



JONES DAY  
**COMMENTARY**

## NEW YORK APPELLATE COURT FINDS SALE OF SEARCH ENGINE KEYWORDS CONSTITUTES TRADEMARK USE

A recent decision by the United States Court of Appeals for the Second Circuit should be of interest to any party purchasing or selling registered trademarks as search engine keywords, or those considering doing so. The Second Circuit has held that recommending and selling a federally registered trademark to trigger an internet ad constitutes trademark use under the Lanham Act, 15 U.S.C. §1051 *et seq.* See *Rescuecom Corp. v. Google Inc.*, 2009 WL 875447 (2d Cir. April 3, 2009).

The appellate court's decision vacated the district court's order dismissing Rescuecom's complaint for failure to state a cause of action. The case has now been remanded to the lower court for further adjudication.

### BACKGROUND OF THE *RESCUECOM* CASE

Rescuecom is a national company that offers computer support and service. Much of Rescuecom's

business is conducted over the internet. It averages between 17,000 and 30,000 visitors to its web site each month. The company name is a federally registered trademark.

Google operates an internet search engine that responds to search requests primarily in two ways. First, it provides a list of links to web sites in order of relevance to the request. Second, Google provides context-based advertising if an advertiser has determined that its ad is likely to be of interest to a user who enters a particular search term. Google has at least two programs for context-based advertisers: AdWords and Keyword Suggestion Tool.

The AdWords program allows advertisers to pay to trigger an advertisement in the context of certain terms or keywords. When someone searches one of those terms or keywords, an advertiser's ad and link to the advertiser's web page are displayed alongside

the search results.<sup>1</sup> One payment option allows advertisers to pay Google based on the number of times internet users select the advertiser's link ("pay per click").

The Keyword Suggestion Tool suggests select keywords to advertisers. The program is designed to help advertisers identify keywords related to their business and, for a fee, to add them to an advertising campaign. To a car dealership, the tool might suggest "used car dealership" or it might suggest a specific brand of car dealership.<sup>2</sup>

These purchased ads are located in the section of a web page labeled "Sponsored Links." Rescuecom alleged that the sponsored links are not always clearly segregated. Normally, these ads appear along the right margin of a web page. But sometimes they are arranged horizontally above the search results. This placement could lead people to believe that a sponsored link is the most relevant hit. Because Google is paid a fee for every click driven through the sponsored link, Rescuecom argued that Google has an incentive to blur the line between the two lists.

## THE *RESCUECOM* DECISIONS

The district court originally dismissed Rescuecom's claims for failure to state a cause of action under the Lanham Act. Specifically, the lower court distinguished Google's "use" of Rescuecom's trademark from the defined term "use in commerce" in the Lanham Act and determined that Google's use was not "use in commerce" as defined in the statute because it did not exhibit Rescuecom's trademark to the public.

The Court of Appeals disagreed, stating that "...what Google is recommending and selling to its advertisers is Rescuecom's trademark." (*Rescuecom*, p. 11). Further, "Google displays, offers, and sells Rescuecom's mark to

Google's advertising customers when selling its advertising services." (*Id.*). Accordingly, the Second Circuit determined that a cause of action exists under the Lanham Act.

Whether that "use in commerce" supports Rescuecom's allegations of trademark infringement, false designation of origin, and dilution under the Lanham Act<sup>3</sup> remains to be seen during the trial phase in the lower court. The Second Circuit noted that it had "no idea" whether Rescuecom would be able to prove that the unauthorized use of its trademark in the AdWords program would cause likelihood of confusion or mistake—the gist of a Lanham Act violation.

## THE SECOND CIRCUIT NOW IN LINE WITH OTHER FEDERAL COURTS

The *Rescuecom* decision aligns the Second Circuit with other jurisdictions that have weighed in on the issue of whether the use of another party's trademark as a search term constitutes actionable use in commerce. For example, a California district court in *Google Inc. v. American Blind & Wallpaper Factory, Inc.*, 74 U.S.P.Q.2d 1385 (N.D. Cal. 2005), denied a motion to dismiss American Blind's Lanham Act claims that were based on the Google AdWords program and similar search engine programs.<sup>4</sup>

In a later decision in the same case, *Google Inc. v. American Blind & Wallpaper Factory, Inc.*, 2007 WL 1159950 (N.D. Cal. Apr. 18, 2007) (labeled "not for citation"), the court found that Google's sale of trademarks as keywords in its AdWords program is a use in commerce under the Lanham Act. After considering likelihood of confusion factors, the court also concluded that American Blind had produced sufficient evidence to withstand Google's motion for summary judgment on the ground that no likelihood of confusion could be established.

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1. Want to see this for yourself? Type "magazine" into Google's search engine and hit return. Note the results along the top and the right hand margin appear under the heading "sponsored links."
  2. Try your own search at <https://adwords.google.com/select/KeywordToolExternal>.
  3. 15 U.S.C. §§ 1114, 1125.
  4. Google initially filed a declaratory relief action against American Blind, which then counterclaimed against Google and other search engines, including Ask Jeeves, Earthlink, America Online, Netscape, and CompuServe.

Courts in other circuits have similarly found a trademark use in commerce where a trademark has been purchased or sold as a search engine keyword. See, e.g., *Edina Realty, Inc. v. TheMLSonline.com*, 80 U.S.P.Q.2d 1039 (D. Minn. 2006); *800-JR Cigar, Inc. v. GoTo.com, Inc.*, 437 F.Supp.2d 273 (D.N.J. 2006); *Government Employees Ins. Co. (GEICO) v. Google, Inc.*, 330 F.Supp.2d 700 (E.D. Va. 2004).

Although internet search engines are often involved in these types of cases as the purveyors of trademarks as keywords, suits have also been brought against parties purchasing such keywords. For example, in *Storus Corp. v. Aroa Marketing, Inc.*, 87 U.S.P.Q.2d 1032 (N.D. Cal. 2008), Storus filed suit against its competitor, Aroa, which purchased Storus' mark "smart money clip" as an AdWord from Google.<sup>5</sup> When consumers entered the phrase "smart money clip" in Google's search engine, an Aroa ad entitled "Smart Money Clip" appeared in the results page. Although the ad also referenced Aroa's competing product, Steinhausen, it was not as prominent as Storus' mark. Storus argued that this manner of use created "initial interest confusion," which occurs when a mark is used in a manner calculated to capture initial consumer attention, even though no sale is completed as a result of such confusion.

The court found that Aroa's use of Storus' mark satisfied the three most important likelihood of confusion factors in the context of the internet: (1) similarity of the marks (Aroa used a mark identical to Storus' mark); (2) relatedness of the goods (both parties sold money clips); and (3) both parties' use of the internet as a marketing channel. The court noted that there need not be "source confusion" for trademark liability; rather, under the "initial interest confusion" theory of liability, it was sufficient that Aroa had used Storus' mark to divert consumers to a web site that they knew was not Storus' web site. Since Aroa failed to show that any other factors weighed

against a finding of likelihood of confusion, the court granted Storus' summary judgment motion that Aroa's use of Storus' mark in connection with Google AdWords constituted trademark infringement.

## CONCLUSION

While the Second Circuit has held that recommending and selling a federally registered trademark to trigger an internet ad constitutes trademark use under the Lanham Act, likelihood of consumer confusion resulting from such use must still be established. As discussed above, whether a court recognizes "initial interest confusion" and whether the party's trademark is visible to consumers making purchasing decisions on the internet are important factors when evaluating whether trademark infringement can be established. In *Rescuecom*, only the advertiser and the search engine provider see the keywords that are offered or sold—a consumer may not even know what keyword triggered a "sponsored link" ad. Thus, this case will be important to watch because the ultimate determination of whether such trademark use results in a likelihood of confusion may have significant consequences for parties involved in the offer or sale of trademarked keywords, as well as trademark owners whose marks are being "used" in this manner.

As it stands now, the Second Circuit's decision that the recommendation and sale of trademarked keywords constitutes trademark use may give advertisers pause when deciding whether to purchase such keywords, and it may cause internet search engines to reevaluate policies on the sale of keywords. For trademark owners, the Second Circuit is now another jurisdiction in which a Lanham Act claim may be brought for the purchase or sale of their trademarks as search engine keywords.

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5. The suit also named Skymall, Inc. ("Skymall") as a defendant due to the product search engine on its web site, but Storus' motion for summary judgment was denied as to Skymall.

## LAWYER CONTACTS

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*Special thanks to Stephen Kampmeier and Anna Raimer for their work on this Commentary.*

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