

Intellectual Property

Second Circuit Rules Google's Keyword Ad Practices Constitute A 'Use In Commerce' For Purposes Of Trademark Infringement Liability

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Commentary

Second Circuit Rules Google's Keyword Ad Practices Constitute A 'Use In Commerce' For Purposes Of Trademark Infringement Liability

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An April 3, 2009 ruling in *Rescuecom Corp. v. Google Inc.*, Docket No. 06-4881-cv (2d Cir. April 3, 2009), written by Judge Pierre N. Leval of the US Court of Appeals for the Second Circuit, has held that the promotion and sale of others' trademarks as keywords for ads linked to searches, as in Google's AdWords program, constitutes use of the marks in commerce under the federal Trademark Act, also known as the Lanham Act. The Second Circuit panel reversed the dismissal of the complaint by the US District Court for the Northern District of New York and remanded the case for further proceedings consistent with the opinion.

"Use in commerce" has been considered a threshold criteria for establishing that keyword-triggered advertising using a competitor's mark may constitute trademark infringement or dilution by all courts that have considered the issue. Now that this issue is settled in the Second Circuit, courts within the circuit must still be persuaded that the practice leads to a likelihood of consumer confusion or trademark dilution in order to hold Google and other search engines, or competitors who purchase the keywords,

liable for infringement. A number of courts and commentators had presumed that the Second Circuit would rule in Google's favor because of its prior decision in *1-800 Contacts, Inc. v. When-U.com, Inc.*, 414 F. 3d 400 (2d Cir. 2005), a case involving the alleged use of another's domain name/Web site address in software which triggered pop-up ads by competitors. But some observers (including the author of the present analysis) felt this was not a given, and that the different facts in keyword advertising disputes could persuade the court to rule differently. For example, an advertising customer of When-U in the *1-800 Contacts* case could not purchase another's trademark and direct that the mark trigger a particular pop-up ad, in contrast to the Google AdWords program. Also, as the court notes in the current decision, Google's Keyword Suggestion Tool, a part of the AdWords program in which the search engine suggests to advertising customers relevant terms that it might wish to purchase as keywords, involves a type of use of a trademark in commerce (when the suggested term is a trademark) which was not present in the *1-800 Contacts* case.

The court notes that several district courts within the Second Circuit have issued decisions that interpreted *1-800 Contacts* as holding that the inclusion of a trademark in an internal computer directory cannot constitute trademark use, citing *S&L Vitamins, Inc. v. Australian Gold, Inc.*, 521 F. Supp.2d 188, 199-202 (EDNY 2007) and *Merck & Co., Inc. V. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 415 (SDNY 2006). This, says Judge Leval, "over-reads the *1-800* decision."

The court also rejected the argument suggested by Google and its amici that the AdWords program is indistinguishable from the retailer who uses “product placement” to permit a lesser known brand or a store brand to benefit from a competitor’s name recognition. Although non-deceptive product placement does not result in trademark infringement liability, Judge Leval notes that product placement is not a “magic shield” against liability, such that “even a deceptive plan of product placement designed to confuse consumers would similarly escape liability.”

It had seemed to this writer, and to a number of others, that, in *1-800 Contacts*, the court had misinterpreted the interplay of Section 45 of the Lanham Act, which defines “use in commerce” for purposes of eligibility to register and maintain a federal registration of a mark, with the infringement and unfair competition liability sections of the Act, Sections 32 and 43(a). In *1-800 Contacts*, the Second Circuit panel had stated that the Section 45 language should also be used for determining whether a “use in commerce” threshold criteria is satisfied before the actions of an alleged infringer could be assessed for likelihood of confusion. Indeed, Sections 32 and 43(a) of the Act do impose liability when one uses an infringing term or device “in commerce” and under circumstances described in those sections. However, that “use” is not subject to the same qualifying criteria as is the “use in commerce” which a trademark owner must establish to secure and maintain a federal trademark registration. Rather, the qualifying criteria for infringement and unfair competition is focused on the fact that the wrongdoer must have committed acts “in commerce,” which is defined elsewhere in Section 45 as “all commerce which may lawfully be regulated by Congress,” in order for the statute to apply. The Ninth Circuit, in a different context, explicitly endorsed this method of interpreting these sections of the Lanham Act in dicta in a 2005 decision. See *Bosley Medical Institute, Inc. v. Kremer*, 403 F.2d 672 (9th Cir. 2005).

The *Rescuecom Corp.* opinion contains a fascinating appendix (which is more lengthy than the main decision in the case) that expertly analyzes the development of the Lanham Act and explains how some courts have come to interpret the strictures of Section 45’s definition of “use in commerce” to apply to Section 32 infringement and Section 43(a) unfair competition violations. This apparently came about, in

large measure, as a result of 1962 amendments to the Lanham Act that created some confusion about this point. The court explains that the 1988 amendments to the Act should have clarified the matter, but that erroneous interpretations have nevertheless persisted. Indeed, most of the previous keyword advertising decisions by the various district courts have looked to the Section 45 definition of “use in commerce,” rather than that section’s definition of “commerce,” in conjunction with Sections 32 and 43(a) when deciding whether keyword triggered ads constitute use sufficient to invoke the Lanham Act. The court clearly feels that the *1-800 Contacts* opinion, though correctly decided, wrongly applied the Section 45 “use in commerce” definition.

Yet, the court places the blame on two lower court decisions from other circuits relied upon by the *1-800 Contacts* panel, and other earlier decisions, and does not take the discussion to its logical conclusion and simply overrule this aspect of *1-800 Contacts*. Interestingly, the opinion states: “[t]he judges of the *1-800* panel have read this Appendix and have authorized us to state that they agree with it.” Also noteworthy is the fact that the court does not acknowledge that other courts have gotten it right, for example, the Ninth Circuit in *Bosley Medical, supra*. See also *800-Cigar, Inc. v. GoTo.com, Inc.*, 437 F.Supp. 2d 273 (DNJ 2006). The *Rescuecom Corp.* opinion clearly indicates that this Second Circuit panel feels hamstrung by what has gone before, claiming that, “at least for this Circuit,” the best solution appears to be to continue to apply the “second sentence,” i.e., the bulk, of the Section 45 definition of “use in commerce,” to Sections 32 and 43(a). Acknowledging that such an outcome is somewhat lamentable, the court concludes its opinion by calling on Congress to “study and clear up this ambiguity.” It seems unfortunate that, after such a clear recounting in the appendix of the reasons behind the development of a line of cases that have employed an erroneous interpretation of the Lanham Act, the Second Circuit ends this opinion with a bit of whimper, pleading for help from Congress, rather than leading the way and taking its own bold, clear and correct statutory interpretation to its conclusion and issuing a corrective ruling.

Of further interest to those following these keyword advertising cases is that fact that the court does not limit its liberal “use in commerce” ruling to cases

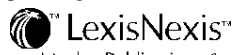
where the offending trademark appears in the visible ad text itself, a distinction made by a number of district courts, and which is made by Google itself in its trademark policy. And so, conventional wisdom that we would have a split in the federal circuits has now fallen. The only circuit court to have ruled directly on a keyword advertising case has ruled against Google. And this is the very circuit that almost everyone was sure would rule in favor of Google and hold that the practice was not “use in commerce” of a trademark. This has certainly been the assumption of the district

courts in that circuit, as expressed in a number of rulings over the past few years. So, the April 3 decision is likely to confirm and expand the growing trend among other district courts throughout the country to treat keyword advertising-based trademark infringement claims as satisfying the threshold “use in commerce” requirement. Of course, Rescucom Corp. and other plaintiffs still face the considerable hurdle of proving likelihood of confusion or trademark dilution in order to ultimately prevail on their claims at trial. ■

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