Schmidt argued that Household Finance "has no right to retain the money that it received from Schmidt in excess of the amount it lent to Schmidt and is obligated by natural justice and equity to refund the money to Schmidt." *Id.*

155 Even if this interpretative prong were applicable, it should be applied in an objective rather than subjective fashion such that the appropriate question would be whether a reasonable person in good conscience would be expected to pay for such a use.

VI. DE LEGE FERENDA

While an unjust enrichment claim would address many concerns of brand owners, it might be useful for Congress to step in and address paid search keyword programs in the same way it addressed cybersquatting. When brands started to be registered not by their owners but by "squatters" holding those brand names (as URLs) hostage for ransom, Congress stepped in.[156] That cause of action, under the Anti-Cybersquatting Protection Act (ACPA), is subject to a fair use defense.[157] It might be desirable for Congress to do the same here.

One idea would be to create a standard of brand misappropriation so that the brand owner can capture the residual goodwill in brands not covered under current trademark law while allowing for fair uses to be made.[158] Judge Posner has suggested that the concept of dilution be stretched beyond blurring and tarnishment to stop misappropriation of brand goodwill: "[T]here is a possible concern with situations in which, though there is neither blurring nor tarnishment, someone is still taking a free ride on the investment of the [brand] owner in the [brand]."[159] He further provides that the "rationale for antidilution law has not yet been articulated in or even implied by the case law, although a few cases suggest that the concept of dilution is not exhausted by blurring and tarnishment . . . and the common law doctrine of 'misappropriation' might conceivably be invoked."[160]

It might also be possible to consider a form of collective licensing, as is commonly used in copyright for example.[161] Under this type of system, a group of "right holders" agree to let others use their "property" under certain conditions and against payment. For example, songwriters and publishers who are members of the American Society of Composers and Publishers (ASCAP) authorize ASCAP to license U.S. broadcasters and several other categories of users, including for online uses, to publicly perform their musical works against compensation determined either by mutual agreement or, in ASCAP's case, by a

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156 *See* Jason Rhodes, *Last Call for Cybersquatters?: The Anti-Cybersquatting Consumer Protection Act*, 2003 SYRACUSE L. & TECH. J. 1, 6–10 (2003).

157 15 U.S.C. § 1125(d)(1)(B) (2006).

158 *See generally* Marlene B. Hanson & W. Casey Walls, *Protecting Trademark Good Will: The Case for a Federal Standard of Misappropriation*, 81 TRADEMARK REP. 480 (1991) (advocating for a federal cause of action for misappropriation of trademark good will).

159 Ty Inc. v. Perryman, 306 F.3d 509, 512 (7th Cir. 2002).

160 *Id*.

161 *See generally* COLLECTIVE MANAGEMENT OF COPYRIGHT AND RELATED RIGHTS (Daniel Gervais ed., 2d ed. 2010).

federal judge acting as a "rate court" under an antitrust consent decree.[162] For rights in recordings, performing artists and record companies receive a compensation set by a government-appointed body (the Copyright Royalty Board) under a compulsory license. In the first case, authors and publishers must "opt in;" this is usually the case for collective management systems, including ASCAP's competitors, Broadcast Music, Inc. (BMI), and SESAC, Inc., and in other fields such as photocopying and digital reproduction of texts where the Copyright Clearance Center functions as an intermediary.[163] In the second case, the "right holders" have no exclusive right (to exclude use) but only a right to get paid, which they can claim from a collective designated under the statute.[164] There is a third formula, one that may indeed have appeal in the context of brand use, namely, extended collective licensing. Under such a system, which requires legislative intervention, a collective management system is transformed from opt in to opt out once certain conditions have been met.[165] This type of system might allow brand owners who so wish to opt out and protect their brands. It may, and probably should, involve a form of remuneration (for use of their brands) for the owners who join or, if it were an opt-out system, decide to stay in by not opting out.

VII. Conclusion

Under Google's algorithm, the more attractive the keyword, the more effective the keyword is at driving traffic, and the more revenue-generating it is to Google. Consequently, Google is making money off the distinctiveness of brands. Brands are increasingly used not as traditional marks (and the related rationales of quality assurance and reduction of search costs) but as "the product," often associated with values, attitudes, or lifestyles. Brands are used, whether online or on physical products, as signals.

The owner of a brand has invested time, money, and effort to establish and maintain the distinctiveness of the mark qua mark, but also in many cases

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162 *See* Glynn Lunney, *Copyright Collectives and Collecting Societies: The United States Experience, in* Collective Management of Copyright and Related Rights 39–42 (Daniel Gervais ed., 2d ed. 2010); Daniel Gervais, *The Landscape of Collective Management*, 34 Colum. J.L. & Arts 591, 595–96 (2011).

163 *See* Lunney, *supra* note 162, at 339–43.

164 For example, SoundExchange, Inc. is such a collective. *See* U.S. Copyright Office, Notice of Designation as Collective Under Statutory License (2006), *available at* http://www.copyright.gov/carp/notice-designation-collective.pdf.

165 *See* Collective Management of Copyright and Related Rights, *supra* note 161, at 21–33.

the power of the brand. Google does not share any of the money it makes from selling such distinctiveness with the owner of the brand who created it. Instead Google greatly profits by using the brand without authorization.

Courts have yet to hold Google liable for trademark infringement or any other type of unfair competition when it sells a brand name through its AdWords program (although a competitor who buys a brand name as an AdWord might be). However, Google's conduct—deliberate unauthorized and profitable use of another's brand—is violative of unjust enrichment law. The harm addressed by trademark infringement or any other type of unfair competition is not an element of a claim of unjust enrichment under the Restatement. Google's sale of brands it does not own is unjust. After all, Google created the algorithms at the heart of this phenomenon to enrich itself and has misappropriated brands to profit handsomely.

It is time for the law to consider brands qua brands, not just as trademarks. That is the reality in the marketplace. We find unjust enrichment is the best current basis of liability and remedy for the unauthorized, profitable, and therefore unjust use of another's property. Such a remedy would impose reasonable limits on Google's benefit from AdWords.