

INTELLECTUAL PROPERTY & *Life Sciences*

Trademark Infringement in Keyword Advertising

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Electronic media poses new challenges for the interpretation of the Lanham Act. It presents situations where marks are used in non-traditional ways. In particular, the use of keyword advertising, where words are linked to advertisements in a web page, may stretch the limits of the Lanham Act. A Second Circuit decision in *Rescuecom Corp. v. Google, Inc.*, 562 F.3d 123 (2d Cir. 2009), redefined a “use in commerce,” one of the basic criteria required to prove trademark infringement. The Second Circuit’s position on keyword advertising has served as a basis for other judicial interpretations of keyword advertising in the context of Lanham Act claims.

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Trademark Infringement Under the Lanham Act

To prevail on a trademark infringement claim for a registered trademark, a plaintiff must establish that: “(1) it has a valid mark that is entitled to protection under the Lanham Act; and that (2) defendant used the mark; (3) in commerce; (4) ‘in connection with the sale . . . or advertising of goods or services’ . . . (5) without the plaintiff’s consent.” *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 406 (2d Cir. 2005) (citing 15 U.S.C. §1114(1)(a)). A mark is used in commerce if it is placed on goods, their containers, displays, labels or documents associated with the goods and sold in commerce. 15 U.S.C. §1127.

Keyword Advertising

Google employs proprietary algorithms to create a list of web links in order of relevance in response to the entry of search terms by a computer user. Google also instituted an advertising program where consumers bid on keywords that a computer user

might enter as search terms in Google. If a computer user entered the keyword purchased by the advertiser, then that advertiser’s website would appear as a sponsored link either to the right or above the search results. The sponsored links are made to appear similar to the natural search results and not easily distinguishable as sponsored links.

To improve the effectiveness of consumers’ advertising, Google also offers a program which suggests relevant keywords to consumers. The more keywords a consumer purchases, the more times its sponsored link will appear with search results and the more profits reaped by Google.

Second Circuit

The Second Circuit was presented with a challenge to the Lanham Act’s definition of *use in commerce* in *Rescuecom*. *Rescuecom* offers computer-related services and conducts a substantial amount of its business and advertising online. Part of its advertising involves purchasing keywords from Google to ensure computer users are directed to its website when those keywords are entered as search terms. Among the keywords sold by Google was the trademark *Rescuecom*. *Rescuecom* alleged that Google’s sale of its trademark as a keyword consti-

tuted infringement under 15 U.S.C.S. §1114(1). Google sold the trademark as a keyword to Rescuecom's competitors, resulting in sponsored links of Rescuecom's competitors appearing next to the search results generated by a user who types in *Rescuecom* in the search engine.

The district court held that Google's sale of keywords, even when those keywords were a registered trademark, did not constitute a use-in-commerce under the Lanham Act. The district court noted that there was no allegation that Google placed the trademark on any goods, containers, displays or advertisements. Similarly, there was no allegation that the internal use by Google was ever visible to the public. Thus, the district court concluded there was no infringement because there were no allegations of "use" of the trademark.

The Court of Appeals for the Second Circuit reversed the district court and concluded that there was indeed a 'use in commerce' under the Lanham Act. The Second Circuit criticized the district court's reliance on a prior decision, *1-800-Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400 (2d Cir. 2005), because in that matter "defendant did not use, reproduce or display the plaintiff's mark at all" in generating pop-up ads. In *1-800-Contacts, Inc.*, the defendants did not sell keywords or trademarks or even provide any option for advertisers to request keywords to trigger their advertisements. But in *Rescuecom*, the Second Circuit noted that Google "displays, offers, and sells Rescuecom's mark when selling its advertising services." Although Google argued that using a trademark in an internal computer directory is not use-in-commerce, the Second Circuit held that such an internal use does not preclude a finding of "use" under the Lanham Act. Thus, the Court of Appeals reversed the district court's dismissal of the action.

This decision represents a change in the approach to keyword advertising in the Second Circuit. Prior cases in the Second Circuit addressed only the purchase, not the sale, of trademarks as keywords, but they found no use-in-commerce. See *Merck & Co.*

v. Mediplan Health Consulting, 425 F.Supp.2d 402, 415-16 (S.D.N.Y.2006) (finding purchase of a trademark as a keyword to generate a sponsored link to defendant's site in search results is an internal use and not a use-in-commerce, because the trademark did not appear on any goods or displays or associated documents nor was it used to indicate source or sponsorship); *Hamzik v. Zale Corp.*, 2007 WL 1174863 (N.D.N.Y. 2007) (finding a use-in-commerce where purchase of a trademark as a keyword caused search results where the trademark appeared next to defendant's name, but noting that purchase of the trademark as a keyword is itself insufficient to constitute a use-in-commerce).

Third Circuit

The decision in *Rescuecom* brought the Second Circuit in line with a decision in the Third Circuit. *Buying for the Home, LLC v. Humble Abode, LLC*, 459 F.Supp.2d 310 (D.N.J. 2006). The district court in *Buying for the Home* analyzed the district court's decision in *Rescuecom*, but disagreed with the holding. Instead, the court found that (1) "the purchase of the keyword was a commercial transaction that occurred 'in commerce,' trading on the value of Plaintiff's mark," and (2) "Defendants' alleged use was both 'in commerce' and 'in connection with any goods or services' in that Plaintiff's mark was allegedly used to trigger commercial advertising which included a link to Defendants' . . . website."

Tenth Circuit

A court in the Tenth Circuit similarly faced a trademark infringement claim stemming from the use of Google's sale of keywords. In *1-800 Contacts, Inc. v. Lens.com, Inc.*, 755 F.Supp. 2d 1151 (D. Utah 2010), the parties disputed whether the purchase of keywords similar to "1-800 Contacts" constituted a use-in-commerce. The district court acknowledged earlier cases finding that no 'use in commerce' exists where the purchase and use of keywords is invisible to consumers, but ultimately concluded that the statutory language supported a finding of use-in-commerce.

In the view of this district court, the Lanham Act does not require use *and* display of another's mark, but only use *or* display in the sale or advertising of services. Because the plaintiff's mark was used to promote the defendant's services and to provide a consumer with a link to a website where it could make a purchase from the defendant, a "use in commerce" existed.

Ninth Circuit

The Ninth Circuit explicitly agreed with the Second Circuit in *Rescuecom* that the sale of trademarks as keywords constitutes a use-in-commerce. *Network Automation, Inc. v. Advanced Systems Concepts*, 638 F.3d 1137, 1145 (9th Cir. 2011). Before *Network Automation*, courts within the Ninth Circuit had simply assumed without expressly deciding that the use of a trademark as a search engine keyword triggering the display of a competitor's advertisement was a use-in-commerce under the Lanham Act. See *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1024 (9th Cir. 2004); *Brookfield Communications, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1053 (9th Cir. 1999); *Finance Express LLC v. Nowcom Corp.*, 564 F. Supp. 2d 1160, 1172-73 (C.D. Cal. 2008). In *Network Automation*, the Ninth Circuit found the prerequisite use-in-commerce in Network's use of the mark to purchase keywords to advertise its products for sale on the Internet.

Eighth Circuit

Similar to the Ninth Circuit, a district court in the Eighth Circuit reaffirmed prior decisions regarding the use of keywords. *Fair Isaac Corp. v. Experian Information Solutions Inc.*, 645 F. Supp. 2d 734, 760 (D. Minn. 2009) (finding "purchasing keywords containing a trademark to generate advertising from Internet searches constitutes a use-in-commerce"). In referencing the *Rescuecom* decision, the district court stated that "using a keyword that includes a trademark to generate advertising through Internet searches is actionable under the Lanham Act."

With each new technological advancement, the interpretation of existing laws must be revisited. This is no small challenge for courts applying federal trademark law under the Lanham Act, which requires proof of a use-in-commerce of the trademark as a condition to recovery for infringement.

The profitable business of keyword advertising on the Internet has led to some differing views among the federal courts as they struggle to apply the venerable use-in-commerce standard to uses not anticipated when the statute was enacted, but those differing views appear to be reconciling as more

courts conclude that the sale of trademarks as keywords constitute a use-in-commerce. The appellate decisions in *Rescuecom* and *Network Automation* confirm this trend, and will hopefully provide more consistency in the application of trademark law to activities on the Internet. ■