

Rescuecom Corp. v. Google Inc.: The Second Circuit Finds Trademark Use in Meta Elements

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I. OVERVIEW OF THE CASE

When using the Internet search engine heavyweight Google, an individual who wishes to find the Web site of, or information on, a specific company or trade can launch a search for the company by simply entering the company’s name or trademark into Google’s search engine.¹ From that act, Google generates two items: a list of Web sites in descending relevance to the individual user’s search terms, and context-based advertisements, or links to an advertiser’s Web site, purchased from Google by the particular advertiser upon deciding that the advertised site would be of interest to the targeted user.² Through Google’s Keyword Suggestion Tool and AdWords programs, advertisers are given suggestions of trademarks and keywords that they can purchase.³ When a user enters those trademarks or keywords into Google’s search engine and launches a search, the advertiser’s Web site will be displayed on the search results page either in the right margin as a “sponsored link” or in a horizontal band above the relevance-based search results.⁴ The plaintiff, Rescuecom, a computer service entity, alleged in its complaint that by purchasing the Rescuecom registered trademark as a keyword through Google’s AdWords program, a company has its context-based advertisement displayed on the results page when a Google user searches for Rescuecom’s services or information, thereby diverting or misleading the user.⁵ Rescuecom further alleged that by placing the context-based advertisements on the results page and failing to clearly label them as purchased ads, Google is causing the user to believe that the advertisement is “sponsored by, endorsed by, approved

1. Rescuecom Corp. v. Google Inc., 562 F.3d 123, 125 (2d Cir. 2009).
2. *Id.*
3. *Id.* at 125-26.
4. *Id.* at 126.
5. *Id.* at 125-27.

by, or affiliated with Rescuecom.”⁶ For these reasons, Rescuecom alleged that Google violated sections 32 and 43 of the Lanham Act for “infringement, false designation of origin, and dilution” of Rescuecom’s trademark.⁷

The district court dismissed the action pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure, reasoning that the United States Court of Appeals for the Second Circuit’s holding in *1-800 Contacts Inc. v. WhenU.Com, Inc.* compelled dismissal because “Rescuecom failed to allege that Google’s use of [the] mark was a ‘use in commerce’ within the meaning of § 45 of the Lanham Act,” which is a necessary element of an action for trademark infringement under the Act.⁸ The district court concluded that according to the *1-800 Contacts* decision, Google’s use of Rescuecom’s trademark was an internal use, not a visual use in the competitor’s advertisements and therefore was not a “use in commerce” under the Lanham Act.⁹ The Second Circuit granted de novo review of the district court’s Rule 12(b)(6) dismissal.¹⁰ Prior to the noted case, the Second Circuit established a threshold requirement for stating a valid claim of trademark infringement in *1-800 Contacts*; a complaint must allege that the defendant made a “use in commerce” of the plaintiff’s trademark pursuant to section 45 of the Act.¹¹ In the noted case, the Second Circuit declared the earlier case and the noted case were “materially different” and *held* that the plaintiff, Rescuecom, adequately pleaded a “use in commerce” within the meaning of the Lanham Act, because Rescuecom alleged that Google used and sold Rescuecom’s mark in keyword advertising transactions “rendered in commerce.” *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 127, 129 (2d Cir. 2009).

II. BACKGROUND

The Lanham Act imposes liability on anyone who, without the consent of the trademark owner, uses a registered mark, or false designation of origin, “in connection with the sale, . . . distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,”¹² as to

6. *Id.* at 127.

7. *Id.* at 124 (citing 15 U.S.C. §§ 1114, 1125 (2006)).

8. *Id.* at 124, 127 (citing *1-800 Contacts Inc. v. WhenU.com, Inc.*, 414 F.3d 400 (2d Cir. 2005)).

9. *Id.* at 127.

10. *Id.*

11. *Id.*

12. Lanham Act, 15 U.S.C. § 1114.

the trademark owner's affiliation or sponsorship of the infringer's goods or commercial activity.¹³ Under the Lanham Act,

a mark shall be deemed to be in use in commerce on goods when it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto . . . and the goods are sold or transported in commerce, and on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce.¹⁴

Trademark law historically only saw "use" of a trademark as the physical affixation to the good or service; if it was not directly affixed, trademark protection was not established.¹⁵ Recently, a number of scholars have proposed a trademark use theory, arguing that an alleged infringer should only be liable for the unauthorized use of a registrant's mark when he or she uses the mark "as a mark."¹⁶ Commentators on the theory note that it would require courts to initially inquire into the nature of the particular use, and thereby place any analysis on the use's effects on consumer understanding or confusion on the backburner.¹⁷

While courts remain divided on the issue of the trademark use theory,¹⁸ most courts seem to agree that in order to prevail in a claim of trademark infringement, the plaintiff must show (1) that he or she has a valid, protectable ownership in the mark and (2) that the defendant's use of the mark is likely to cause consumer confusion as to the origin, affiliation, or sponsorship of the defendant's goods or services.¹⁹ Likelihood of confusion exists when "an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question,"²⁰ or "are likely to believe that the mark's owner sponsored, endorsed, or otherwise approved

13. *Id.* §§ 1114, 1125(a).

14. *Id.* § 1127.

15. Graeme B. Dinwoodie & Mark D. Janis, *Confusion Over Use: Contextualism in Trademark Law*, 92 IOWA L. REV. 1597, 1613 (2007) (quoting RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 18 cmt. D (1995)).

16. *Id.* at 1599-1600.

17. *Id.* at 1599.

18. *Id.* at 1600-01 n.10.

19. *See* N. Am. Med. Corp. v. Axiom Worldwide, Inc., 522 F.3d 1211, 1218 (11th Cir. 2008); Dep't of Parks & Recreation for Cal. v. Bazaar Del Mundo Inc., 448 F.3d 1118, 1124 (9th Cir. 2006); Merck & Co. v. Mediplan Health Consulting, Inc., 425 F. Supp. 2d 402, 410-11 (S.D.N.Y. 2006).

20. *Merck*, 425 F. Supp. 2d at 411 (quoting *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F.2d 44, 47 (2d Cir. 1978)).

of the defendant's use of the mark."²¹ Different circuits apply different factors in determining whether there is a likelihood of confusion. For instance, the United States Court of Appeals for the Eleventh Circuit looks at the similarity between the competing products or services, as well as the similarity between the sales and advertising methods of the two competitors, and the defendant's intent.²² The Second Circuit looks at the competitive proximity of the competing products or services, the consumer's level of sophistication, and "the likelihood that [the] plaintiff will 'bridge the gap' and offer a product like [the] defendants' product."²³ Both circuits also consider the actual confusion that exists as well as the strength and validity of the plaintiff's mark and the similarity of the two marks, and both agree that the list of factors is not exhaustive and the ultimate consideration is whether consumers are likely to be mistaken or confused.²⁴ This likelihood of confusion analysis is based on facts and "ordinarily does not lend itself to a motion to dismiss."²⁵

The development of the use of trademarks in meta tags to influence search results by Internet search engines such as Google has caused a circuit split in deciding whether such use is trademark infringement.²⁶ In *North American Medical Corp. v. Axiom Worldwide*, the Eleventh Circuit found that a company's use of a competitor's trademarks in its meta tags was a use in commerce in connection with the sale or advertisement of goods pursuant to the language of the Lanham Act, and that this use created a likelihood of confusion.²⁷ The court in that case reasoned that while the defendant's use of the plaintiff's trademarks in its meta tags was never displayed to the public, the use caused the search results in Google to suggest "that [the defendant's] products and [the plaintiff's] products had the same source, or that [the defendant] sold both lines."²⁸ By contrast, courts in the Second Circuit generally found that a company's use of a competitor's trademarks in keywords and meta

21. *Id.* (quoting *Savin Corp. v. Savin Group*, 391 F.3d 439, 456 (2d Cir. 2004) (quoting *Tommy Hilfiger Licensing, Inc. v. Nature Labs, LLC*, 221 F. Supp. 2d 410, 414 (S.D.N.Y. 2002))).

22. *N. Am. Med. Corp.*, 522 F.3d at 1220.

23. *Merck*, 425 F. Supp. 2d at 411 (citing *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961)).

24. *Id.*; see *N. Am. Med. Corp.*, 522 F.3d at 1220.

25. *Merck*, 425 F. Supp. 2d at 412.

26. *Compare N. Am. Med. Corp.*, 522 F.3d at 1223 (reasoning that trademarks in meta tags caused a likelihood of confusion), with *S&L Vitamins, Inc. v. Australian Gold, Inc.*, 521 F. Supp. 2d 188, 199 (E.D.N.Y. 2007) (holding that the use of competitor's trademarks in meta tags not displayed to the public did not constitute a proper "use" under the Lanham Act).

27. 522 F.3d at 1218-20, 1222.

28. *Id.* at 1223.

tags, in which the use is not communicated or displayed to the public, is “strictly internal” and does not constitute a “use” under the Lanham Act, even though courts in other circuits have “generally found ‘use’ to exist in such situations.”²⁹ Courts in the Second Circuit rely on the reasoning set forth in *1-800 Contacts*, in that “‘use’ must be decided as a threshold matter because, while any number of activities may be considered ‘in commerce’ or create a likelihood of confusion, no such activity is actionable under the Lanham Act absent the ‘use’ of a trademark,”³⁰ and “[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.”³¹ Following this trademark use theory, courts in the Second Circuit have consistently held that where a defendant does not actually affix the trademark to any product or service or use the trademark in a way that would suggest origin or source, there is no trademark “use.”³² In this sense, district courts in the Second Circuit have not found an actionable “use” where the defendant used a competitor’s trademarks in meta tags or purchased a competitor’s trademarks as keywords to influence an Internet search result, because the defendant did not place the trademark on any good or service.³³ Just two years before the noted case was decided, the United States District Court for the Eastern District of New York in *S&L Vitamins, Inc. v. Australian Gold, Inc.*, restated that use must be decided before a determination as to any consumer confusion can be made.³⁴

III. THE COURT’S DECISION

In the noted case, the Second Circuit distinguished the facts from those involved in its earlier decision in *1-800 Contacts* to find that the plaintiff in the noted case, Rescuecom, adequately pleaded that Google “used” the plaintiff’s trademark pursuant to the language of the Lanham Act.³⁵ In *1-800 Contacts*, the Second Circuit held that “a complaint fails to state a claim under the Lanham Act unless it alleges that the defendant has made ‘use in commerce’ of the plaintiff’s trademark as the term ‘use in commerce’ is defined in [section 45 of the Lanham Act].”³⁶ The

29. *S&L Vitamins*, 521 F. Supp. 2d at 199.

30. *Id.*

31. *Id.* (citing *1-800 Contacts Inc. v. WhenU.Com, Inc.*, 414 F.3d 400, 412 (2d Cir. 2005)); *Merck*, 425 F. Supp. 2d at 415 (citing *1-800 Contacts Inc.*, 414 F.3d at 409).

32. *S&L Vitamins, Inc.*, 521 F. Supp. 2d at 200.

33. *Id.*; *Merck*, 425 F. Supp. 2d at 415.

34. 521 F. Supp. 2d at 201.

35. *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 127 (2d Cir. 2009).

36. *Id.*

Second Circuit pointed out that in *1-800 Contacts*, it relied on the definition of ‘use in commerce’ provided in § 45 of the Lanham Act, which states that a trademark will be considered to have been used in commerce “on services when it is used or displayed in the sale or advertising of the services and the services are rendered in commerce.”³⁷ In the Appendix to the noted case’s opinion, the court declared that in *1-800 Contacts*, it followed the reasoning of district courts in other circuits, which had actually overlooked part of the Lanham Act, leading them to believe that the definition of “use in commerce” set forth in section 45 of the Act also applies to both section 32 and section 43 of the Act.³⁸ Section 45 applies to use in commerce for the purpose of establishing trademarks, not for the use that triggers prima facie infringement.³⁹ Those district courts, based on this oversight, concluded that the defendant was not liable under the Lanham Act because he or she had not used the plaintiffs’ trademarks in connection with the advertising or sale of services, and therefore had not made a “use in commerce” of the trademark within the meaning of section 45 of the Act.⁴⁰ In *1-800 Contacts*, the Second Circuit dismissed the action based in part on a broad reading of section 45, but also because the plaintiff did not claim ownership of the term that served as the basis of the infringement claim, and because the defendant’s actions were not likely to be confusing.⁴¹ In the noted case, the district court had read the Second Circuit’s opinion in *1-800 Contacts* to mean that dismissal of Rescuecom’s claims were compelled because it believed the noted case and the *1-800 Contacts* case were similar.⁴²

The Second Circuit disagreed with the district court and found that the noted case and the *1-800 Contacts* case were “materially different.”⁴³ The court observed that in *1-800 Contacts*, the defendant’s program would generate a pop-up advertisement that would appear in a separate browser window from the window the user was utilizing.⁴⁴ Also, the defendant’s brand name was predominantly displayed in the advertisement, “so that there was no confusion as to the nature of the pop-up as an

37. *Id.* at 128 (quoting 15 U.S.C. § 1127 (2006)).

38. *Id.* at 132.

39. *See id.* at 132-33.

40. *See id.* at 131-32.

41. *Id.*

42. *Id.* at 127.

43. *Id.*

44. *Id.* at 128 (citing *1-800 Contacts Inc. v. WhenU.Com, Inc.*, 414 F.3d 400, 405 (2d Cir. 2005)).

advertisement, nor as to the fact that the defendant, not the trademark owner, was responsible for displaying the ad.”⁴⁵

In particular, the court recognized two main differences between *1-800 Contacts* and the noted case. First, the defendant in *1-800 Contacts* did not use or display the plaintiff’s trademark, but instead used the Web site address that coincided with the trademark. However, in the noted case, Google was selling Rescuecom’s actual trademark to advertisers and competitors of Rescuecom.⁴⁶ The defendant in *1-800 Contacts* was using the plaintiff’s Web site address, which was “not used or claimed by the plaintiff as a trademark.”⁴⁷ Second, in *1-800 Contacts*, the defendant’s program did not give advertisers the option to request or purchase certain words or trademarks to prompt advertisements.⁴⁸ There was no manipulation on the part of the defendant in triggering which advertisement would appear in relation to which terms or keywords were searched.⁴⁹ The court pointed out that Google, on the other hand, not only “displays, offers, and sells Rescuecom’s mark to [advertisers],” but also “encourages the purchase of Rescuecom’s mark through its Keyword Suggestion Tool.”⁵⁰

The court then addressed the district courts in the Second Circuit that have held that use of a trademark in an internal directory was internal and thus not a trademark use because it was not communicated to the public.⁵¹ The court stated that even if Google’s internal use of Rescuecom’s mark in metadata could be considered internal, and thus not an actionable use under the Lanham Act, the selling and recommending of the mark to advertisers and competitors of Rescuecom was a use and

45. *Id.*

46. *Id.* at 128-29.

47. *Id.* at 128 (citing *1-800 Contacts Inc.*, 414 F.3d at 408-09).

48. *Id.* at 129 (citing *1-800 Contacts Inc.*, 414 F.3d at 409, 412).

49. *Id.* (citing *1-800 Contacts Inc.*, 414 F.3d at 411). The court went on to explain that “[t]he display of a particular advertisement was controlled by the category associated with the website or keyword, rather than the website or keyword itself,” and “the trigger to display the ad was not based on the defendant’s sale or recommendation of a particular trademark.” *Id.* In fact, the court pointed out that it had suggested in dictum in *1-800 Contacts* that “had the defendant used the plaintiff’s trademark as the trigger to pop-up an advertisement, such conduct might, depending on other elements, have been actionable.” *Id.* at 128 (citing *1-800 Contacts Inc.*, 414 F.3d at 409 & n.11).

50. *Id.* at 129.

51. *See S&L Vitamins, Inc. v. Australian Gold, Inc.*, 521 F. Supp. 2d 188, 199-202 (E.D.N.Y. 2007) (holding that use of a trademark in metadata did not constitute trademark use within the meaning of the Lanham Act because the use is “strictly internal and not communicated to the public”); *see also Merck & Co. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 415 (S.D.N.Y. 2006) (holding that the internal use of a keyword to trigger advertisements did not qualify as a trademark use).

could not be considered internal.⁵² The court further noted that if it had meant to imply in *1-800 Contacts* that an internal use of a trademark in a software program immunizes a defendant from liability of trademark use, then search engines could all use trademarks in deceitful and confusing ways, yet remain protected from an impending trademark infringement action.⁵³ By first considering the nature of Google's use of Rescuecom's trademark, the court impliedly implemented the trademark use theory.

The court rejected an argument from Google that its use of Rescuecom's trademark was analogous to product placement of a generic brand by a retail vendor.⁵⁴ The court distinguished Google's practices from traditional product placement by noting that benign product placement does not cause a likelihood of confusion and thus does not violate the Lanham Act.⁵⁵ The court recounted that "[t]he gist of a Lanham Act violation is an unauthorized use, which is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, . . . or as to the origin, sponsorship, or approval of . . . goods [or] services."⁵⁶ Rescuecom alleged in its complaint that because Google did not adequately present the context-based advertisements as sponsored or purchased links, but rather displayed them on the search results page, consumers were misled to believe that the ads were relevancy-based results or were affiliated with or endorsed by Rescuecom.⁵⁷ Because the noted case is an appeal from review of a motion to dismiss, the court did not decide whether or not Google's use is confusing.⁵⁸ For the review of a motion to dismiss, the court will only consider what is specifically alleged in the plaintiff's complaint.⁵⁹ The Second Circuit concluded that because the noted case differed from *1-800 Contacts* in a number of respects, the district court erred in its belief that the decision in *1-800 Contacts* compelled dismissal of the case.⁶⁰

52. *Rescuecom Corp.*, 562 F.3d at 129.

53. *Id.* at 130.

54. *Id.* Product placement is a benign placement of a "store-brand generic product placed next to a trademarked product to induce a customer who specifically sought out the trademarked product to consider the typically less expensive, generic brand as an alternative." *Id.*

55. *Id.*

56. *Id.* (internal quotes omitted).

57. *Id.* at 130-31. If the user sees a "different brand name as the top entry in response to the search for 'Rescuecom,' the searcher is likely to believe mistakenly that the different [brand] name [is somehow affiliated with Rescuecom]," because Google does not adequately present the result as a sponsored or purchased link but instead includes it above the relevant results. *Id.* at 131.

58. *Id.*

59. *Id.*

60. *Id.* at 130-31.

IV. ANALYSIS

An important aspect of the noted case that distinguishes it from previous Second Circuit decisions and, notably, decisions from other circuits, is that the defendant in the noted case was Google, and not the competitors of Rescuecom that purchased Rescuecom's trademarks.⁶¹ Indeed, had the defendant been a competitor who had merely included Rescuecom's trademark in its meta tags and keywords for its Web site, then the court would likely have followed previous decisions of the Second Circuit and found that the use was entirely internal and not a "use" under the meaning of the Lanham Act. The noted case is different in this regard because it concerned the actions of a different kind of defendant. It was decided based on issues conceptually different from those previously addressed. Based on its *1-800 Contacts* decision, this court seems to require that the defendant display the trademark in order for it to be considered a "use" under the Lanham Act.

The Second Circuit appears to endorse the trademark use theory, which is perhaps the reason that it drew the line in the noted case between search engines like Yahoo and Google and companies seeking to advertise, which purchase keywords and trademarks from the search engines or include the words or marks in their metadata.⁶² Trademark use activists often cite the Second Circuit in *1-800 Contacts* for the "proposition that a trademark use requirement can be found in the 'use in commerce' language."⁶³ Opponents of the trademark use theory will argue that this immunizes the online advertising companies from trademark infringement liability because they are not "selling" the trademarks, and these opponents caution other courts and scholars to construe the Second Circuit's reasoning in *1-800 Contacts* to apply to the sale of sponsored links by search engines, just as the district court did in the noted case.⁶⁴ The Second Circuit also draws a distinction between the sale of pop-up ads and the sale of keywords by a search engine, and the argument may be made that such a distinction is beyond its own scope.⁶⁵

Most significantly, the court extended the reasoning of other district courts in treating trademark use as a threshold requirement for trademark infringement. This approach will not necessarily lead to a greater

61. See *N. Am. Med. Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211 (11th Cir. 2008); *S&L Vitamins, Inc. v. Australian Gold, Inc.*, 521 F. Supp. 2d 188 (E.D.N.Y. 2007); *Merck & Co. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402 (S.D.N.Y. 2006).

62. *Dinwoodie & Janis*, *supra* note 15, at 1634-35.

63. *Id.* at 1611 n.57.

64. *Id.* at 1634-35.

65. *Id.* at 1636-37.

proactive policy of reducing consumer confusion which the court has deemed the “gist” of the Lanham Act.⁶⁶ Indeed, it will likely lead to instances in which the defendant contends that he should not be liable because his advertising or sales activities did not constitute a trademark “use.” Such a result could potentially lead to less certainty in trademark law, infecting litigation over the analysis, interpretation, and understanding of use of a trademark.

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66. *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 130 (2d Cir. 2009).

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