

# Trademark & Copyright

## E-ALERT

April 15, 2009

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### Second Circuit Rules That Use Of Trademarks In Internet Keyword Advertising Constitutes Actionable Trademark Use

*Rescuecom Corp. v. Google Inc.*, Second Circuit, decided April 3, 2009.

In a significant new decision on the legality of search engine keyword advertising programs, the Second Circuit has held that Google's sale of trademarked terms as ad-triggering keywords constitutes "use in commerce" of a trademark for purposes of federal trademark law and, accordingly, could constitute trademark infringement or dilution.<sup>1</sup> The legality of such keyword advertising programs has been one of the most important unsettled issues of trademark law in recent years.

The decision represents an about-face for the Second Circuit, which previously held that similar uses of a trademark in online advertising did not constitute actionable use in commerce of the trademark.<sup>2</sup> This shift aligns the Second Circuit with other circuits that have considered the issue and makes it significantly more likely that keyword advertisers and advertising service providers could face claims of trademark infringement or dilution when they purchase or sell trademarks as keywords.

#### Background

Search engines' keyword advertising programs are designed to display advertisements that relate to users' searches. Advertisers purchase keywords in order to have their ads shown to users whose searches include the same terms — including, frequently, their competitors' trademarks. Numerous courts have addressed whether the sale, purchase, and use of trademarks as keywords is actionable under trademark law, which generally prohibits using a trademark in commerce in connection with the sale, offering, or advertising of goods or services, in a way that is likely to cause confusion or deceive consumers,<sup>3</sup> or in a way that is likely to cause trademark dilution by blurring or tarnishment of a famous mark.<sup>4</sup>

Rescuecom, a computer repair company, alleged in its lawsuit that Google urged competing computer repair firms to purchase "Rescuecom" as a keyword so their advertisements would appear when consumers searched for information about Rescuecom's services. Rescuecom claimed that the use of its trademarked name as a search keyword was an infringing use, even though the mark did not appear in the triggered advertisements. Competitors who placed the ads, Rescuecom alleged, deceived and diverted searchers by

<sup>1</sup> *Rescuecom Corp. v. Google Inc.*, slip op., Case No. 06-4881-cv (2d Cir. Apr. 3, 2009).

<sup>2</sup> *See 1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400 (2d Cir. 2005).

<sup>3</sup> *See* 15 U.S.C. §§ 1114(1)(a), 1125(a)(1)(A).

<sup>4</sup> *See* 15 U.S.C. § 1125(c).

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making it appear that those competitors' websites were affiliated with Rescuecom. The district court disagreed, however, and dismissed the complaint on the ground that Google's alleged use of "Rescuecom" as a keyword did not constitute actionable use in commerce of the "Rescuecom" trademark.

## The Circuit Split

Claims such as Rescuecom's have had mixed outcomes in recent years, and a split had developed between circuits deciding keyword advertising cases. The Second Circuit had held in *1-800 Contacts, Inc. v. WhenU.com, Inc.*<sup>5</sup> that an advertising service provider did not make actionable use of the plaintiff's "1-800 CONTACTS" trademark when it used the address of the 1800contacts.com website, rather than the trademark itself, to trigger pop-up ads for products in the same eye-care category. The court emphasized that the ads were triggered by the website address rather than the trademark itself, and that WhenU did not permit advertisers to target specific keywords; instead, they could only target broad, generic categories such as eye care. The court also noted that the website address was used solely in WhenU's internal directory and was not visible to consumers. Following *1-800 Contacts*, district courts in the Second Circuit held in several subsequent cases that keyword advertising did not constitute actionable use of the plaintiff's mark in commerce, when the mark was not used in a way that made it visible to consumers.<sup>6</sup>

In contrast, the Ninth, Tenth, and Eleventh Circuits have all issued decisions at odds with the Second Circuit's holding in *1-800 Contacts*. In *Playboy Enterprises, Inc. v. Netscape Communications Corp.*,<sup>7</sup> the Ninth Circuit held that Netscape could be liable for trademark infringement when it sold banner advertisements that would appear when users searched for Playboy's trademarks "playboy" and "playmate," finding that there was no dispute that Netscape used the marks in commerce.<sup>8</sup> In *Australian Gold, Inc. v. Hatfield*,<sup>9</sup> the Tenth Circuit, without expressly addressing the "use in commerce" issue, affirmed a jury verdict of infringement based on the defendants' use of the plaintiff's trademarks as keywords and in website meta tags. The court appeared to assume that such uses constitute actionable trademark uses in commerce, reasoning that even if the trademarks were not visible to users, they could cause confusion "when a consumer seeks a particular trademark holder's product and instead is lured to the product of a competitor."<sup>10</sup> And in *North American Medical Corp. v. Axiom Worldwide, Inc.*,<sup>11</sup> a case involving website meta tags rather than search keywords, the Eleventh Circuit expressly rejected the Second Circuit's "no use in commerce" reasoning and held that the defendant's use of the plaintiff's trademarks in meta tags created a likelihood of confusion. Numerous district courts outside the Second Circuit have also rejected its reasoning.<sup>12</sup>

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<sup>5</sup> 414 F.3d 400 (2d Cir. 2005).

<sup>6</sup> See, e.g., *FragranceNet.com, Inc. v. FragranceX.com, Inc.*, 493 F. Supp. 2d 545 (E.D.N.Y. 2007); *Site Pro-1, Inc. v. Better Metal, LLC*, 506 F. Supp. 2d 123 (E.D.N.Y. 2007); *Merck & Co. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 415–416 (S.D.N.Y. 2006).

<sup>7</sup> 354 F.3d 1020 (9th Cir. 2004).

<sup>8</sup> *Id.* at 1024.

<sup>9</sup> 436 F.3d 1228 (10th Cir. 2006).

<sup>10</sup> *Id.* at 1238.

<sup>11</sup> 522 F.3d 1211, 1219–20 (11th Cir. 2008). In *Venture Tape Corp. v. McGill Glass Warehouse*, 540 F.3d 56 (1st Cir. 2008), the First Circuit likewise held, without addressing the "use in commerce" issue, that the defendant's use of the plaintiff's trademarks in meta tags created a likelihood of confusion even when the trademarks were not visible to consumers.

<sup>12</sup> See, e.g., *Boston Duck Tours, LP v. Super Duck Tours, LLC*, 527 F. Supp. 2d 205, 206–07 (D. Mass. 2007), *rev'd on other grounds*, 531 F.3d 1 (1st Cir. 2008); *Am. Airlines, Inc. v. Google, Inc.*, Slip Op., Case No. 4:07- (footnote continued on next page)

## The Second Circuit Decision

Backing away from this circuit split and significantly limiting *1-800 Contacts*, the Second Circuit held in *Rescuecom Corp. v. Google Inc.*<sup>13</sup> that Google made actionable use in commerce of a trademark when it sold that trademark as a keyword to the trademark owner's competitors, even if the mark was not displayed in advertisements seen by consumers. The court emphasized that the plaintiff would, of course, still need to prove that such use was likely to cause consumer confusion or dilution of the plaintiff's marks.<sup>14</sup>

The opinion by Judge Pierre N. Leval justified the shift on several grounds. First, unlike the purely internal uses in *1-800 Contacts*, which were never seen by either advertisers or consumers, Google sells trademarks as keywords and displays them to advertisers.<sup>15</sup> Second, the keyword in *1-800 Contacts* was the plaintiff's website address, which, even though it incorporated the plaintiff's mark in its entirety, *1-800 Contacts* held could not be treated the same as a trademark.<sup>16</sup> In *Rescuecom*, in contrast, the keyword was the trademark itself.<sup>17</sup> Third, the court disagreed with Google that its decision in *1-800 Contacts* held, or even implied, that purely internal uses of a trademark could not constitute infringement; it noted, for example, that a search engine that allowed advertisers to pay to appear at the top of a search engine's relevance-rank results "would be highly likely to cause consumer confusion" if the paid placements were not marked as advertisements.<sup>18</sup> Finally, the court dismissed Google's comparison to retail store "product placement" programs, in which vendors pay to have their products placed or shelved near other, more well-known products. The court concluded that there was no "magic shield against liability" for such programs, explaining that they do not infringe because they are not likely to cause confusion, not because they do not involve the use in commerce of a trademark.<sup>19</sup>

## Implications

The Second Circuit's decision has important implications for trademark holders, advertisers, and advertising service providers. The decision brings the Second Circuit's law into accord with other circuits, which have held search engines and advertisers to a much stricter rule than had courts in the Second Circuit.

For advertisers and advertising service providers, the decision makes for a more certain, and more hostile, judicial environment. Advertisers can avoid risk simply by not purchasing as keywords trademarks owned by competitors. That approach is less plausible for advertising service providers, however, who cannot easily investigate every keyword purchased by every advertiser to determine whether it is another party's trademark. Providers will need to weigh the relative benefits and risks of selling keywords and

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CV-487 (N.D. Tex. Oct. 24, 2007) (denying motion to dismiss without discussion); *J.G. Wentworth, S.S.C. Ltd. P'ship v. Settlement Funding LLC*, 85 U.S.P.Q.2d 1780 (E.D. Pa. 2007); *Edina Realty Inc. v. The MLSOnline.com*, 80 U.S.P.Q.2d 1039 (D. Minn. 2006); *800-JR Cigar, Inc. v. GoTo.com*, 437 F. Supp. 2d 273 (D.N.J. 2006); *Buying for the Home, LLC v. Humble Abode, LLC*, 459 F. Supp. 2d 310 (D.N.J. 2006); *Int'l Profit Ass'n Inc. v. Paisola*, 461 F. Supp. 2d 672 (N.D. Ill. 2006).

<sup>13</sup> Slip op., Case No. 06-4881-cv (2d Cir. Apr. 3, 2009).

<sup>14</sup> *Id.* at 14–15.

<sup>15</sup> *Id.* at 12.

<sup>16</sup> *1-800 Contacts*, 414 F.3d at 408–09.

<sup>17</sup> *Rescuecom*, slip op. at 7.

<sup>18</sup> *Id.* at 13 n.4.

<sup>19</sup> *Id.* at 13–14.

suggesting possible keywords to advertisers, and the potential benefits and costs of countermeasures such as trademark filters.<sup>20</sup> Significantly, search engines such as Google that had previously sought to dispose of suits at the motion to dismiss stage — on the ground that there was no actionable use in commerce as a matter of law — will now have to litigate the fact-intensive issue of likelihood of confusion through summary judgment or trial.

For trademark owners, the court's decision helps further clarify that the sale or use of a trademark as an advertising keyword constitutes actionable use of the mark in commerce and can constitute trademark infringement or dilution. This should give trademark owners greater flexibility in choice of forum and a stronger hand in litigation. However, by clarifying the law, the decision may also make it less likely that the Supreme Court will weigh in or that Congress will pass keyword advertising legislation.

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<sup>20</sup> Rescucom alleged that Google makes 97% of its revenue from selling advertisements through the AdWords program at issue in this case. *Id.* at 6.