

## Texas Hammer Nails Trademark Infringement Appeal

Article By:

Joshua Revilla

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The US Court of Appeals for the Fifth Circuit reversed a district court's dismissal of an initial confusion trademark complaint, finding that the plaintiff alleged a plausible claim of trademark infringement under the Lanham Act. *Adler v. McNeil Consultants, LLC*, Case No. 20-10936 (6th Cir. Aug. 10, 2021) (Southwick, J.)

Jim Adler is a personal injury lawyer who trademarked and used several terms, including JIM ADLER, THE HAMMER and TEXAS HAMMER, to market his business, including via keyword advertisements. McNeil Consultants, a personal injury lawyer referral service, purchased keyword ads using Adler's trademarked terms, which allowed McNeil's advertisements to appear at the top of any Google search of Adler's trademarked terms. McNeil's advertisements used generic personal injury terms, did not identify any particular law firm and clicking on the ads placed a phone call to McNeil's call center rather than directing the user to a website. The call center used a generic greeting so consumers did not realize with whom they were speaking.

Adler filed suit against McNeil, asserting Texas state law claims as well as trademark infringement under the Lanham Act. McNeil moved to dismiss, arguing that its keyword ads did not create a likelihood of confusion. The district court agreed and dismissed Adler's complaint. Adler appealed.

To successfully plead a trademark infringement claim under Fifth Circuit law, the holder of a protectable trademark must establish that the alleged infringing use "creates a likelihood of confusion as to source, affiliation, or sponsorship." To determine whether a likelihood of confusion exists, the Court weighs a non-exhaustive list of several confusion factors, including the similarity of the marks, the similarity of the products, the defendant's intent and the care exercised by potential consumers.

The Fifth Circuit explained that Adler alleged initial interest confusion, which exists where the confusion creates consumer interest in the infringing party's services even where no sale is completed because of the confusion. The Court noted that this case presented the first opportunity for the Fifth Circuit to consider initial interest confusion as it pertains to search engine keyword advertising. Relying on Ninth Circuit precedent and parallel reasoning to its own opinions on initial interest confusion in the context of metatag usage, the Court concluded that Adler's complaint alleged a plausible claim of trademark infringement under the Lanham Act.

The Fifth Circuit noted that initial interest confusion alone is not enough to raise a Lanham Act claim. The Court explained that if a consumer searches TOYOTA and is directed to search results

containing a purchased ad clearly labeled as selling VOLKSWAGEN products, a consumer who clicks on the VOLKSWAGEN ad has been distracted, not confused or misled into purchasing the wrong product. Distraction does not violate the Lanham Act. However, the Court explained that where the use of keyword ads creates confusion as to the source of the advertisement—not mere distraction—an infringement may have occurred. Because McNeil’s advertisements were admittedly generic and could have been associated with any personal injury law firm, the Court found that the keyword ads raised a possibility of consumer confusion rather than distraction.

The Fifth Circuit also disagreed with the district court’s finding that Adler’s claims were conclusory. The Court found that Adler submitted factual allegations sufficient to support a claim that McNeil’s generic ads—combined with their misleading call-center greetings—caused consumer confusion as to who had placed the advertisements.

The Fifth Circuit also rejected McNeil’s argument that its ads were generic and therefore unprotected under the Lanham Act. The Court explained that although the Lanham Act does not protect generic terms, it does protect against generically worded advertisements integrating trademarks admittedly owned by another. The Court found that McNeil’s use of generic language was actually a factor to be weighed against McNeil because it increased the likelihood that consumers would be confused as to the source.

Finally, the Fifth Circuit rejected the district court’s conclusion that Adler’s claims failed as a matter of law because consumers cannot see the terms purchased in a keyword search. The district court essentially ruled that if the mark is not visible to the consumer, then no confusion can be created. The Court disagreed, finding the district court’s ruling unsupported by precedent and contrary to its rule of law that no single factor be dispositive.

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