

Ruling against contextual ads

Joining other courts, 2d Circuit sides with trademark owner on 'use in commerce' issue.

RESCUECOM v. Google

BY LEWIS R. CLAYTON

Contextual advertising—advertising placed where it will be seen by consumers looking for competitors' products—is everywhere. Supermarket coupons are strategically placed near shelves stocking competitive products. Yellow pages ads are published next to rivals' listings. One company's billboards may appear near a competitor's store. Contextual advertising is particularly significant on the Internet because the ability to display advertisements or Web site links when consumers search for particular terms gives advertisers a powerful tool for targeting consumers and provides a critical source of revenue for Internet search engines.

THE PRACTICE

Commentary and advice on developments in the law

While contextual advertising is well accepted in brick-and-mortar businesses and traditional publications, it is controversial on the Internet. Courts have not worked out whether (and if so how) an advertiser may use a competitor's trademark to trigger banner ads or sponsored links displayed along with search results. A recent U.S. Court of Appeals for the 2d Circuit decision, *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. 2009), confirms a trend favoring trademark holders at the expense of maximally effective

contextual advertising. *Rescuecom* held that Google's practice of selling trademarked terms as keywords to trigger advertising accompanying search results is a "use in commerce" of the trademarks—a necessary element of a claim under the Lanham Act—even though the trademarks themselves do not appear in the advertising consumers see.

A DEPARTURE FROM COURT'S 2005 RULING

Significantly, *Rescuecom* is a departure from the 2d Circuit's decision in *1-800 Contacts Inc. v. WhenU.com Inc.*, 414 F.3d 400 (2d Cir. 2005), which appeared to afford search engines wide latitude to use trademarks to trigger contextual ads. In *1-800 Contacts*, an Internet marketing company had included the plaintiff's Web site address, which was very similar to the plaintiff's trademark, in a list of terms that triggered pop-up ads bought by the plaintiff's competitors. When Internet users who had subscribed to the defendant's marketing service visited the plaintiff's Web site, those ads appeared in separate windows. Dismissing a trademark infringement claim, the 2d Circuit held that including the plaintiff's Web site address in the list of triggers was not a "use in commerce" of the plaintiff's mark.

The court's rationale appeared to be that "[a] company's internal utilization of a trademark in a way that does not communicate it to the public is analogous to a individual's private thoughts about a trademark. Such conduct simply does not violate the Lanham Act, which is concerned with the use of trademarks in connection with the sale of goods or services" that is likely to lead to confusion. 414 F.3d at 409. Accepting that view, use of a trademark to generate contextual ads would seldom, if ever, support a trademark claim.

1-800 became a minority position, however. Courts in other circuits held or assumed that it is a "use in commerce" under the Lanham Act to make a trademark a keyword for sponsored links. See *Playboy Enterprises Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. 2004); *Hearts on Fire Co. LLC v. Blue Nile Inc.*, 2009 WL 794482 (D. Mass. March 27, 2009). Courts have also found use in commerce when a competitor's trademark is placed in a Web site's metatags to make the Web site appear high up in the list of results of a search for the trademark. *North American Medical Corp. v. Axiom Worldwide Inc.*, 522 F.3d 1211 (11th Cir. 2008).

As the court in *Hearts on Fire* recently said, "the Second Circuit [in *1-800*] stands alone in holding that the purchase of a competitor's trademark to trigger internet advertising does not constitute a use for the purposes of the Lanham Act." 2009 WL 794482, at *4.

Unlike the pop-up ads at issue in *1-800*, *Rescuecom* involved banner ads and



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sponsored links. Rescucom, a provider of on-site computer services and sales, sued Google in the Northern District of New York for trademark infringement, claiming that Google allowed Rescucom's competitors to purchase the Rescucom trademark as an advertising keyword. Consumers who searched Google using Rescucom's mark allegedly were confused when links to its competitors' Web sites appeared in banner ads and sponsored links displayed with the search results. Without determining whether consumers were actually confused, the trial court dismissed the complaint, finding under the authority of *1-800* that Google had not used Rescucom's mark in commerce.

A wide range of amici supported Google on appeal. Internet companies Yahoo! Inc., AOL LLC and eBay Inc. emphasized that advertising revenues make free search engines possible. Public interest groups stressed that purchases of sponsored links allow nonprofits and political groups to communicate their messages when consumers search the trade names of large corporations. A group of law professors emphasized the pro-competitive effects of comparative advertising. All of these parties urged the 2d Circuit to limit "use in commerce" strictly to situations in which a mark is employed to identify the source of goods or services, not as a tool to purchase or place advertising.

The 2d Circuit was unmoved, reversing the district court and reinstating the complaint. The court distinguished *1-800* because the defendant there did not use plaintiff's trademark—instead, the search term that triggered pop-up ads was the plaintiff's Web site address. Moreover, in *1-800*, advertisers were not allowed to "request or purchase keywords to trigger their ads" or even to see the keywords used to generate pop-ups. Ads displayed were chosen at random based on categories defined by the defendant, not the advertiser.

Therefore, ads were not triggered based on "defendant's sale or recommendation of a particular trademark," and the "infringing transactions" did not involve use of the plaintiff's mark. In *Rescucom*, by contrast, "what Google is recommending and selling to its advertisers is Rescucom's trademarks."

Rescucom moves 2d Circuit law into greater harmony with other circuits,

but also raises significant questions. The *Rescucom* court struggled to reconcile its holding with the text of the Lanham Act. Section 45 of the act defines "use in commerce" as the "bona fide use of



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a mark in the ordinary course of trade." Such a use takes place when a mark is "placed" on "goods or their containers," or is "used or displayed in the sale or advertising of services."

The court held that Google was alleged to have used Rescucom's mark in the sale of Google's advertising services. But that mark was not used to identify the source of origin of Google's services; instead, it describes the capabilities of that service.

COURT NOTED AMBIGUITY IN STATUTE

In an unusual step, the court attached a lengthy "appendix" to its decision to analyze the meaning of "use in commerce" under the act. The court characterized the appendix as dictum but stated that it had been reviewed by the judges of the *1-800* panel, who agreed with it. Relying on legislative history, the appendix determined that the key portions of the definition in § 45 should apply only to those portions of the act dealing with registration of marks, and not with infringement. At the same time, the appendix concluded that it would be "helpful for Congress to study and clear up" the "ambiguity" in the statute.

If, as *Rescucom* indicates, "use in commerce" does not require that consumers see the mark, or that it be used to indicate the source of the defendant's products, what are the boundaries of the statute? Is the mark "used" if a competitor buys a group of keywords it knows are associated with a competitor's mark, intending that its ads will appear when consumers search for a competitive product? Does a search engine "use" a mark if it discloses to advertisers information about keywords consumers typically associate with a competitor's trademark?

If the purchase of trademarks as advertising keywords is use in commerce, the next key issue for advertisers and search engines will be likelihood of confusion—the probability

that banner ads or sponsored links actually confuse consumers about the source or association of goods or services. No trademark infringement claim can survive without establishing this necessary element.

While likelihood of confusion is an issue in the majority of trademark cases, there is little law considering it in the context of the Internet. Most cases will turn on particular facts and consumer survey results. A central issue of law, however, may well focus on initial interest confusion. This doctrine, recognized by some—but by no means all—courts, allows trademark infringement claims where consumers are confused at the beginning stages of a product search, but that confusion is dispelled before any purchase is made.

The 9th Circuit, for example, endorsed an initial interest confusion claim when the defendant used a competitor's trademarks in metatags to lure consumers to defendant's Web site. *Brookfield Communications Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. 1999). A Massachusetts district court, however, limited the doctrine, given the fact that search costs are so low on the Internet: An "internet consumer can easily click the 'back' button on her web browser and return almost instantly to the search results list to find the sought-after brand." *Hearts on Fire*, 2009 WL 794482, at *9. For that reason, the court found that a plaintiff must allege that "consumers were confused, and not simply diverted."

Given the stakes and the difficulty courts have had applying traditional trademark principles to the Internet, these issues will be debated for some time to come.