

SECOND CIRCUIT RULES SALE OF TRADEMARKED KEYWORDS SATISFIES “USE” REQUIREMENTS OF LANHAM ACT

The sale of sponsored online advertising based on keyword auctions is an important revenue source for search engines and many new media businesses. In 2008 alone, Google, Inc., for instance, reported billions of dollars of advertising revenue from its AdWords sales. The question, however, of whether selling or buying trademarked keywords can trigger liability under US trademark laws is still evolving. The recent *Rescuecom Corp. v. Google, Inc.* decision resolves a threshold issue that potentially opens the door to more trademark lawsuits stemming from the use of keywords. Businesses who sell trademarked keywords—and advertisers who buy them—should take notice of this new decision.

RESCUECOM CORP. V. GOOGLE, INC.

Generally, the Lanham Act, which codifies US trademark and unfair competition law, requires a plaintiff to show (1) an alleged infringer’s “use in commerce” of the protected mark and (2) a resulting likelihood of confusion.

On April 3, 2009, the United States Court of Appeals for the Second Circuit decided *Rescuecom Corp. v. Google, Inc.*, No. 06-4881-CV, 2009 WL 875447 (2d Cir. April 3, 2009). The Court held that Google’s recommendation and sale of trademarked keywords through its AdWords program constitutes “use in commerce.”

Previously, lower courts in the Second Circuit had ruled that the sale of trademarked keywords did not constitute “use in commerce.” See *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 415 (S.D.N.Y. 2006) (finding no use in commerce in the “search engine context”). Although *Rescuecom* did not decide whether Google’s AdWords program also created any likelihood of confusion, and hence infringed, the decision resolved an important threshold issue that would allow Lanham Act claims to proceed into the substantive “likelihood of confusion” factors.

As a result of *Rescuecom*, businesses relying on advertising programs, and advertisers who pay for use of a competitor’s trademark as a keyword, should carefully consider the use of a trademarked keyword. Such use could result in a finding of likelihood of confusion and create infringement liability. In any case, *Rescuecom* is likely to result in more protracted disputes about keyword sales.

BACKGROUND

AdWords is Google’s advertising program that allows online advertisers to buy “keywords.” Advertisers can purchase trademarked terms as keywords, including

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Denver

+1 303.863.1000

London

+44 (0)20 7786 6100

Los Angeles

+1 213.243.4000

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trademarks of their competitors. When a Google user enters a purchased keyword into the Google search engine, the keyword will trigger the advertiser's link and an advertisement.

Advertisers can also use Google's keyword Suggestion Tool to provide suggested keywords relevant to the advertiser's line of business. The keyword Suggestion Tool can recommend that an advertiser use a competitor's trademark as a keyword.

GOOGLE'S ALLEGED USE IN COMMERCE

Rescuecom alleged that through the Keyword Suggestion Tool, Google had suggested the trademark "Rescuecom" to Rescuecom's competitors. Therefore, Rescuecom alleged that when Google's users run a search for "Rescuecom," they are shown Rescuecom's competitor's advertisement and website link. Claiming trademark infringement, false designation of origin, and trademark dilution under the Lanham Act (15 U.S.C. §§ 1114 & 1125), Rescuecom alleged that Google allowed Rescuecom's competitors to divert users from Rescuecom's own website and create a likelihood of confusion between Rescuecom and its competitors.

The district court granted Google's motion to dismiss pursuant to Federal Rule of Civil Procedure 12(b)(6) on the basis that Google's recommendation and sale of trademarked keywords did not qualify as a "use in commerce" under the Lanham Act.

In overturning the lower court, the Second Circuit rejected Google's argument, and the holdings of other district courts within the circuit, that "inclusion of a trademark in an internal computer directory cannot constitute trademark use." *Rescuecom*, 2009 WL 875447, at *6. The Court found that such a *per se* rule would "insulate[] the alleged infringer from a charge of infringement, no matter how likely the use is to cause confusion in the marketplace." *Id.*

The Court also found that Google's analogy of the AdWords program to conventional product placement techniques "misses the point." The Court said "[i]t is not by reason of an absence of a use of a mark in commerce that benign product placement escapes liability; it escapes liability because it is a benign practice which does not cause a likelihood of confusion." *Id.*

In short, the Court shifted the debate about keywords from "use in commerce," a threshold issue, to the substantive issue about whether or not a particular use is likely to cause confusion.

NO DEFINITIVE ANSWER ON LIKELIHOOD OF CONFUSION

Whether or not Google's conduct created a likelihood of confusion with Rescuecom's marks was not decided and the Court remanded for further proceedings. The Court in *dicta*, however, did appear to offer a hint about what would be impermissible under the Lanham Act. In a footnote, for example, the Court stated that a search engine "could allow advertisers to pay to appear at the top of the 'relevance' list based on a user entering a competitor's trademark—a functionality that would be highly likely to cause customer confusion." *Id.* n.4.

Whether or not a likelihood of confusion exists in the variety of situations in which keywords can trigger sponsored results is still an evolving area of the law. The *Rescuecom* decision, however, is likely to make it more difficult for search engines and other new media businesses who rely on sales of keywords to escape at an early stage suits based on sales of trademarked keywords. On the other side, trademark owners who wish to press a claim based on use of a trademarked keyword potentially have more authority to get past a motion to dismiss.

We hope that you have found this client advisory useful. If you have additional questions, please contact your Arnold & Porter attorney or:

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