



presents

Contextual Advertising on the Internet: The Evolving Trademark Challenge

Strategies to Protect Brands and Avoid Liability for Infringement

A Live 90-Minute Webinar/Audio Conference with Interactive Q&A

Today's panel features:

Jessica L. Rothstein, Senior Counsel, **Goodwin Procter**, New York
Norman C. Simon, Partner, **Kramer Levin Naftalis & Frankel**, New York
Terence P. Ross, Partner, **Gibson Dunn & Crutcher**, Washington, D.C.

Tuesday, July 14, 2009

The conference begins at:

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CONTEXTUAL ADVERTISING ON THE INTERNET

KRAMER LEVIN

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Jessica L. Rothstein

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The Most Common Forms of Online Advertising

☐ Metatags

☐ Keyword Advertisements

☐ Pop-up Advertisements

☐ Click-through Advertisements

Metatags

- An advertiser can engage in “search engine optimization” by inserting a competitor’s trademark into a metatag.



```
<HEAD>  
<TITLE>Stamp Collecting World</TITLE>  
<META name="description" content="Everything you wanted to know  
about stamps, from prices to history.">  
<META name="keywords" content="stamps, stamp collecting,  
stamp history, prices, stamps for sale">  
</HEAD>
```

Keyword Advertising



An advertiser purchases specific keywords which will then trigger the appearance of the advertiser's ad. An advertiser may buy a competitor's trademark as a keyword; when used as a search term, the advertiser's website appears next to the results.



Keyword Tool: Google's proprietary "tool" which recommends to an advertiser keywords that may be of interest to that advertiser.

Keyword Advertising



Use the Keyword Tool to get new keyword ideas. Select an option below to enter a few descriptive words or phrases, or type in your website's URL. Keyword Tool Tips

Important note: We cannot guarantee that these keywords will improve your campaign performance. We reserve the right to disapprove any keywords you add. You are responsible for the keywords you select and for ensuring that your use of the keywords does not violate any applicable laws.

How would you like to generate keyword ideas?

- Descriptive words or phrases (e.g. green tea)
- Website content (e.g. www.example.com/product?id=74893)

Enter one keyword or phrase per line:

McDonalds

Use synonyms

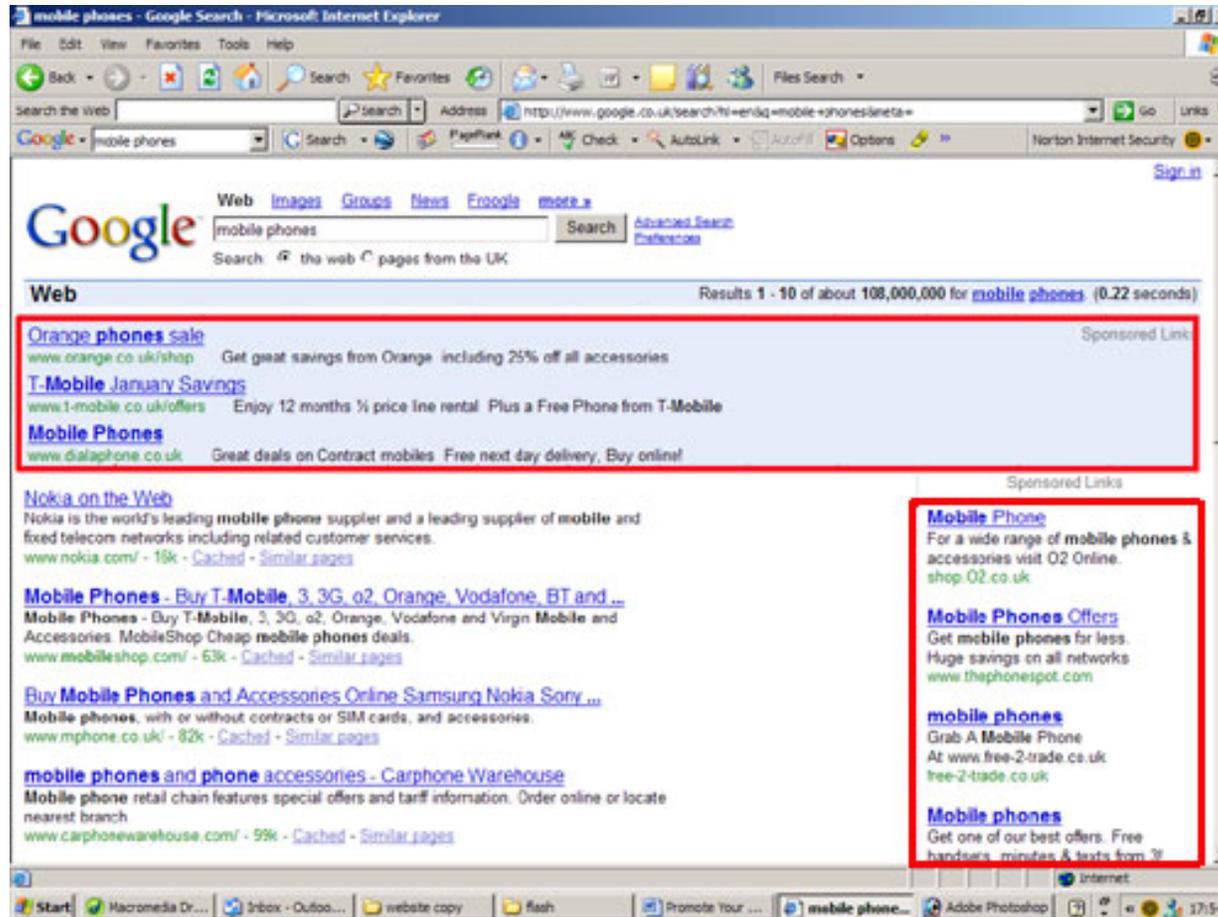
[Or, enter your own text in the box below. \(optional\)](#)

Additional keywords to consider - sorted by relevance

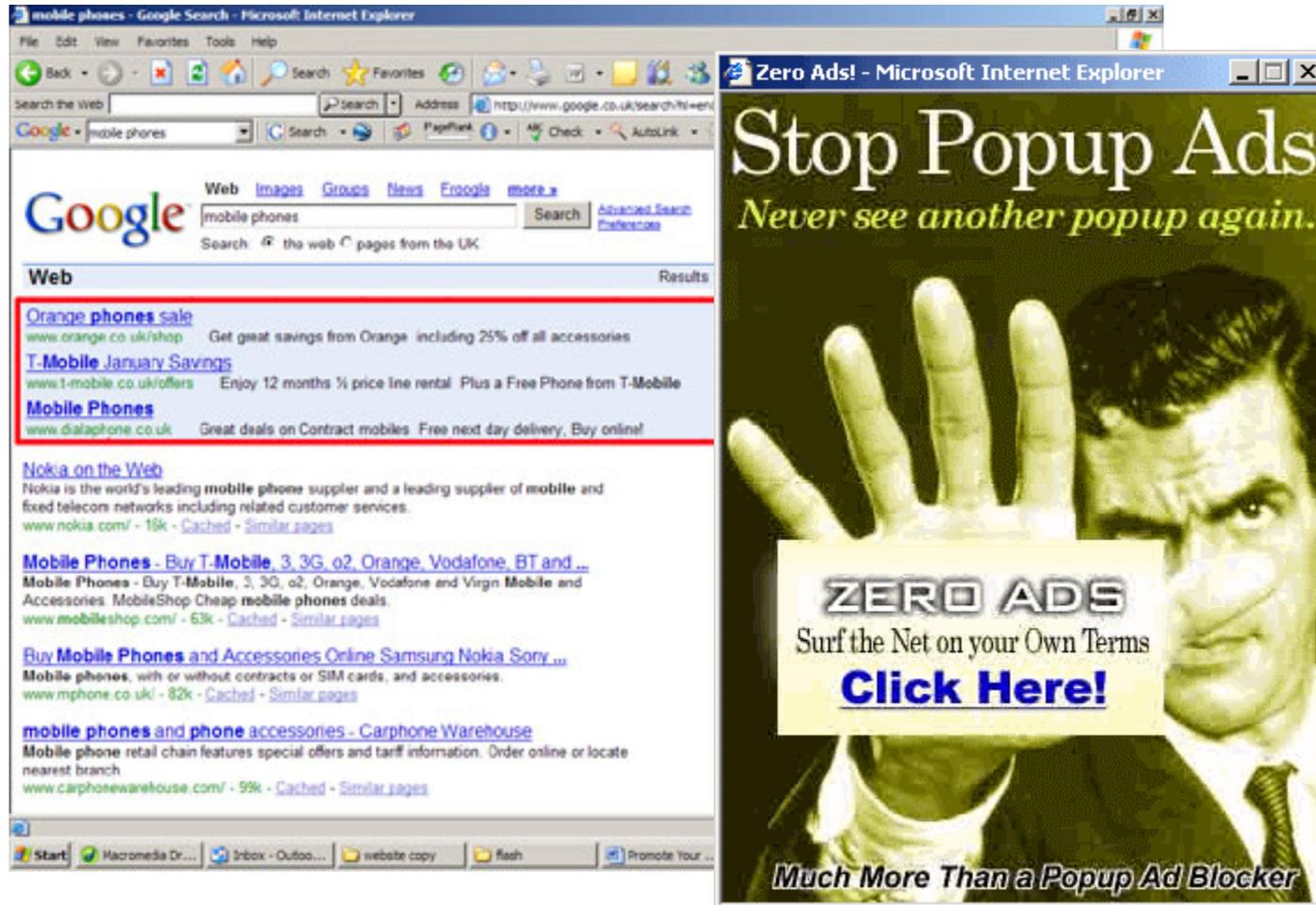
wendy's
burger king
subway

arby's
pizza hut
taco bell

Keyword Advertising



Pop-up Advertisements



GOODWIN
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Click-through (Pay-Per-Click) Advertisements

- ❑ Advertiser pays only when an internet user clicks on a listing and connects to the advertiser's site.
- ❑ The advertiser does not pay to list its site, but only pays for clicks or “click throughs” – that is, for the traffic to its site.



Litigation Involving Contextual Internet Advertising

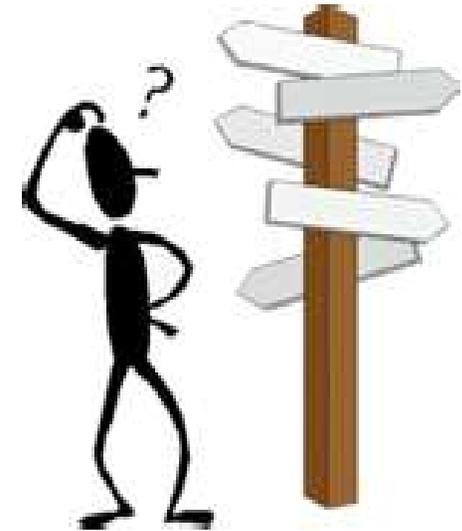
□ Litigation has centered on two elements of a Lanham Act claim:

- “Likelihood of consumer confusion”
- “Use in commerce”



“Likelihood of Consumer Confusion”

- ❑ Behind-the-scenes use of trademark is not discernable to consumers and thus cannot create consumer confusion.
- ❑ Use of hidden trademark may be actionable because of **initial interest confusion**.



Initial Interest Confusion

- The analogy to trademark **initial interest confusion** is a job-seeker who misrepresents educational background on a resume, obtains an interview and at the interview explains that the inflated resume claim is a mistake or a “typo.” The misrepresentation has enabled the job-seeker to obtain a coveted interview, a clear advantage over others with the same background who honestly stated their educational achievements on their resumes. In such a situation, it is not possible to say that the misrepresentation caused no competitive damage. Initial interest confusion can be viewed as a variation on the practice of “bait and switch.”

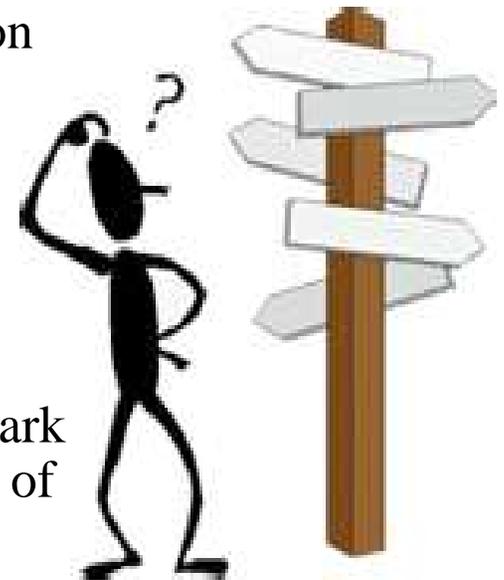
-Thomas J. McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 23:6

A Brief History of Consumer Confusion

- *Brookfield Commc'ns, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036 (9th Cir.

1999) (Defendant's use of Plaintiff's trademark in a metatag found to be actionable initial interest confusion because the defendant improperly benefitted from the goodwill of Plaintiff's mark)

- *Playboy Enter., Inc. v. Netscape Commc'ns, Corp.*, 354 F.3d 1020 (9th Cir. 2004) (Defendant's sale of Plaintiff's trademark PLAYBOY as a search engine keyword to advertisers of adult-oriented products and services found to be actionable)



“Use in Commerce”

- “Use in Commerce” (*accepted approach*):
 - The hidden nature of trademark is not relevant to the inquiry of whether it is a “use in commerce.”
- Not a “Use in Commerce” (*rejected by most courts*):
 - Ordinary use of a trademark in infringement context is to pass off goods or services as emanating from or authorized by the trademark holder.
 - The internal utilization of a trademark in a way that does not communicate it to the public is analogous to an individual’s private thoughts about a trademark – it is not actionable “use in commerce.”

The Rejected View Stems from *1-800 Contacts*

- *1-800 Contacts, Inc. v. WhenU.com, Inc.* 414 F.3d 400 (2d Cir. 2005)

(Defendant’s use of Plaintiff’s trademark as a metatag to prompt a pop-up window does not constitute use in commerce because “[a] company’s internal utilization of a trademark in a way that does not communicate it to the public is analogous to an individual’s private thoughts about a trademark. Such conduct simply does not violate the Lanham Act.”)



The *1-800 Contacts* Case

- WhenU.com software distributed to computer users. The software program utilizes specific search terms to generate pop-up advertisements.
- Advertisers could not purchase specific keywords to trigger their ads.



The *1-800 Contacts* Case

- ▣ Second Circuit concludes that the defendant in *1-800* did not use, reproduce, or display the plaintiff's mark. Any use was merely an internal component of the software, and therefore was not a "use of commerce."

Criticism of *1-800 Contacts*

- *North Am. Med. Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211 (11th Cir. 2008)
(Defendant’s use of Plaintiff’s trademark in a metatag is “use in commerce”;
hidden nature of trademark not relevant to this inquiry)

[T]o the extent [*1-800*] based its “use” analysis on the fact that the defendant did not display the plaintiff’s trademark, we think the Second Circuit’s analysis is questionable. Although we believe that the absence of such a display is relevant in deciding whether there is a likelihood of confusion, we believe that, when the analysis separates the element of likelihood of confusion from the other elements, this fact is not relevant in deciding whether there is a use in commerce in connection with the sale or advertising of any goods. Because the Second Circuit did separate its analysis in this manner, and did purport not to address the likelihood of confusion issue . . . its reliance on the fact that there was no display of the plaintiff’s trademark (and thus no possibility of confusion) undermines the persuasiveness of its analysis of the separate elements of use in commerce in connection with the sale or advertising of any goods.

The Second Circuit Revisits *1-800 Contacts*

RESCUECOM v. Google™

Rescuecom Corp. is a computer service company that operates under the name RESCUECOM, and owns a federal trademark registration for the mark RESCUECOM for computer maintenance and repair, and computer services, namely, designing and implementing web sites for others.

Rescuecom v. Google

RESCUECOM

alleges that Google recommended and sold the RESCUECOM trademark to Rescuecom's competitors and claims:

- Trademark Infringement
- False Designation of Origin
- Trademark Dilution

Google

files motion to dismiss for failing to adequately state a claim

Rescuecom v. Google

- The district court – relying on *1-800 Contacts* – grants Google’s motion, dismissing Rescuecom’s claims.
 - Google’s sale of the trademark did not constitute a “use in commerce” since the competitor’s advertisements did not actually exhibit the RESCUECOM trademark.
 - Rather, the use of the RESCUECOM trademark was merely internal and could not, as a matter of law, give rise to consumer confusion.

-Reported at: 456 F. Supp. 2d 393 (N.D.N.Y. 2006).

- Rescuecom appeals to the Second Circuit Court of Appeals.

Rescuecom v. Google



AMICI
CURIAE

•YAHOO!, AOL, EBAY

•ELECTRONIC FRONTIER FOUNDATION

•PUBLIC CITIZENS

•INTELLECTUAL PROPERTY LAW FACULTY

06-4881-cv

United States Court of Appeals
for the
Second Circuit

RESCUECOM CORPORATION,

Plaintiff-Appellant,

- v -

GOOGLE, INC.,

Defendant-Appellee.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF NEW YORK

BRIEF OF AMICI CURIAE ELECTRONIC FRONTIER
FOUNDATION IN SUPPORT OF AFFIRMANCE

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06-4881-cv

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

RESCUECOM CORPORATION,

Plaintiff-Appellant,

v.

GOOGLE, INC.,

Defendant-Appellee.

On Appeal from a Judgment of the United States District Court
for the Northern District of New York
Honorable Norman A. Mordue, No. 5:04-CV-1055

BRIEF FOR PUBLIC CITIZENS AS AMICI CURIAE
SUPPORTING AFFIRMANCE

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February 22, 2007

06-4881-cv

United States Court of Appeals
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Plaintiff-Appellant,

- v -

GOOGLE, INC.,

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ON APPEAL FROM THE UNITED STATES DISTRICT COURT
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RESCUECOM CORPORATION,

Plaintiff-Appellant,

- v -

GOOGLE, INC.,

Defendant-Appellee.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF NEW YORK

BRIEF FOR AMICI CURIAE YAHOO!, INC., AOL LLC,
AND EBAY INC. IN SUPPORT OF GOOGLE, INC.
AND IN SUPPORT OF AFFIRMANCE

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Rescuecom v. Google – Product Placement Analogy

- ❑ Common for a generic product to be shelved adjacent to a branded product with the intent that consumers seeking the branded product will choose the generic alternative.
- ❑ Amici argued use of a trademark to generate list competitors' websites in search engine results was the online equivalent.
- ❑ Second Circuit rejected the analogy: “If a retail seller were to be paid by an off-brand purveyor to arrange product display and delivery in such a way that customers seeking to purchase a famous brand would receive the off-brand, believing they had gotten the brand they were seeking, we see no reason to believe the practice would escape liability merely because it could claim the mantle of ‘product placement.’”



Rescuecom v. Google

The Second Circuit distinguishes *1-800 Contacts*:

- The defendant in *1-800 Contacts* did not promote the sale of keywords or other terms to advertisers;
- The defendant in *1-800 Contacts* did not use or otherwise display a third-party's trademark in one of the pop-up advertisements;
- The advertisements in *1-800 Contacts* appeared in a separate browser window, with the defendant's brand displayed in the window frame;
- The plaintiff in *1-800 Contacts* did not allege that the defendant used the plaintiff's trademark to generate the advertisements in question, but rather the plaintiff's website address.

Rescuecom v. Google

“[I]n contrast with the facts of 1-800 where the defendant did not “use or display,” much less sell, trademarks as search terms to its advertisers, here Google displays, offers and sells Rescuecom’s mark to Google’s advertising customers when selling its advertising services. In addition, Google encourages the purchase of Rescuecom’s mark through its Keyword Suggestion Tool.”

(Slip. Op., p. 11)

Rescuecom v. Google – The Appendix

- Corrected a flaw in *1-800*'s statutory interpretation.
 - 15 U.S.C. § 1127 provides that “[t]he term ‘use in commerce’ means the *bona fide* use of a mark in the ordinary course of trade” that a mark “shall be deemed to be in use in commerce . . . on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce.”
 - The “*bona fide* use” requirement cannot apply to infringement because “an accused infringer would *escape* liability, notwithstanding deliberate deception, precisely because he acted in *bad faith*.”
 - It was “inconceivable” that Congress could have intended this result.
- The entire definition in § 1127 should apply to “use in commerce” as it relates to trademark registrations.
- The definition of “use in commerce” in the infringement context should be governed exclusively by reference to the second sentence.
- “[T]he judges of the *1-800* panel [] read [the] Appendix” and “agree[d] with it.” Nevertheless, it was “dictum and not a binding opinion of the court.”
- Congress should “study and clear up this ambiguity.”

Rescuecom v. Google

- ❑ Only addresses “Use in Commerce”
- ❑ Likelihood of Consumer Confusion Still at Issue.
- ❑ As the Second Circuit noted, “We have no idea whether Rescuecom can prove that Google’s use of Rescuecom’s trademark in its AdWords program causes likelihood of confusion or mistake.”
- ❑ As one *amicus* explained, Google is not responsible for the content of search results generated by the term Rescuecom, and also prominently identifies as “sponsored links” those results yielded from purchased keywords, thereby signaling to the public that they constitute paid advertising and helping to reduce the likelihood of confusion.



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FRIDAY, APRIL 10, 2009

Outside Counsel

Expert Analysis

'Rescue' for Trademark Protection in Cyberspace

A recent decision of the U.S. Court of Appeals for the Second Circuit, *Rescuecom Corp. v. Google Inc.*, has clarified precedent that had been assumed to foreclose Lanham Act challenges to the surreptitious use of trademarks to compete in cyberspace.¹ In a 2005 decision, *1-800 Contacts v. WhenU.com* ("1-800"), the Second Circuit dismissed a Lanham Act action against an online marketer because the challenged activity—alleged use of a trademark to generate pop-up Web ads for competitors—was not a "use in commerce" under the statute.² District courts uniformly read 1-800 as holding that internal cyber-use of a trademark is never actionable under the Lanham Act. In the wake of *Rescuecom*, that interpretation has been rejected, and advertisers have a potent weapon to protect their trademarks against unfair competition on the Web.

'1-800' and Its Progeny

1-800 involved a Lanham Act challenge to the defendant's use of proprietary software to monitor a user's Internet activity for the purpose of generating advertising. The plaintiff alleged that the defendant committed trademark infringement by generating a "pop-up ad" for a competitive product every time a user accessed the plaintiff's Web site. The district court preliminarily enjoined the defendant from the practice.

On interlocutory appeal, the Second Circuit vacated the injunction, holding as a matter of law that the defendant had not "used" the plaintiff's trademark "in commerce," as required by the Lanham Act. Specifically, the court observed that the defendant had "not use[d] 1-800's trademark in the manner ordinarily at issue in an infringement claim," that is, by placing the mark on goods or services in order to pass them

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By
**Norman C.
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off as emanating from or authorized by 1-800.

In the wake of 1-800, several district courts in the Second Circuit dismissed attempts by trademark owners to use the Lanham Act to combat the unauthorized use of their marks in cyberspace. These courts reasoned that under 1-800, the internal computer use of a trademark is not actionable as a "use in commerce." For example, in *S&L Vitamins Inc. v. Australian Gold Inc.*, 521 F.Supp.2d 188 (EDNY 2007), the court held that utilizing a competitor's trademark in a metatag—computer source code

The Second Circuit effectively abrogated the '1-800' case to its unique factual posture.

that is invisible to the user—to influence search engine results did not constitute a "use" within the meaning of the Lanham Act.³

'1-800' Limited to Facts

The district court in *Rescuecom* likewise reasoned that 1-800 mandated dismissal of plaintiff's trademark infringement, false designation of origin and dilution claims. Plaintiff challenged Google's sale of the "Rescuecom" trademark as a keyword in its AdWords service, which allows advertisers to purchase terms that generate "sponsored links" in response to a Web search. Plaintiff alleged "whenever a user launches a search for the term 'Rescuecom,' seeking to be connected to Rescuecom's Web site, the competitors' advertisement and link will appear on the searcher's screen...allow[ing]

Rescuecom's competitors to deceive and divert users searching for Rescuecom's website."

The lower court dismissed under 1-800 because the non-visible use by Google of the "Rescuecom" trademark was not an actionable "use in commerce." The Second Circuit vacated and remanded, adopting an extremely narrow view of 1-800, effectively abrogating the case to its unique factual posture. Two material factual differences between the cases were deemed critical.

First, the court reasoned that the defendant in 1-800 did not use the plaintiff's mark, but instead its Web site address. The *Rescuecom* court viewed this to be a critical distinction, observing that the "website address was not used or claimed by the plaintiff as a trademark," and "[t]he question whether the plaintiff's website address was an unregistered trademark was never properly before the 1-800 court." A footnote added the caveat that "[w]e did not imply in 1-800 that a website can never be a trademark" and "[i]n fact, the opposite is true." A practical implication is that advertisers should take care to federally register their domain names in order to ensure that they will have trademark protection.

Second, the *Rescuecom* court explained that the defendant in 1-800 did not use, display or sell the plaintiff's mark. The pop-up ad at issue was controlled by a category associated with the Web site—for example, "eye care"—rather than the Web site itself. Nor did the defendant sell any trademarks to others. Thus, the *Rescuecom* decision explained, "[t]o the extent that an advertisement for a competitor of the plaintiff was displayed when a user opened the plaintiff's website, the trigger to display the ad was not based on the defendant's sale or recommendation of a particular trademark." In contrast, Google allowed others to buy the "Rescuecom" mark as a keyword, an activity that fit within the Lanham Act's required "use in commerce."

Amici's Arguments Rejected

The Second Circuit accepted four amicus briefs—two by consumer advocacy groups, one

by a group of law school professors, and one by other Internet service providers—that all joined Google in urging affirmance of the dismissal of Rescucom's complaint. The Second Circuit considered and rejected two arguments advanced by amici and by Google.

Marshalling the uniform interpretation of 1-800 by district courts in the circuit, Google and its amici argued that as a matter of law, "the inclusion of a trademark in an internal computer directory cannot constitute trademark use." This argument hinged on language in 1-800 that the "internal utilization of a trademark in a way that does not communicate it to the public is analogous to an individual's private thoughts about a trademark," and therefore is not actionable under the Lanham Act. The *Rescucom* court flatly rejected this argument, stating that it "overreads the 1-800 decision." The court further explained, "We did not imply in 1-800 that an alleged infringer's use of a trademark in an internal software program insulates the alleged infringer from a charge of infringement, no matter how likely the use is to cause confusion in the marketplace."

The Second Circuit's clarification harmonizes its view with that of other circuits that have considered the issue.⁴ Indeed, the U.S. Court of Appeals for the Eleventh Circuit recently criticized 1-800, observing that to the extent it "based its 'use' analysis on the fact that the defendant did not display the plaintiff's trademark, we think the Second Circuit's analysis is questionable."⁵

The *Rescucom* court also rejected a second argument advanced by Google and its amici, which urged that the use of the Rescucom mark to generate sponsored links was the cyberspace equivalent of "product placement" in the brick-and-mortar world. An example of product placement is when a generic product is shelved adjacent to a branded product with the intent that consumers seeking out the trademarked product will instead consider purchasing the less expensive generic alternative. Google's use of Rescucom's trademark to list competitors' Web sites along with the plaintiff's site in search engine results was argued to be the online equivalent.

The *Rescucom* court concluded that the analogy was flawed because if consumer confusion was the likely result, even ordinary product placement was actionable under the Lanham Act. "If a retail seller were to be paid by an off-brand purveyor to arrange product display and delivery in such a way that customers seeking to purchase a famous brand would receive the off-brand, believing they had gotten the brand they were seeking, we see no reason to believe the practice would escape liability merely because it could claim the mantle of 'product placement.'"

Accepting the allegations in the complaint as true, as it was required to do on a motion to dismiss, the *Rescucom* court concluded that Google's practice was "significantly different from benign product placement that does not violate the Act." The court emphasized, however, that "[w]e have no idea whether Rescucom can prove that Google's use of Rescucom's trademark in its AdWords program causes likelihood of confusion or mistake."

Rescucom might very well have a challenging time making this showing—at least as it relates to Google. As one amicus explained, Google is not responsible for the content of search results generated by the term Rescucom. Google also prominently identifies as "sponsored links" those results

The Second Circuit's reversal in 'Rescucom' by no means assures a victory for the plaintiff on the merits. Nevertheless, this recent decision arms advertisers with the means to combat unfair competitive cyber-marketing practices.

yielded from purchased keywords, thereby signaling to the public that they constitute paid advertising and helping to reduce the likelihood of confusion.

A Post-Script

The *Rescucom* court also took the unusual step of issuing an appendix to correct a flaw in the 1-800 decision's statutory interpretation. While stressing that the 1-800 holding "was justified by numerous good reasons and was undoubtedly the correct result," the *Rescucom* court pointed out that, nevertheless, it relied in part on two district court opinions from other circuits that "overlook[ed] key statutory text" of the Lanham Act. The appendix provides an elaborate history of the evolution of the phrase "use in commerce" in different sections of the Lanham Act.

The *Rescucom* court explained that 1-800 cited district court decisions relying on that part of the definition of "use in commerce" in 15 USC §1127 providing that a mark "shall be deemed to be in use in commerce...on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce." What those decisions and hence the 1-800 court overlooked, however, was that the first sentence of the definition in §1127 requires the "bona fide use of the mark in the ordinary course of trade, and not made merely to reserve a right in the mark."

The *Rescucom* court concluded that this

definition could not apply to those sections of the statute governing infringement and false advertising, 15 USC §§1114 & 1125(a), because "[i]f §1127's definition is applied to the definition of conduct giving rise to liability in §§1114 and 1125, this would mean that an accused infringer would escape liability, notwithstanding deliberate deception, precisely because he acted in bad faith."

It was "inconceivable" that Congress could have intended this result; rather, it was "clear Congress did not intend that this definition apply to the sections of the Lanham Act which define infringing conduct." The Second Circuit thus opined that the entire definition in §1127, including the bona fide use requirement, should apply to "use in commerce" as it relates to trademark registrations. The definition of "use in commerce" in the infringement context, however, should be governed exclusively by reference to the second sentence.

In the end, even though "the judges of the 1-800 panel [] read [the] Appendix and [] authorized [the *Rescucom* panel] to state that they agree with it," the *Rescucom* court emphasized that it was "dictum and not a binding opinion of the court." The Second Circuit expressly invited Congress to "study and clear up this ambiguity" in the definition of "use in commerce" in the Lanham Act.

Conclusion

The Second Circuit's reversal in *Rescucom* by no means assures a victory for the plaintiff on the merits. Having survived the motion to dismiss, *Rescucom* must prove likelihood of consumer confusion before it is entitled to relief under the Lanham Act. Nevertheless, this recent decision arms advertisers with the means to combat unfair competitive cyber-marketing practices.

.....●●.....

1. No. 06-4881, F3d (2d Cir. April 3, 2009).

2. 414 F3d 400.

3. See also *FragranceNet.com Inc. v. FragranceX.com Inc.*, 493 F.Supp.2d 545 (E.D.N.Y. 2007) (no trademark "use" based on defendant's utilization of plaintiff's trademark as search engine keyword or as metatag); *Merck & Co. Inc. v. Mediplan Health Consulting Inc.*, 425 F.Supp.2d 402 (S.D.N.Y. 2006) (internal use of trademark as keyword to trigger "sponsored links" to defendants' Web sites was not placement of trademark on goods and thus not actionable "use").

4. See *North Am. Med. Corp. v. Axiom Worldwide Inc.*, 522 F.3d 1211 (11th Cir. 2008) (use of trademark in metatag constitutes "use in commerce"); *Brookfield Comm'n. Inc. v. West. Coast Entm't Corp.*, 174 F.3d 1036 (9th Cir. 1999) (same).

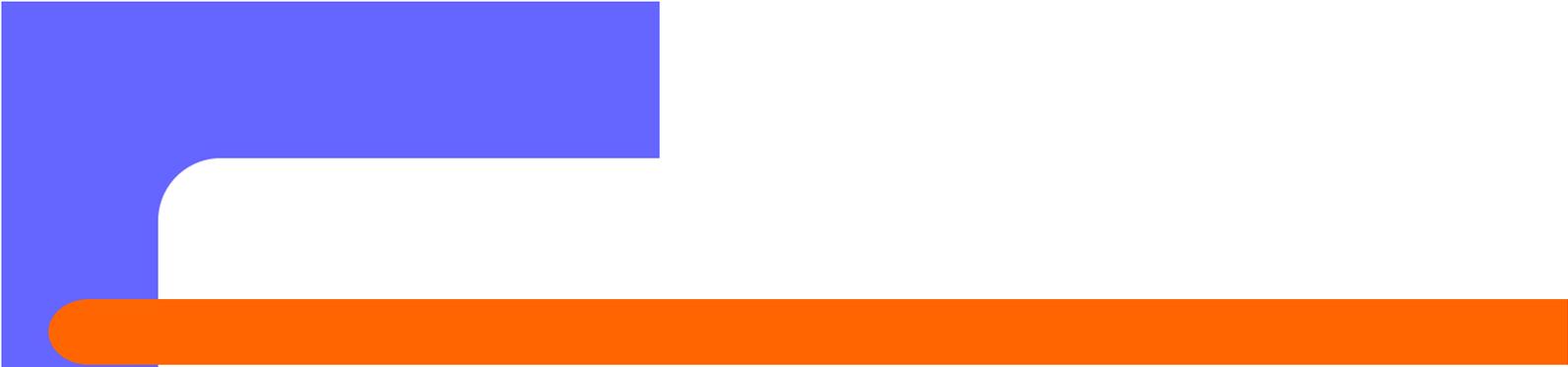
5. *Axiom Worldwide*, 522 F.3d at 1219.

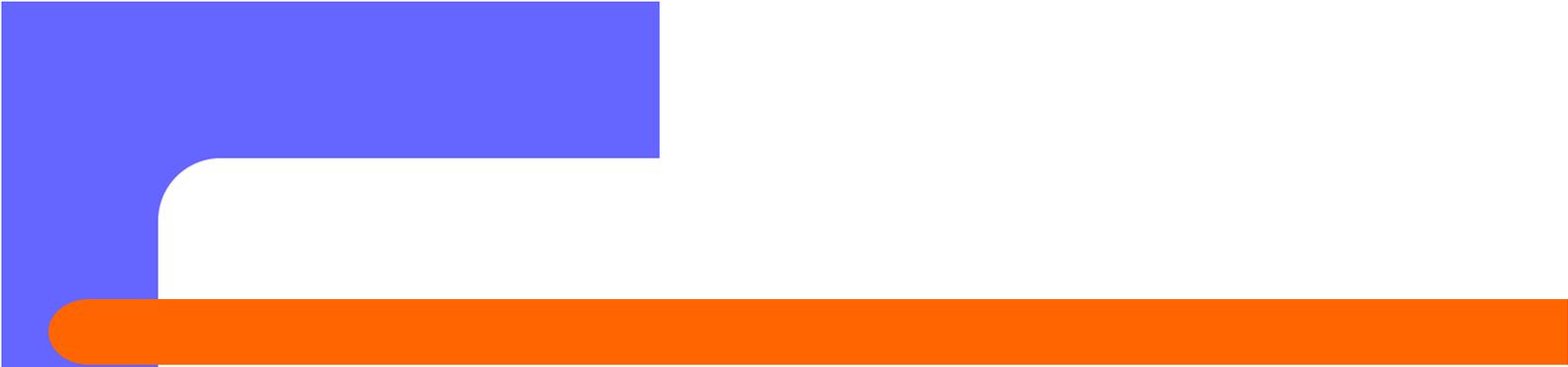
**BEST PRACTICES
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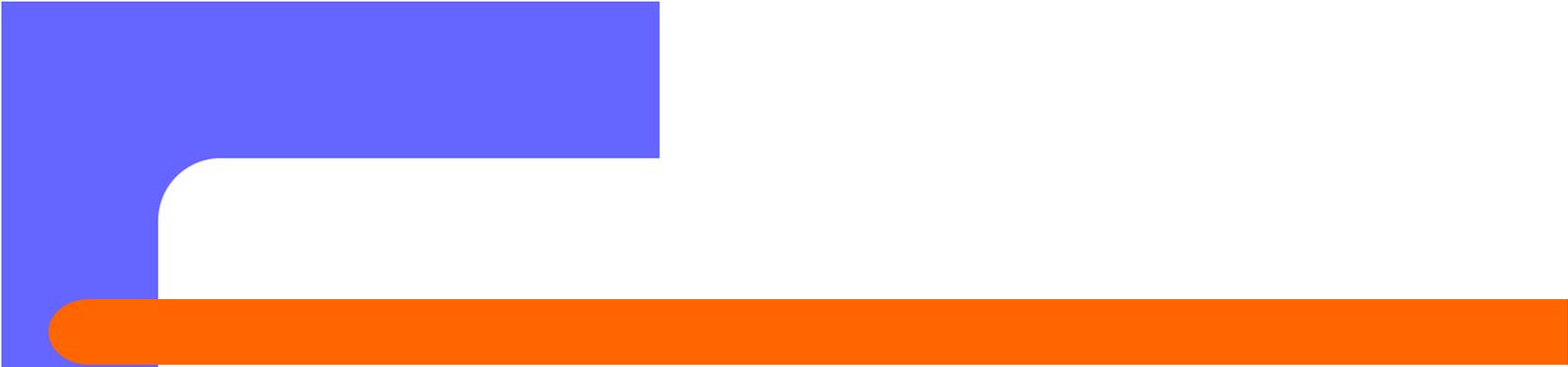


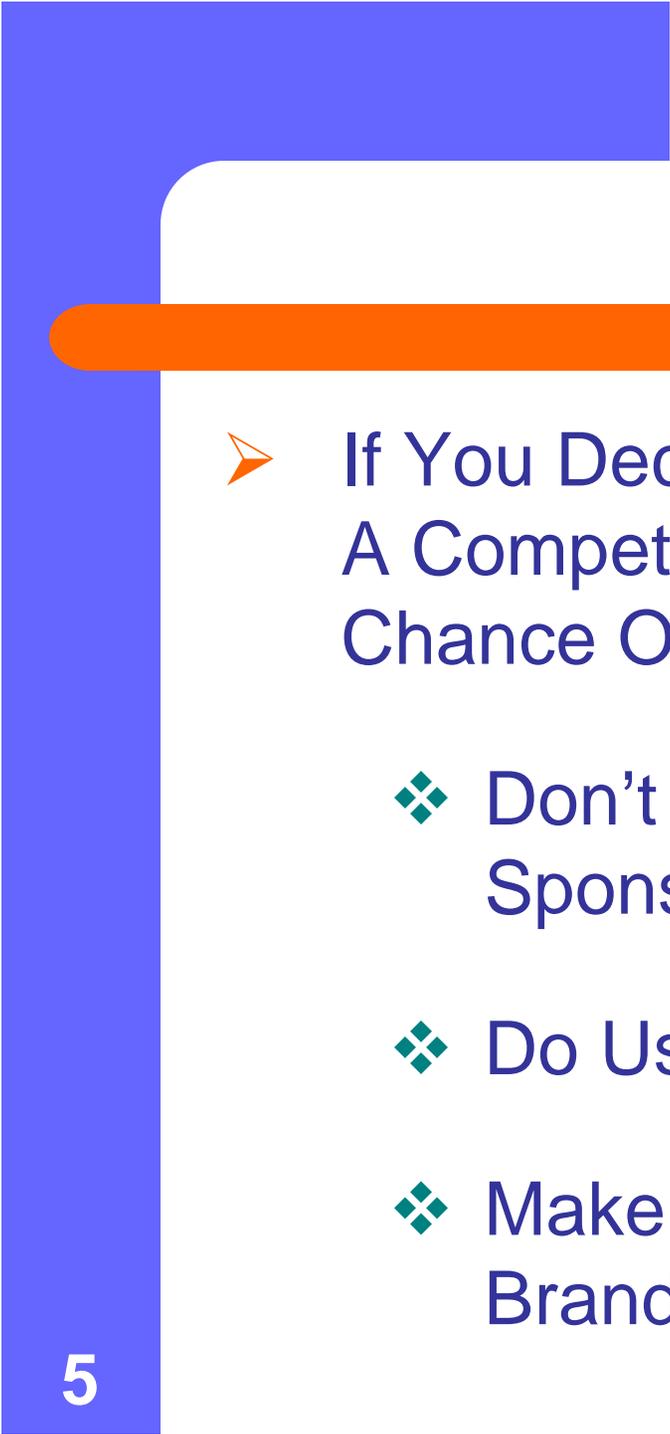
GIBSON, DUNN & CRUTCHER LLP

Terence P. Ross

- 
- Recognize That The Law Of Contextual Advertising On The Internet Remains Fluid
 - Consult A Lawyer Who Specializes In E-Commerce

- 
- Do Not Let Ad Agencies Or Search Optimization Firms Make Legal Decisions For You By Default
 - Be Proactive In Setting Limits On Your Contextual Advertising

- 
- Safest Approach: Don't Use A Competitor's Trademark In Any Manner In Contextual Advertising
 - Do "Negative Broadmatch"



➤ If You Decide To Take The Risk Of Using A Competitor's Trademark, Minimize Chance Of Confusion:

- ❖ Don't Use Trademark In Text Of Sponsored Link

- ❖ Do Use Your Own Trademark

- ❖ Make Certain Your Website Is Distinctly Branded From Competitors