

**April 22, 2009**

**Second Circuit: Sale Of Trademarks as Advertising Keywords Is A Trademark  
"Use In Commerce"**

By [Matt Williams](#)

The sale and use of "keywords" now is a standard advertising practice among most commercial search engines. Typically, these "keyword" based advertising programs work as follows: when a search engine user performs a search for a product or company (including a trademarked name or phrase), the search engine often displays in response, alongside a relevant link to the website the user is looking for, context based advertisements and links designed to be of interest to the user based on the content of the search. In order to more effectively target advertising to particular consumers, search engines offer for sale (and companies frequently purchase) specific words or phrases (known as "keywords") that will trigger their advertisements or sponsored links, including keywords that may constitute their trademarks or those of a competitor. Since search engines typically are paid based on how many users click on the links generated by keywords, the search engines arguably have incentives to direct Internet traffic to the advertisers' sites, and away from advertisers' competitors' sites (i.e., the companies the consumers may have been searching for in the first place).

On April 3, 2009, the U.S. Court of Appeals for the Second Circuit, in *Rescuecom v. Google* (No. 06-4881-cv), clarified one important issue concerning trademark law and use of search engine keywords by holding that the sale of trademarks as keywords is a "use in commerce" under the Lanham Act. As such, the use of trademarks as keywords thus is potentially actionable as trademark infringement or dilution.

In *Rescuecom*, the plaintiff, a computer services company, alleged that Google infringed its trademark through its keyword advertising program (known as "AdWords"). Among other things, Google was alleged to have recommended (through Google's "Keyword Suggestion Tool") that Rescuecom's competitors purchase the "Rescuecom" mark as an advertising keyword, and Google displayed context-based advertising when users searched for the mark. Rescuecom argued that "a user might easily be misled to believe that the advertisements which appear on the screen are in fact part of the relevance-based search result and that the appearance of a competitor's ad and link in response to a searcher's search for Rescuecom is likely to cause trademark confusion as to affiliation, origin, sponsorship, or approval of service."

Consistent with prior district court opinions within the Second Circuit, the U.S. District Court for the Northern District of New York dismissed Rescuecom's complaint, holding that the alleged use could not constitute trademark infringement. The Court's rationale for that decision was that such claims were foreclosed under a prior Second Circuit opinion, *1-800 Contacts, Inc. v. WhenU.com*, 414 F.3d 400 (2005). *1-800 Contacts* involved infringement allegations against a company, WhenU.com, that provided consumers with software that displayed "pop-up" advertisements when the users searched for specific Internet terms (including company website addresses). WhenU.com charged advertisers to display their pop-up ads, but did not charge the advertisers for use of specific keywords. Nor did it inform the advertisers which search terms would trigger the displays of their ads. The Second Circuit in *1-800-Contacts* held that such conduct - namely, including a trademark in an unpublished directory of terms to trigger delivery of contextually relevant pop-up advertisements - does not constitute a trademark "use" under 15 U.S.C. § 1127 (Section 45 of the Lanham Act).

The Second Circuit in *Rescuecom* disagreed with the district court, including with its application of *1-800 Contacts*, and reversed the district court's dismissal of Rescuecom's complaint. In so doing, the Second Circuit found *1-800 Contacts* to be distinguishable in two key respects. First, unlike Google, which used the trademark Rescuecom as a keyword, WhenU.com did not actually use the 1-800 Contacts trademark as a keyword; it instead used a website address ([1-800 Contacts.com](http://1-800-Contacts.com)) that contained the trademark. Second, and perhaps more importantly, WhenU.com did not sell specific keywords to its customers, or even disclose which keywords would trigger which ads. By contrast, Google sold specific keywords, and even counseled its customers regarding which trademarks may serve as the best keywords. In addition, the Court found that *1-800 Contacts* cannot stand for a rule that "the inclusion of a trademark in an internal computer directory cannot constitute trademark use." Under such a rule, the court reasoned, "the operators of search engines would be free to use trademarks in ways designed to deceive and cause consumer confusion. This is surely neither within the intention nor the letter of the Lanham Act."

Prior to *Rescuecom*, the Second Circuit was thought to be one of the few remaining jurisdictions to preclude claims based on the use of trademarks in Internet keyword advertising. *Rescuecom* represents a significant shift from that position, and now places the state of the law in the Second Circuit in line with decisions of other U.S. courts of appeals on the trademark "use" issue, including the Ninth Circuit's *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. 2004) and *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. 1999) decisions. Nevertheless, it should be noted (as the Second Circuit pointed out) that the *Rescuecom* decision addresses only the threshold issue of whether the exploitation of a trademark as a keyword is a "use in commerce." The Second Circuit was careful to state that "a defendant must do more than use another's mark in commerce to violate the Lanham Act. ... [Thus, w]e have no idea whether Rescuecom can prove that Google's use of the Rescuecom trademark in its AdWords program causes likelihood of confusion or mistake." With that, the court remanded to the district court for further proceedings.

If you have received this alert from a colleague and would like to subscribe, kindly forward your email address to [mqm@msk.com](mailto:mqm@msk.com).

Marc E. Mayer  
Editor  
(310) 312-3154  
[mem@msk.com](mailto:mem@msk.com)

Karin G. Pagnanelli  
Practice Co-Chair  
(310) 312-3746  
[kgp@msk.com](mailto:kgp@msk.com)

Robert H. Rotstein  
Practice Co-Chair  
(310) 312-3208  
[rxr@msk.com](mailto:rxr@msk.com)

---

Mitchell Silberberg & Knupp LLP

11377 W. Olympic Blvd.  
Los Angeles, CA 90064

12 East 49th Street, 30th Fl.  
New York, NY 10017

1818 N Street N.W., 8th Fl.  
Washington, DC 20036

[www.msk.com](http://www.msk.com)

*This alert is provided as a service to our clients and friends. While the information provided in this publication is believed to be accurate, it is general in nature and should not be construed as legal advice.*

**MITCHELL SILBERBERG & KNUPP LLP**