Rescuecom And Keyword Advertising Issues

Law360, New York (April 02, 2009) -- Keyword advertising continues to be one of the hottest topics in trademark law. Keyword advertisements, often identified by terms such as “sponsored links” or “sponsor results,” appear on search results pages adjacent to natural search listings.

Trademark issues arise when an advertiser keys its advertisement to the trademark of another company in order to direct the attention of consumers to Web sites that offer competing or similar products, provide comparative advertising, resell the trademark owner’s products, or present information about or criticism of the trademark owner or its products.

The Second Circuit, in Rescuecom v. Google, is considering whether the act of keying such an advertisement to another’s trademark constitutes actionable use when the trademark does not appear in the text of the advertisement.

If the Second Circuit concludes there is no trademark use, then, at least within that circuit, a district court will not need to consider whether the advertisement creates a likelihood of confusion before rejecting an infringement or dilution claim.

Outside the Second Circuit, most courts have rejected the “no trademark use” argument that is now before the court in Rescuecom.

These courts consider whether there is a likelihood of confusion, sometimes analyzing a doctrine called initial interest confusion, and they also consider the availability of defenses such as nominative fair use.

So far, no clear consensus has emerged as to whether keyword advertising is likely to cause confusion and, therefore, trademark infringement, or whether it is likely to cause dilution by blurring or dilution by tarnishment.
Without the “no trademark use” argument as a short cut to resolving cases where the trademark is not displayed, resolution of such cases will turn on a highly fact-specific analysis of confusion and dilution factors.

**Rescuecom and Trademark Use**

Rescuecom is a computer repair, consulting and networking company that offers its services from a Web site at www.rescuecom.com.

Rescuecom discovered that some of its competitors were running advertisements for their own services on Google, and that those advertisements were keyed to the word “rescuecom.”

The competitors’ advertisements did not display Rescuecom’s mark in their text or explicitly indicate any relationship between the competitors and Rescuecom.

Moreover, the competitors did not provide express comparisons of their services to Rescuecom’s, they did not sell Rescuecom products, and they were not providing information about Rescuecom. Rescuecom sued Google for federal trademark infringement and dilution, among other claims.

Google moved to dismiss, arguing that Rescuecom could not establish that Google made “trademark use” of Rescuecom’s trademark. Google relied on the Second Circuit’s 2005 decision in a pop-up advertising case, 1-800 Contacts v. WhenU.com.

In 1-800 Contacts, the Second Circuit reversed a preliminary injunction entered against WhenU’s delivery of pop-up advertisements, where WhenU merely stored the address www.1800contacts.com in a database of terms that triggered pop-up advertisements when consumers viewed websites appearing in the database.

The Second Circuit viewed this as a purely internal use of the mark rather than trademark use on goods or services, and it concluded that, in the absence of trademark use, it need not consider whether the pop-up ads created a likelihood of confusion.

The district court in Rescuecom agreed with Google that the “no trademark use” reasoning from 1-800 Contacts applied to Google’s invisible use of the term “rescuecom” to deliver advertisements keyed to that term. Rescuecom never alleged that Google presented its mark in a manner that was visible to consumers.

The court also rejected Rescuecom’s arguments that Google was misleading consumers about the source of the competitors’ advertisements and that it was preventing consumers from reaching or diverting them away from Rescuecom’s Web site.
Several other district courts in the Second Circuit have reached the same conclusion as the district court in Rescuecom, similarly relying on the reasoning of the 1-800 Contacts decision.

**Trademark Use Beyond the Second Circuit**

Outside the Second Circuit, most courts to consider the issue have found trademark use when an advertisement is keyed to another's trademark.

Examples include district court decisions in the Eastern District of Virginia in 2004 (GEICO v. Google), the Northern District of California in 2007 (Google v. American Blind, relying on the Ninth Circuit’s 2004 decision in Playboy v. Netscape, a banner advertising case that appeared to assume trademark use) and the District of New Jersey in 2006 (1-800 JR Cigar v. GoTo.com).

The Tenth Circuit, while not expressly analyzing the issue, appears to have assumed trademark use in its 2006 decision in Australian Gold Inc. v. Hatfield. In that decision, the court affirmed a jury verdict of infringement resulting from uses of plaintiff’s trademarks in keywords and metatags.

The Eleventh Circuit, in North American Medical Corp. v. Axiom Worldwide, Inc., expressly rejected the Second Circuit’s “no trademark use” reasoning, although this 2008 decision involved metatags rather than keywords.

**Infringement Requires More Than Trademark Use**

While courts outside the Second Circuit generally have found trademark use in keyword advertising cases, they have not agreed on whether the practice is likely to cause confusion.

For example, in GEICO v. Google (E.D. Va. 2005), the court denied a motion to dismiss based on lack of trademark use. However, following a bench trial, the court held that GEICO’s survey evidence did not prove likelihood of confusion with respect to advertisements that did not present the trademark in their text.

The court did find that confusion was likely in advertisements presenting the trademark, but it reserved the question of whether the search engine, as opposed to individual advertisers, could be liable for infringement resulting from such confusion.

Other courts have found confusion to be likely, such as in Storus Corp. v. Aroa Marketing Inc. (N.D.Cal. 2008), granting plaintiff’s motion for summary judgment, and International Profit Associates Inc. v. Paisola (N.D.Ill. 2006), granting an ex parte motion for a temporary restraining order.

Several courts have refused to find that confusion or dilution is likely.
Examples include J.G. Wentworth SSC Ltd. v. Settlement Funding, LLC (E.D.Pa. 2007), granting defendant’s motion to dismiss on the ground that the advertisements were not likely to cause initial interest confusion; Boston Duck Tours LP v. Super Duck Tours LLC (D.Mass. 2007), finding that keyword advertisements keyed to the term “boston duck tours” did not violate a preliminary injunction; and Nautilus Group Inc. v. Icon Health & Fitness Inc. (W.D.Wash. 2006), holding that the defendant was not liable for dilution because its keyword advertisement was a comparison falling with the dilution act’s exceptions from liability.

Other courts have found fact questions that precluded summary judgment, typically on motions brought by defendants.


**Keyword Advertising and Initial Interest Confusion**

Courts considering whether keyword advertisements create a likelihood of confusion sometimes focus on whether consumers have experienced initial interest confusion before clicking on a search results listing.

This type of confusion occurs when a consumer who seeks the trademark holder’s product is diverted by a competitor’s use of a mark, then quickly realizes that the competitor’s product is unrelated to the trademark owner, but, as a result of the initial confusion, decides to purchase or at least consider the competitor’s product.

Is initial interest confusion relevant in the Internet context, where a consumer who is initially confused before clicking a keyword advertisement can easily click the browser’s back button and return to the search results page?

Some courts have found initial interest confusion on the Internet to be potentially actionable. Examples include the Tenth Circuit’s decision in Australian Gold v. Hatfield (2006), involving keywords and metatags, and the Seventh Circuit’s decision Promatek Industries v. Equitrac Corp. (2002), a case involving metatags.

In a 2004 banner advertising case, Playboy v. Netscape, the Ninth Circuit also recognized the possibility of initial interest confusion, although a concurring opinion questioned whether the doctrine should be applied when the advertisement in labeled in a way that identifies its source.

Other courts have recognized limits to the doctrine’s applicability in the Internet context.
The Second Circuit decided in Savin Corp. v. Savin Group (2004), a domain name case, that there must be a showing of intentional deception before applying initial interest confusion.

In a 2005 decision involving a gripe site, Lamparello v. Fallwell, the Fourth Circuit refused to apply initial interest confusion because it is a “relatively new and sporadically applied doctrine,” the gripe site did not involve use of plaintiff’s mark for financial gain, and the parties were not in competition.

**Permissible Uses of Another’s Mark in Keyword Advertising**

Another issue that can be relevant in keyword advertising cases is whether the advertiser is using the trademark in a manner that constitutes a permissible fair use.

For example, an advertiser who is selling the trademark owner’s products might refer to the trademark in the text of its keyword advertisement.

An advertiser also might be providing comparative advertising on its Web site, and the advertisement linked to that website might inform consumers that they will find comparative information trademark owner’s product on the linked Web site.

Fair use also might be claimed even if the advertiser keys its ad to the trademark without presenting the trademark in the ad text.

In this situation, the advertiser might be selling the trademark owner’s products or products similar to the trademark owner’s, and it in this case consumers might expect to find advertisements for more than just the trademark owner’s products.

There are two possible types of fair use. The first is classic descriptive fair use, which is recognized in § 33(b)(4) of the Lanham Act.

In classic fair use, the defendant uses the term at issue not as a trademark but rather to describe its own goods or services. An advertiser that operates a wholesale apple business might key its sponsored link to the term “apples,” and this would be a descriptive fair use of a term used as a trademark by one company for computers and by another as a record label.

Keyword advertising also might involve a second type of fair use referred to as nominative fair use. This doctrine was first recognized by the Ninth Circuit in its 1992 New Kids on the Block decision, and more recently by the Third Circuit in its 2005 decision in Century 21 Real Estate v. LendingTree.

Congress also recently recognized nominative fair use as one of the exceptions to liability under the Trademark Dilution Revision Act. 15 U.S.C. § 1125(c)(3)(A).
Examples of nominative fair uses include criticism, parody, resale, comparative advertising and other situations where the defendant uses another’s trademark for the purpose of referring to the trademark owner or its products.

A few district courts considering keyword advertising cases have addressed the applicability of nominative fair use, and they have reached varying conclusions.

For example, in Edina Realty v. TheMLSONline.com (D.Minn. 2006), the court held that nominative fair use was not available as a defense to the keyword use of the plaintiff’s trademark.

In contrast, the court in Nautilus Group v. Icon Health & Fitness (W.D.Wash. 2006) found that the advertiser properly used plaintiff’s trademark as a keyword for a comparative ad and also properly used the trademark in the ad text to explain the comparison.

**Rescuecom Will Leave Open Questions**

The Second Circuit will simplify keyword search cases if it decides in Rescuecom to apply its 1-800 Contacts trademark use analysis to advertisements that do not display the plaintiff’s trademark.

However, no matter how Rescuecom is decided, courts facing keyword issues in other circuits will continue to struggle with questions of likely confusion and dilution. These cases will continue to test applicability of initial interest confusion and the nominative fair use defense.

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