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 YAHOO! INC.

8  
 9 UNITED STATES DISTRICT COURT  
 10 NORTHERN DISTRICT OF CALIFORNIA  
 11 SAN JOSE DIVISION

13 YAHOO! INC., a Delaware corporation,  
 14 Plaintiff,  
 15 v.  
 16 AMERICAN AIRLINES, INC., a Delaware  
 corporation,  
 17 Defendant.  
 18

Case No.  
**COMPLAINT FOR  
 DECLARATORY JUDGMENT  
 OF NON-INFRINGEMENT AND  
 RELATED CLAIMS**  
**DEMAND FOR JURY TRIAL**

19 Plaintiff Yahoo! Inc. (“Yahoo!”) brings this Complaint against American Airlines, Inc.  
 20 (“American Airlines”) for a declaratory judgment that Yahoo!’s placement of keyword-triggered  
 21 Internet advertising is lawful.

22 Yahoo! is a global Internet portal. Yahoo! provides a wide variety of services to users,  
 23 including an Internet search engine, email accounts, online content such as news and financial  
 24 information, and maps and directions. Most of Yahoo!’s online content and services are provided  
 25 for free. Yahoo! profits from these free services primarily through the sale of advertising that  
 26 appears along with these free services. Some of this advertising involves the placement of  
 27 sponsored advertisements on the search results pages generated by Yahoo!’s well-known Internet  
 28 search engine. Typically, these sponsored advertisements are triggered by the use of “keywords.”

1 Advertisers bid on keywords and pay Yahoo! so that their ads may appear on the Yahoo! search  
2 results page when those keywords are entered into the Yahoo! search engine.

3 In some cases, an advertiser may bid on a keyword that is a trademark of another  
4 company. Thus, for example, a reseller of airline tickets may bid on the name of an airline whose  
5 tickets it resells so that its advertisements appear in the sponsored search section of the results  
6 page when that airline's name is searched. This dispute arises from Yahoo!'s acceptance of  
7 keyword-triggered advertisements concerning the claimed trademarks of Defendant American  
8 Airlines.

9 Yahoo! respects the intellectual property rights of others. To that end, Yahoo! has  
10 developed a policy and practice regarding its keyword-triggered sponsored advertising services  
11 that are mindful of third-party trademark rights. For example, Yahoo!'s policy does not allow an  
12 advertiser to bid on a competitor's trademark as a keyword. Consistent with well-accepted  
13 principles of trademark law, moreover, Yahoo!'s policy allows only for "nominative fair use" of a  
14 third-party's trademark in keyword-triggered advertising. As enunciated by the Ninth Circuit in  
15 *New Kids on the Block v. News Am. Pub., Inc.*, 971 F.2d 302 (9th Cir. 1992), nominative fair use  
16 allows a person to use the trademark of another as a reference to describe the other's product, or  
17 to compare it to his own.

18 Applying these principles, Yahoo!'s policy allows resellers, for example, to bid on  
19 keywords for trademarks of the products or services they sell. Thus, for example, a travel portal  
20 website that allows a customer to purchase tickets for an American Airlines flight is permitted to  
21 bid on keywords that include the registered trademark "American Airlines." Likewise,  
22 "American Airlines Center" is a registered trademark of Defendant American Airlines, and it is  
23 the name of a sports and entertainment venue in Dallas. Tickets to American Airlines Center  
24 events are sold by a variety of ticket resellers. Yahoo! accepts keyword-triggered advertising  
25 from these ticket resellers -- so that if an Internet user is searching for tickets to events at the  
26 venue and the keywords "American Airlines Center" are entered into the search box, the resellers'  
27 advertisements may appear in the Sponsored Search section of the search results page. This  
28 practice is no different from a newspaper accepting advertisements from an electronics retailer

1 who places an advertisement announcing “Sony Televisions on Sale”. As long as the retailer  
2 does, in fact, sell Sony televisions, under long-established trademark principles, the retailer’s  
3 advertisement is lawful. Likewise here, because Yahoo!’s policy and practice regarding  
4 keyword-triggered advertisements properly qualify as nominative fair use under trademark law,  
5 Yahoo! is not liable for any of the claims that American Airlines has asserted, including but not  
6 limited to federal trademark infringement, in an action currently pending in the Northern District  
7 of Texas.

## 8 **THE PARTIES**

9 1. Yahoo! is a corporation organized under the laws of the State of Delaware, with its  
10 principal place of business in Sunnyvale, California, in the Northern District of California.  
11 Yahoo! is, and was at all times herein mentioned, qualified to do business in California. Among  
12 its many Internet services, Yahoo! provides, for example, Internet search engine services to  
13 Internet users and advertising services to businesses and educational and governmental entities  
14 involved in Internet sales and marketing, including numerous entities within the jurisdiction of  
15 this Court.

16 2. Defendant American Airlines, Inc. is a corporation organized under the laws of the  
17 State of Delaware. Based on information and belief, American Airlines is a multi-national airline  
18 that, together with its affiliates, serves 250 cities in over 40 countries, including cities within the  
19 jurisdiction of this Court, and that provides airline travel services to individuals within the  
20 jurisdiction of this Court.

## 21 **VENUE AND JURISDICTION**

22 3. Jurisdiction is proper in this court because this litigation arises under federal law,  
23 namely 17 U.S.C. § 1051 et seq. (Lanham Act). The Court has jurisdiction over this action under  
24 28 U.S.C. § 1331 (federal question), 28 U.S.C. § 1338(a) (trademarks), and 28 U.S.C. § 2201  
25 (Declaratory Judgment Act).

26 4. This Court has personal jurisdiction over American Airlines because American  
27 Airlines conducts business in the State of California and within this district, including providing  
28

1 flights to and from commercial airports within California and promoting its airline and other  
2 travel services to California residents.

3 5. Venue is proper in this district under 28 U.S.C. §§ 1391(b) and 1391(c). In  
4 addition, pursuant to a written agreement, the parties agreed to submit disputes between them to  
5 the exclusive jurisdiction of the state and federal courts located in Los Angeles County or Santa  
6 Clara County, California.

7 6. Assignment to the San Jose Division is appropriate pursuant to Civil L.R. 3-2(c),  
8 as a substantial part of the events which give rise to the claims alleged in this Complaint have  
9 occurred in Santa Clara County, where Yahoo! has its principal place of business and because the  
10 parties' contract designates exclusive jurisdiction to the state and federal courts in Santa Clara  
11 County.

12 7. An actual case or controversy has arisen between the parties. On October 17,  
13 2008, American Airlines brought suit against Yahoo! and its former subsidiary, Overture  
14 Services, Inc. d/b/a Yahoo! Search Marketing ("Overture") in the Northern District of Texas,  
15 Civil Action No. 4-08CV-626-A (the "Texas Action"). Overture was merged into Yahoo! as of  
16 October 1, 2008, and no longer exists as a separate legal entity. American Airlines's Complaint  
17 in the Texas Action alleges that Yahoo!'s and/or Overture's placement of keyword-triggered  
18 advertisements constitutes trademark infringement and other related claims under the Lanham Act  
19 and Texas state laws. Yahoo! has moved to transfer the Texas Action to this Court based on the  
20 forum selection clause in the parties' contract.

## 21 GENERAL ALLEGATIONS

### 22 I. Yahoo!'s Online Network and Keyword Advertising

23 8. Founded in 1994 by two Stanford graduate students, Yahoo! has become the  
24 world's largest global online network of integrated services, with more than 500 million users  
25 worldwide. Its website at www.yahoo.com provides a wide variety of information and services to  
26 individuals and businesses. It is one of the most frequently visited Internet destinations in the  
27 world.

1           9.        Yahoo! makes much of its content and many of its services available without  
2 charge. For example, Yahoo! Search is the second largest search engine on the Internet. Yahoo!  
3 Mail is an email service offering even basic users a full gigabyte of mail storage. Yahoo! Finance  
4 provides stock quotes, international market data, and financial news (among other services).  
5 Yahoo! News has up to the minute news reports. Yahoo! Maps displays maps and directions  
6 from one location to another. All these services are available for free.

7           10.       Yahoo!'s revenues come primarily from selling online advertising opportunities,  
8 including the placement of advertisements based on "keyword" searches. Through a program  
9 entitled Yahoo! Search Marketing, advertisers are invited to bid on keywords that, when input  
10 into the Yahoo! search engine, may trigger the display of a sponsored result or advertisement next  
11 to and distinct from the display of non-sponsored, web-based search results. Yahoo!'s advertising  
12 customers pay Yahoo! based on the number clicks on these advertising links.

13           11.        The Yahoo! Search Marketing program has an official policy, set forth on its  
14 website, regarding bidding on keyword triggers that might be trademarks of another company. A  
15 true and correct copy of the Yahoo! trademark policy is attached as Exhibit A. The policy states:  
16 "For bids on search terms in Yahoo! Search Marketing's Sponsored Search service, Yahoo!  
17 Search Marketing (formerly Overture Services, Inc.) requires advertisers to agree that their search  
18 terms, their listing titles and descriptions, and the content of their Web sites do not violate the  
19 trademark rights of others." Exhibit A at 1.

20           12.        Yahoo!'s trademark policy further provides that Yahoo! Search Marketing will  
21 allow an advertiser to bid on a term that may be the trademark of another only if the advertiser  
22 presents content on its website that (a) refers to the trademark or its owner or related product in a  
23 permissible nominative manner without creating a likelihood of consumer confusion or (b) uses  
24 the term in a generic or merely descriptive manner. The advertisement itself must also display the  
25 mark so that the user understands the relevance of the sponsored search result. Examples of such  
26 permissible nominative uses of another's trademark include the sale of a product properly bearing  
27 the trademark, or commentary, criticism or other permissible information about the trademark  
28 owner or its product. *See* Exhibit A at 1.

1           13.     In the case of nominative uses of another’s trademark, Yahoo!’s trademark policy  
2 requires advertisers to meet one of two conditions:

3                     Reseller: The advertiser’s site must sell (or clearly facilitate the  
4 sale of) the product or service bearing the trademark. The  
5 advertiser’s title and description must disclose that the consumer  
6 will be able to purchase the product or service. The advertiser’s  
7 title and description should not be written in a way that creates the  
8 impression that the advertiser is an authorized reseller unless the  
9 trademark owner has in fact designated the advertiser as an  
10 authorized reseller unless the trademark owner has in fact  
11 designated the advertiser as an authorized reseller.

12                     Information Site, Not Competitive: The primary purpose of the  
13 advertiser’s site is to provide substantial information (for example,  
14 detailed product reviews or comparisons provided by unbiased  
15 sources, commentary, or news information) about the trademark  
16 owner or products or services bearing the trademark, AND the  
17 advertiser’s site does not sell or promote, and is not an affiliate or  
18 partner of an entity that sells or promotes, a product or service that  
19 directly or indirectly competes with the trademark owner’s products  
20 or services. The advertiser’s title and description must disclose the  
21 nature of the qualifying substantial information that the consumer  
22 will find on the advertiser’s site.

23 Exhibit A at 1.

24           14.     Finally, Yahoo!’s trademark policy provides a mechanism by which trademark  
25 owners can notify Yahoo! of trademark concerns:

26                     If you have a concern that a search term associated with an  
27 advertiser’s listing is an improper use of a term that is a trademark,  
28 Yahoo! Search Marketing will review the advertiser’s listing for  
compliance with our relevancy guidelines and, if appropriate,  
Yahoo! Search Marketing will remove the advertiser’s listing or the  
content of the listing’s title or description will be modified.

Exhibit A at 1.

          15.     Yahoo!’s trademark policy and placement of keyword-triggered advertisements is  
consistent with the requirements for nominative fair use set forth in *New Kids on the Block v.*  
*News Am. Pub., Inc.*, 971 F.2d 302 (9th Cir. 1992).

## II.     The Present Dispute

          16.     As set forth above, on October 17, 2008, American Airlines brought suit in the  
Texas Action against Yahoo! and Overture in the United States District Court for the Northern  
District of Texas. American Airlines’s Complaint alleges: “Without authorization or approval

1 from American Airlines, Defendants have sold to third parties the right to use the trademarks and  
2 service marks of American Airlines ('American Airlines Marks') or words, phrases or terms  
3 confusingly similar to those marks as 'keyword' triggers that cause paid advertisements - referred  
4 to as 'Sponsor Results' - to appear above or along side the 'natural results.' In many cases, the  
5 text of these 'Sponsor Results' also included American Airlines Marks or terms confusingly  
6 similar to those marks." American Airlines's Complaint further alleges that "[Yahoo! and  
7 Overture's] unauthorized and intentional use of the American Airlines Marks or terms  
8 confusingly similar thereto in connection with their search engine-based advertising programs  
9 infringes on American Airlines's exclusive rights in its federally registered marks and is likely to  
10 cause confusion, mistake or deception as to the source of the services offered by [Yahoo! and  
11 Overture] and their advertisers."

12 17. In its Complaint in the Texas Action, American Airlines objects to Yahoo!  
13 sponsored search results pages that it claims appeared when a web user performed an Internet  
14 search for the terms "American Airlines," "aa com," "americanairlinescenter.com," and "aa  
15 flights," terms which it claims are trademarks of or confusingly similar variants of trademarks of  
16 American Airlines. With respect to the searches for "americanairlinescenter.com," American  
17 Airlines objects that one of the sponsored search results was an ad for "American Airlines Center  
18 Tickets," by TicketsNow.com, offering tickets to events at the American Airlines Center arena in  
19 Dallas, Texas.

20 18. American Airlines's Complaint in the Texas Action alleges eleven claims for relief  
21 under federal and Texas state law, including trademark infringement, contributory trademark  
22 infringement, vicarious trademark infringement, false representation, trademark dilution, unfair  
23 competition, misappropriation, tortious interference with contract, and money had or received  
24 arising from Yahoo!'s placement of keyword-triggered advertising for third parties based on  
25 alleged American Airlines trademarks.

26 19. As set forth in its trademark policy, where appropriate, Yahoo! will, upon  
27 receiving notice from a trademark owner, take action to remove an advertising listing that violates  
28 Yahoo's policy. Yahoo! contends, however, that its trademark policy properly allows nominative

1 fair use of purported American Airlines trademarks as keywords, including use as keywords by  
2 resellers of American Airlines tickets. Yahoo! denies that it is liable to American Airlines for  
3 trademark infringement or any other legal or equitable claim based on the placement of keyword-  
4 triggered advertising using American Airlines trademarks.

5 **CLAIM FOR RELIEF**

6 (Declaratory Judgment: 28 U.S.C. § 2201)

7 20. Yahoo! incorporates by reference the allegations contained in paragraphs 1  
8 through 19, inclusive.

9 21. American Airlines has claimed that Yahoo!'s placement of keyword-triggered  
10 advertisements for third-parties based on claimed trademarks of American Airlines constitutes  
11 trademark infringement under the Lanham Act, 17 U.S.C. § 1051 et seq., and otherwise is causing  
12 actionable harm to American Airlines under various federal and state laws. American Airlines has  
13 brought the Texas Action against Yahoo! on this basis.

14 22. An actual, present and justiciable controversy has arisen between Yahoo! and  
15 American Airlines concerning Yahoo!'s right to place keyword-triggered advertisements for its  
16 customers based on alleged trademarks of American Airlines.

17 23. Yahoo! seeks declaratory judgment from this Court that its policy regarding the  
18 placement of keyword-triggered advertising based on alleged trademarks of American Airlines  
19 does not constitute trademark infringement or otherwise violate any legal or equitable rights of  
20 American Airlines.

21 **PRAYER FOR RELIEF**

22 WHEREFORE, Yahoo! respectfully requests that the Court:

- 23 1. Enter judgment according to the declaratory relief sought;  
24 2. Award Yahoo! its costs in this action; and



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3. Enter such other further relief to which Yahoo! may be entitled as a matter of law or equity, or which the Court determines to be just and proper.

Dated: November 21, 2008

MICHAEL A. JACOBS  
J. THOMAS MCCARTHY  
LYNN M. HUMPHREYS  
MORRISON & FOERSTER LLP

By: M. Jacobs JEM  
MICHAEL A. JACOBS

Attorneys for Plaintiff  
YAHOO! INC.

1 **DEMAND FOR JURY TRIAL**

2 Pursuant to Federal Rule of Civil Procedure 38 and Civil Local Rule 3-6, Yahoo! hereby  
3 demands a jury trial on all issues so triable.

4  
5 Dated: November 21, 2008

6 MICHAEL A. JACOBS  
7 J. THOMAS MCCARTHY  
8 LYNN M. HUMPHREYS  
9 MORRISON & FOERSTER LLP

10 By: M. Jacobs /DEM  
11 MICHAEL A. JACOBS

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13 YAHOO! INC.  
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# **EXHIBIT A**

Yahoo! My Yahoo! Mail

Search the Web  Search



[Search Marketing Home](#) [Help](#)

## Trademarks

### Raising Trademark Concerns about Sponsored Search™ Listings

Advertisers sometimes bid on search terms that are the trademarks of others. For bids on search terms in Yahoo! Search Marketing's Sponsored Search service, Yahoo! Search Marketing (formerly Overture Services, Inc.) requires advertisers to agree that their search terms, their listing titles and descriptions, and the content of their Web sites do not violate the trademark rights of others. In cases in which an advertiser has bid on a term that may be the trademark of another, Yahoo! Search Marketing allows the bids only if the advertiser presents content on its Web site that (a) refers to the trademark or its owner or related product in a permissible nominative manner without creating a likelihood of consumer confusion (for example, sale of a product bearing the trademark, or commentary, criticism or other permissible information about the trademark owner or its product) or (b) uses the term in a generic or merely descriptive manner. In addition, the advertiser's listing should disclose the nature of the relevant content.

As applied to nominative uses of another's trademark, Yahoo! Search Marketing requires advertisers to meet one of the following two conditions:

1. **Reseller:** The advertiser's site must sell (or clearly facilitate the sale of) the product or service bearing the trademark. The advertiser's title and description must disclose that the consumer will be able to purchase the product or service. The advertiser's title and description should not be written in a way that creates the impression that the advertiser is an authorized reseller unless the trademark owner has in fact designated the advertiser as an authorized reseller.
2. **Information Site, Not Competitive:** The primary purpose of the advertiser's site is to provide substantial information (for example, detailed product reviews or comparisons provided by unbiased sources, commentary, or news information) about the trademark owner or products or services bearing the trademark, AND the advertiser's site does not sell or promote, and is not an affiliate or partner of an entity that sells or promotes, a product or service that directly or indirectly competes with the trademark owner's products or services. The advertiser's title and description must disclose the nature of the qualifying substantial information that the consumer will find on the advertiser's site.

If you have a concern that a search term associated with an advertiser's listing is an improper use of a term that is a trademark, Yahoo! Search Marketing will review the advertiser's listing for compliance with our relevancy guidelines and, if appropriate, Yahoo! Search Marketing will remove the advertiser's listing or the content of the listing's title or description will be modified. In order to assist Yahoo! Search Marketing in expeditiously addressing your concern, please provide the following information:

1. The search term which, when entered, caused the advertiser's listing to appear.
2. The trademark on which your claim is based.
3. If you own a current registration for the trademark on the Principal Register in the United States Patent and Trademark Office, the registration number.
4. If you have evidence of any consumer confusion resulting from the advertiser's bid on the search term, a description of such evidence.
5. If you have contacted the advertiser about your concerns, the status of your communications with the advertiser.

Please forward this information to Yahoo! Search Marketing at the following email address: [trademarkconcern-ysm@yahoo-inc.com](mailto:trademarkconcern-ysm@yahoo-inc.com). You may also mail your concerns to:

Yahoo! Search Marketing  
Attn: Trademark Department  
3333 Empire Avenue  
Burbank, California 91504  
Fax: 818 524-3001

If your concern is about links or advertising content appearing on a domain in our Domain Match program, [please click here](#) for more

information about Yahoo! Search Marketing's notification procedure.

If your concern is about a Local Sponsored Search listing, [please click here](#) for more information about Yahoo! Search Marketing's notification and counter-notification procedure for Local Sponsored Search listings.

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