

Legal Updates & News

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Second Circuit Holds that Use of Trademarks as Search Keywords Constitutes “Use in Commerce” in *Rescuecom*

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In a highly anticipated decision, on April 3, 2009, the Court of Appeals for the Second Circuit overturned the district court’s dismissal of Rescuecom’s action against Google for trademark infringement, false designation of origin, and dilution arising out of Google’s controversial “AdWords” program.^[1] The district court had dismissed the case for failure to state a claim for relief, finding that Google’s use of Rescuecom’s trademarks to trigger sponsored links did not constitute “use in commerce” within the meaning of the Lanham Act. The Second Circuit vacated the district court’s decision and remanded the case to the district court for further proceedings. Keyword-based trademark infringement claims in the Second Circuit are now much more likely to survive a motion to dismiss, forcing Google and other search engine operators to proceed to discovery and further stages of litigation.

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Description of Google Programs

A Google search will often produce, in addition to the “organic” search results that Google’s search engine has determined are relevant to the user’s query, a number of “sponsored links”—i.e., paid advertising that is triggered by the user’s search terms. Google offers two programs to assist advertisers: AdWords and Keyword Suggestion Tool. AdWords allows advertisers to purchase search keywords, so that when a user enters such a keyword into Google’s search engine, the advertiser’s ad will appear on the results page. Adwords permits advertisers to choose their competitors’ names or trademarks as keywords.^[2] Google’s Keyword Suggestion Tool recommends keywords to advertisers, thus increasing the effectiveness of the keyword-based advertising. In some cases, the Keyword Suggestion Tool may suggest that an advertiser trigger its ads using the name or trademark of a competitor as a keyword.^[3] Rescuecom alleged that its competitors used Rescuecom’s trademark as a keyword to trigger Google sponsored links, perhaps on Google’s recommendation.^[4]

“Use in Commerce” and the *1-800 Contacts* Precedent

The district court dismissed Rescuecom’s suit, finding that Google did not use Rescuecom’s mark in

commerce, as required to state a claim for trademark infringement under the Lanham Act.^[5] Under the Lanham Act “a mark shall be deemed to be in use in commerce . . . (2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce.”^[6]

The district court’s determination was based on an earlier Second Circuit decision, *1-800 Contacts v. WhenU.com*.^[7] In that case, the court dismissed a trademark infringement claim against a company that provided “pop-up” ads to users when the user typed certain search terms into a web browser.^[8] The *Rescuecom* decision noted that the WhenU pop-up ad appeared in a separate browser window, and that the defendant’s brand was displayed in the window frame surrounding the ad, thereby reducing consumer confusion.^[9] Additionally, advertisers could not choose specific keywords to trigger their ads. Although WhenU’s program did use specific terms (including the plaintiff’s website address) as part of an internal database to determine which pop-up ads to display in response to search queries, WhenU offered its advertising customers only broad advertising categories such as “eye-care.”^[10] According to the *1-800 Contacts* court, “[a] company’s internal utilization of a trademark in a way that does not communicate it to the public is analogous to a (sic) individual’s private thoughts about a trademark. Such conduct simply does not violate the Lanham Act.”^[11] Based on this analysis, that court dismissed the plaintiff’s trademark infringement claims.

The Rescuecom Decision

Following *1-800 Contacts*, speculation arose as to whether courts would apply the Second Circuit’s analysis of WhenU.com’s pop-up advertising program to search engine advertising such as the Google AdWords program. At the district court level, a number of search engine decisions—including the lower court’s decision in *Rescuecom*—did, in fact, follow *1-800 Contacts*.^[12]

The Second Circuit’s decision in *Rescuecom*, however, has now rejected that line of analysis as applied to search engine advertising programs like Google’s. According to the Second Circuit, *Rescuecom* “contrasts starkly” with *1-800 Contacts*:

First, in contrast to *1-800*, where we emphasized that the defendant made no use whatsoever of the plaintiff’s trademark, here what Google is recommending and selling to its advertisers is Rescuecom’s trademark. Second, in contrast with the facts of *1-800* where the defendant did not “use or display,” much less sell, trademarks as search terms to its advertisers, here Google displays, offers, and sells Rescuecom’s mark to Google’s advertising customers when selling its advertising services. In addition, Google encourages the purchase of Rescuecom’s mark through its Keyword Suggestion Tool.^[13]

The court’s first point of distinction above involves the fact that, in *1-800 Contacts*, the term that the defendant used in its database was actually the plaintiff’s website address, not the plaintiff’s trademark (although the plaintiff’s trademark was very close to its website address).^[14] Therefore, the court noted, not only did the defendant in *1-800 Contacts* not use the plaintiff’s trademark in commerce, it did not use the plaintiff’s trademark *at all*.^[15] The more fundamental and important distinction, however, is that Google did more than use Rescuecom’s trademark in an internal database: it also recommended and sold Rescuecom’s trademark to competitors for use in triggering the competitors’ ads.^[16] Thus, unlike the defendant’s use in *1-800 Contacts*, Google’s use was not merely internal and did constitute use in commerce sufficient to state a claim of trademark infringement under the Lanham Act.

Implications of the Rescuecom Decision

It is important to note that the Second Circuit’s *Rescuecom* decision merely allowed Rescuecom’s claims to survive Google’s motion to dismiss; in order to prevail on its claims, Rescuecom still must prove that Google’s use of Rescuecom’s trademark caused a likelihood of consumer confusion or mistake.^[17] The significance of the decision is that keyword-based trademark infringement claims in the Second Circuit are now much more likely to survive a motion to dismiss, forcing Google and other search engine operators to proceed to discovery and further stages of litigation. The decision also calls into question the other district court cases noted above that had followed *1-800 Contacts*.

The *Rescuecom* decision also brings the Second Circuit into harmony with courts in other circuits that have considered keyword advertising issues, many of which have found that use of trademarks in keyword advertising programs such as Google’s does constitute use in commerce.^[18] On the other

hand, whether trademark owners can prove likelihood of confusion from such advertising programs remains very much an open issue.

Footnotes

[1] *Rescuecom Corp. v. Google, Inc.*, No. 06-4881-cv (2nd Cir. 2009).

[2] *Id.* at 4-5.

[3] *Id.* at 5-6.

[4] *Id.* at 7.

[5] *Rescuecom Corp. v. Google, Inc.*, 456 F. Supp. 2d 393 (N.D.N.Y. 2006).

[6] 15 U.S.C. § 1127.

[7] *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400 (2d Cir. 2005).

[8] *Id.* at 404-05.

[9] *Rescuecom*, at 7.

[10] *Id.* at 11.

[11] *1-800 Contacts*, 414 F.3d at 409.

[12] See *Merck & Co. v. Mediplan Health Consulting, Inc.*, 431 F. Supp. 2d 425 (S.D.N.Y. 2006) (finding, based in part on *1-800*, that purchase of keyword is not a trademark use); *S&L Vitamins, Inc. v. Australian Gold, Inc.*, 521 F. Supp. 2d 188 (E.D.N.Y. 2007) (finding “no actionable ‘use’ under the Lanham Act where defendants used trademarks in metatags and purchased the trademark as a keyword”); *FragranceNet.com, Inc. v. FragranceX.com, Inc.*, 2007 U.S. Dist. LEXIS 48373 (E.D.N.Y. 2007) (“the reasoning of *1-800 Contacts* supports a conclusion that no Lanham Act ‘use’ exists for the use of a trademark in a keyword or metatag”).

[13] *Rescuecom*, at 11.

[14] *Id.* at 10.

[15] *Id.*

[16] *Id.* at 12.

[17] *Id.* at 14.

[18] See, e.g., *J.G. Wentworth, S.S.C. Ltd. Partnership v. Settlement Funding, LLC*, 2007 U.S. Dist. LEXIS 288 (E.D. Pa. Jan. 4, 2007) (finding that defendant’s use of plaintiff’s trademarks through Google’s AdWords program was not merely internal and did constitute “use in commerce”); *Google Inc. v. Am. Blind & Wallpaper Factory, Inc.*, 2007 U.S. Dist. LEXIS 32450 (N.D. Cal. Apr. 18, 2007) (concluding that the sale of trademarked terms in the AdWords program is a “use in commerce”); *Gov’t Employees Ins.*

Co. v. Google Inc., 330 F. Supp. 2d 700 (E.D. Va. 2004) (“defendants have unlawfully used [plaintiff’s] trademarks by allowing advertisers to bid on the trademarks and pay defendants to be linked to the trademarks”).