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# Pop, Goes the Brand

### UNTIL COURTS WEIGH IN ON KEYWORD AND POP-UP ADS, MARKETERS MUST PROTECT THEIR BRANDS

BY PETER M. RIPIN

**B**efore leaving on a business trip to Los Angeles, I ran a search on Yahoo! by entering the hotel's name and Los Angeles. At the top of the first search-results page were two listings shaded in light blue under the words "sponsor results"—one for Expedia and the other for downtown L.A. hotels. On the righthand side and bottom of the page were another eight sponsor results, none of which included the hotel's official web site.

I clicked on the second sponsored result on the right hand side of the page, entitled "A1 Discount Hotels: service oriented company offers substantial discounts in over 90 Los Angeles area..." After clicking on this link, I was transported to Hotels.com where approximately 100 Los Angeles hotels were listed in small type. In much larger print, next to a box labeled "Read About Our Lowest Rate Guarantee," I was asked to select dates of travel and number of rooms. After entering this information and clicking "Go," I then received a listing of 25 different Los Angeles hotels, none of which included the hotel for which I'd originally been searching.

Fortunately for my hotel, I had already booked my reservation and decided not to change it. But if I hadn't already booked I might not have realized that the sponsored listings were paid advertisements. Even if I later realized I was somewhere other than the brand's official web site, I might have been coaxed away from my original choice by one of the competing hotels. Even if I booked the hotel on the Hotels.com web site, the hotel's profit margin would be about 18 to 30 percent less than if I had booked the reservation directly on the hotel's official web site.

This example illustrates the effect of third-party sites on a hotel brand's online business. A recent survey by Hospitality Sales and Marketing Association International (HSMIA) indicates hotel-branded web sites are driving Internet business and account for 75 percent of online reservations, and produce the highest average daily rate. This is why it's essential for hotels to defend their brands in the online arena.

Annual revenue leakage from hotel brand sites to third-party sites is approximately \$1 billion, according to Smith Travel Research. A leading hotel brand recently studied the impact of a third-party site's discontinuation of keyword buys and concluded 40 percent of the site's revenue came from keyword buys and search engine placement. If the 40 percent average holds for all third-party sites, as much as \$400 million of the \$1 billion leakage cited by Smith Travel may be attributable to this diversion of trademarked keywords.

While numerous legal challenges to pop-up and keyword advertising have resulted in some important decisions, it's important to understand this is still an unsettled and evolving area of the law. The first decision was issued in 2002, when a federal judge in Virginia issued an injunction preventing Gator (now known as Claria), one of the leading pop-up advertising companies, from sending pop-up ads to the *Washington Post* and *The New York Times*.

But pop-up companies WhenU.com and Gator won two important victories. In the first case, which was decided in 2003, a different federal judge in Virginia dismissed a lawsuit by U-Haul, which argued that WhenU's SaveNow pop-up program infringed U-Haul's

copyrights and trademarks by sending its competitors' pop-up ads to U-Haul's site. Although the court acknowledged that the average user who accessed U-Haul's web site would not expect to find a pop-up ad from U-Haul's competitor on the site, it dismissed the suit because:

- It found that the computer user had made a conscious decision to install the program.
- WhenU's pop-up window was separate and distinct from U-Haul's web site.
- WhenU's incorporation of the U-Haul URL in the SaveNow directory to generate competitor's pop-up ads was not an illegal use of a trademark because WhenU in no way advertised or promoted U-Haul's web address or any other U-Haul trademark.

In the next case, a federal judge in Michigan denied Wells Fargo's request for a preliminary injunction against WhenU, concluding that Wells Fargo was unlikely to prevail on its claims of copyright and trademark infringement. The court held that WhenU did not use Wells Fargo's trademark in its advertising since the pop-up ads did not display those trademarks. The court also held that there was no trademark infringement because it only used the mark in its directory to determine what advertisements to display for consumers and did not hinder access to Wells Fargo's web site.

It seemed like WhenU and the pop-up advertisers were on a roll until a 2003 decision. In that case, a contact lens retailer named 1-800 Contacts brought a lawsuit against WhenU after it sent pop-up ads for Vision Direct, a direct competitor of 1-800 Contacts to the 1-800 Con-

tacts web site. This time, the court granted a preliminary injunction to 1-800 Contacts after concluding that it was likely to succeed on its trademark infringement claims because there was a strong likelihood of customer confusion arising from the appearance of the pop-ups.

Notwithstanding legal uncertainties, there are still some important steps that hotels can—and should—take to protect their online brands. First, hotels should prohibit keyword buying and pop-up advertising in their contracts with third-party sites and enforce those prohibitions. Indeed, it's important to recognize that while third-party sites like Expedia and Hotels.com, are allegedly among the biggest offenders when it comes to pop-up and keyword advertising, they're also contractual partners of the hotel brands. InterContinental Hotels recently adopted new standards requiring its third-party distributors to agree not to bid on or purchase placement rights for InterContinental's trademarks or to engage in predatory advertising methods which was defined to include pop-up advertising. When InterContinental was unable to reach an agreement with Expedia and Hotels.com, it severed its relationship with them.

Other options include paying the search engines "ransom" by bidding on your own. Although the legal route can be costly, it can also be highly effective and is surely preferable to simply capitulating. Since the final answer from the courts hasn't been issued, hotels must take proactive action now to defend their online brands. ■

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