

Searching for a Solution: The Lanham Act's "Use in Commerce" Requirement in Search Engine Keyword Advertising Cases*

I. INTRODUCTION

Internet advertising generated \$16.8 billion in revenue in 2006, an increase of 34% from the prior year.¹ This advertising boom affects both businesses and consumers. For consumers, it means wading through hundreds of pop-up advertisements, in-site advertisements, or search engine "sponsored links" during routine Web surfing and shopping. For businesses, it entails spending millions of dollars to advertise in a relatively new form of media.² One of the largest components of Internet advertising is search engine keyword advertising. Search engine keyword advertising, which represents more than 40% of all Internet advertising in the United States,³ is an enormous source of income for Internet search engine companies.⁴ In this type of advertising, a business will purchase a specific term from a search engine as a trigger for an advertisement. When a computer user inputs this term into the search engine, the search engine will generate results according to the search engine parameters. In addition, the computer user's input will trigger an advertisement purchased by the business that is linked to this inputted term. For example, Kodak could purchase the term "cameras" from Yahoo!, a popular Internet search engine. Upon a search of the term "cameras" by a computer user, in addition to the normal list of results related to the inputted term, Yahoo! will also present an advertisement by

* Chris Colyer. J.D. candidate 2009, University of Kansas School of Law; B.S. 2004, University of Kansas. I would like to thank my family and friends for all their incredible love and support.

1. *In Brief: Online Ad Revenue Sets Record for a Third Year*, WALL ST. J., Mar. 8, 2007, at B4.

2. See, e.g., Louise Story, *Marketers Demanding Better Count of the Clicks*, N.Y. TIMES, Oct. 30, 2006, at C1 (Proctor & Gamble spent \$33.5 million on Internet advertising in 2005).

3. See John Markoff & Nat Ives, *Web Search Sites See Clicks Add up to Big Ad Dollars*, N.Y. TIMES, Feb. 4, 2005, at A1 (In 2004, keyword search advertising represented more than 40% of total Internet advertising spending).

4. See, e.g., *Today in Business: Trial on Google Ad System*, N.Y. TIMES, May 12, 2007, at C2 (The AdWords system made up 98% of Google's \$10.6 billion in revenue in 2007).

Kodak. In most cases, advertisers can purchase any search term desired as a trigger, including the trademarks of their competitors.

The ability to purchase another business's trademarks as search terms has yielded a substantial amount of litigation in recent years.⁵ Throughout the United States, multiple businesses have sued search engines and search keyword purchasers for various forms of trademark infringement, including actions granted under the Lanham Act of 1946.⁶ Courts across the country disagree as to whether the purchase and sale of trademarked search terms constitutes Lanham Act trademark infringement.⁷ Given the continued growth of the Internet, such litigation has sweeping ramifications for consumers, businesses, and more importantly, search engines. The majority of the litigation centers around one particular search engine: Google. Earning up to \$1.50 per mouse click on a triggered advertisement, Google can earn more than \$1 billion in the span of just three months on the sales of search term advertisements.⁸ Therefore, the outcome of such litigation will have large repercussions that will be felt for years to come.

The judicial split focuses primarily on just three words: "use in commerce." This term is a required element for a valid trademark infringement claim under the Lanham Act.⁹ Some courts, including courts in the Second Circuit, hold that the purchase and sale of trademarked search terms does not constitute a use in commerce, and preclude any cause of action.¹⁰ Other courts, relying on the same factual circumstances, hold that the purchase and sale of trademarked search terms constitutes a use in commerce, thereby allowing a claim to proceed on its merits.¹¹ This Comment examines the plain meaning of each element within the statutory definition of "use in commerce," and assesses the rulings of courts in the Second Circuit. This Comment argues that these rulings rest on flawed underpinnings, and that the purchase and sale of trademarked search terms as triggers for search engine keyword advertising constitutes a use in commerce.

5. See *infra* Part II.C.

6. Lanham Act of 1946, ch. 540, 60 Stat. 427, 427 (codified as amended at 15 U.S.C. §§ 1051–1127 (2000)).

7. See *infra* Part II.C.

8. See Markoff & Ives, *supra* note 3 (reporting the sum of "\$1 billion of advertising during the last three months of 2004").

9. 15 U.S.C. §§ 1114 (2000).

10. See *infra* Part II.C.1.

11. See *infra* Part II.C.2.

Section II will explore the background of this judicial split in greater detail.¹² It will begin with an explanation of the mechanisms and processes of search engines, including how advertisers use search terms to create advertisements and “sponsored links.”¹³ Section II will also detail the different trademark infringement causes of action provided under the Lanham Act that are the subject of the split, including a brief discussion of the statutory definition of “use in commerce” provided in the Act.¹⁴ The Comment will present the various preliminary assumptions relied upon throughout this Comment’s analysis.¹⁵ The Comment will then summarize the representative cases regarding the issue of use in commerce.¹⁶

Section III will provide various alternative analyses to examine whether the purchase and sale of trademarked search term keywords constitutes a use in commerce within the meaning of the Lanham Act.¹⁷ First, Section III will demonstrate the correct interpretation of the phrase “in the ordinary course of trade.”¹⁸ Section III next will explore expository statements about what constitutes “use in commerce” with regard to goods and services.¹⁹ Specifically, Section III will detail how the use of the trademarked keywords constitutes “advertising” within the “services” expository statement, which in turn is applicable to most Internet commerce.²⁰ Section III will conclude that the analyses and arguments relied upon by the courts in the Second Circuit—in holding that there is not a use in commerce in the purchase and sale of trademarked search terms—are flawed and incorrect.²¹ The Comment will describe how the various analogies relied on by those courts, including the “internal utilization” and “product placement” analogies, are factually and contextually flawed, and therefore unreliable.²² From this, the Comment will propose a solution that will allow search engines and advertisers to accomplish their advertising strategies while avoiding Lanham Act liability.²³ This solution relies, by analogy, on the yellow

12. See *infra* Part II.

13. See *infra* Part II.A.

14. See *infra* Part II.B.

15. See *infra* Part II.C.

16. *Id.*

17. See *infra* Part III.

18. See *infra* Part III.A.

19. See *infra* Part III.B.

20. *Id.*

21. See *infra* Part III.C.

22. See *infra* Part III.C.1–2.

23. See *infra* Part III.D.

page and white page listings of a typical phone book, and applies its distinctions to today's digital world.²⁴

II. BACKGROUND

A. *Overview of Search Engine Advertising and Advertiser Purchases of Search Terms*

When searching for a particular company's Web site, an Internet user has two primary options.²⁵ The first is to "guess that the company uses its name or trademark as its domain name," in which case a computer user would input that domain name into the Internet browser;²⁶ the second is to "enter the company's name or trademark into an Internet search engine."²⁷ Google, Yahoo!, Windows Live Search, and AOL Search are all popular Internet search engines that, upon the input of a specific word or phrase, generate a list of Web sites listed by relevancy. A "search term may be any term that the user believes may assist her in retrieving the information sought," such as "a proper name . . . , a generic term . . . , or a trademark."²⁸ For example, a computer user could enter the word "football," "Joe Montana," or the "National Football League" into Google's search field. "The search engine [then] compares the search terms entered by [the] user with databases of Web sites and generates a listing of the sites matching those terms."²⁹ This listing is known as an "organic listing[]." ³⁰ Each search engine uses its own proprietary code in determining what order the Web sites should appear in the organic listing. Web site owners do not pay or solicit these listings in any way other than by providing code within their Web site designed to attract the search engines' search parameters.

Along with these organic listings, search engines also provide advertisements or "sponsored links."³¹ Google, for example, sells "advertising linked to search terms, so that when a [computer user] enters a particular search term, the results page displays not only a list of

24. *Id.*

25. *Rescuecom Corp. v. Google, Inc.*, 456 F. Supp. 2d 393, 396 (N.D.N.Y. 2006).

26. *Id.*

27. *Id.*

28. *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 701-02 (E.D. Va. 2004).

29. *Gov't Employees Ins. Co. v. Google, Inc.*, No. 1:04CV507, 2005 WL 1903128, at *2 (E.D. Va. Aug. 8, 2005).

30. *Id.*

31. *E.g., Gov't Employees Ins. Co.*, 330 F. Supp. 2d at 702 (stating that Google and Overture sell these advertisements and links in addition to the "organic listing").

Websites generated by the search engine program using neutral and objective criteria, but also links to Websites of paid advertisers.³² Other search engines like GoTo.com have a pay-for-priority system where advertisers bid for specific search terms, giving priority in the listing to the highest paying advertiser.³³ In these pay-for-priority listings, “each advertiser’s rank in the search results is determined by the amount of its bid on the search term entered by the [computer] user.”³⁴ Once all the paying advertisers have been listed as search results, the unpaid organic listings are then displayed.³⁵

Google’s system of displaying sponsored links is a product of its “AdWords” program.³⁶ AdWords allows an advertiser to bid on search terms, known as keywords.³⁷ Google then links these keywords to the advertiser’s advertisements or hyperlinks.³⁸ When a computer user conducting a Web search inputs the keyword that the advertiser had purchased into the search engine, the sponsored link or advertisement is triggered and appears either immediately above or to the right of the organic search results.³⁹ The sponsored link is designed to appear similar but not identical to the organic search results, thereby allowing a computer user to infer that the “sponsored link is the most relevant website among the search results.”⁴⁰ Clicking on the link with the computer user’s mouse sends the computer user to the advertiser’s Web site.⁴¹ The advertiser then pays Google based on the number of “clicks” on the sponsored links.⁴² Other search engines, such as Netscape and Excite, utilize similar mechanisms allowing advertisers to either bid for or purchase specific search terms.⁴³

32. *Id.*

33. 800-JR Cigar, Inc. v. GoTo.com, Inc., 437 F. Supp. 2d 273, 277 (D.N.J. 2006).

34. *Id.*

35. *Id.* at 277–78.

36. Rescuecom Corp. v. Google, Inc., 456 F. Supp. 2d 393, 397 (N.D.N.Y. 2006).

37. *Id.*

38. *Id.*

39. *Id.*

40. *Id.* See, e.g., Google Home Page, <http://www.google.com> (search using the word “Ford”) (last visited Mar. 8, 2008).

41. Rescuecom Corp., 456 F. Supp. 2d at 397.

42. *Id.*

43. See, e.g., Playboy Enters., Inc. v. Netscape Comm’ns Corp., 354 F.3d 1020, 1022–23 (9th Cir. 2004) (involving Netscape and Excite); Gov’t Employees Ins. Co. v. Google, Inc., 330 F. Supp. 2d 700, 701–02 (E.D. Va. 2004) (involving Overture Services, Inc.).

With a few limitations,⁴⁴ search engines allow a company to purchase any search term as a sponsored link trigger, including trademarks.⁴⁵ More specifically, search engines allow an advertiser to purchase the trademark of its competitor as a sponsored link trigger. Recently, advertiser purchases of competitor trademarks and sales of these trademarks by search engines have forced courts to wrestle with the issue of whether these activities constitute trademark infringement under federal or state law.⁴⁶

B. The Lanham Act of 1946

Congress enacted the Lanham Act⁴⁷ on July 5, 1946 “[t]o provide for the registration and protection of trade-marks [sic] used in commerce,”⁴⁸ thereby repealing and replacing the Trade-Mark Act of 1905.⁴⁹ The prior Trade-Mark Act of 1905 was ineffective due to many limitations and inconsistencies that diminished its enforcement and applicability in twentieth-century commerce.⁵⁰ Congress’s underlying purpose in enacting the Lanham Act was “to codify and unify the common law of unfair competition and trademark protection.”⁵¹

The Lanham Act codified two important provisions granting a civil cause of action for trademark infringement. 15 U.S.C. § 1114(1)(a) imposes liability for trademark infringement on:

[a]ny person who shall, without the consent of the registrant—use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection

44. Google, for example, will only remove trademarks that appear in the text of a purchased advertisement after notification from the complaining party. Google Trademark Complaint Procedures, http://www.google.com/tm_complaint_adwords.html (last visited Mar. 8, 2008).

45. E.g., Google AdWords Learning Center, <http://www.google.com/adwords/learningcenter/text/19466.html> (last visited Mar. 8, 2008) (“With Google AdWords, advertisers may select trademarked terms as keywords or use them in the content of the ad.”).

46. Alan Cohen, *The Search for an Answer*, 5 IP LAW & BUS. 12, §§ 2–3 (2007) <http://www.iplawandbusiness.com>, available at <http://www.westlaw.com> (sign in and enter 8/2007 IPLBUS 12 into the find citation field).

47. Lanham Act of 1946, ch. 540, 60 Stat. 427 (codified as amended at 15 U.S.C. §§ 1051–1127 (2000)).

48. *Id.*

49. *Id.* at 444.

50. J. THOMAS McCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION §§ 5:3–4 (Thompson/West 2007) (1984).

51. Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 861 n.2 (1982) (White, J., concurring) (citing S. REP. NO. 1333 (1946)).

with which such use is likely to cause confusion, or to cause mistake, or to deceive.⁵²

Similarly, § 1125(a)(1)(A) grants a civil cause of action for infringement of unregistered marks against:

[a]ny person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his⁵³ or her goods, services, or commercial activities by another person.

The only relevant distinction between these two provisions is that the former provision applies to registered trademarks and the latter applies to unregistered trademarks.

The split of authority regarding the legality of the purchase and sale of trademarks as keywords for search engine advertising and sponsored links focuses primarily on the phrase “use in commerce,” a specific element found within each provision.⁵⁴ The use in commerce requirement reflects Congress’s lack of power to regulate all trademark use.⁵⁵ That is, the Commerce Clause only permits Congress to regulate trademark use that falls within the ambit of Congress’s enumerated powers.⁵⁶ The use-in-commerce provisions limit the Lanham Act in order to satisfy the Commerce Clause.⁵⁷ Section 1127 defines use in commerce as “[mean[ing]] the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark.”⁵⁸ It further explains this definition by developing two similar instances of when a trademark “shall be deemed to be in use in commerce.”⁵⁹ For goods, a trademark is used in commerce when

52. 15 U.S.C. § 1114(1)(a) (2000).

53. *Id.* § 1125(a)(1)(A).

54. Cohen, *supra* note 46, at 1.

55. Patrick Frye, *An Internet Advertising Service Can Constitute “Use in Commerce,”* 22 SANTA CLARA COMPUTER & HIGH TECH. L.J. 89, 97–98 (2005).

56. *Id.* See U.S. CONST. art. I, § 8, cl. 3 (granting the power to “regulate Commerce with foreign Nations, and among the several States”); see also MCCARTHY, *supra* note 50, at § 5:3.

57. See Frye, *supra* note 55, at 98 (detailing prior federal trademark laws struck down “for want of Constitutional authority”).

58. 15 U.S.C. § 1127 (2000).

59. *Id.*

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, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and . . . the goods are sold or transported in commerce.⁶⁰

For services, a trademark is used in commerce “when it is used or displayed in the sale or advertising of services and the services are rendered in commerce . . .”⁶¹ As a result, a successful trademark infringement claim must fall within the use in commerce requirement as outlined by the language of § 1127 or the examples provided within the statute.

Traditionally, identifying the existence of a use in commerce under the Lanham Act for goods or services was relatively straightforward.⁶² In reference to a good, selling a tangible product with another’s trademark affixed to the carton was sufficient to constitute a use in commerce.⁶³ Although not quite as obvious for services, displaying a competitor’s trademark in an advertisement for a service would likely satisfy this requirement. For example, an advertisement for a package delivery service (such as UPS) displaying its competitor’s (such as FedEx) trademark would be a use in commerce. However, the advent of the Internet has substantially complicated the issue of whether a use in commerce exists, because there is no tangible product.⁶⁴ In fact, many courts refuse to answer this question as a matter of law due to the question’s relative difficulty and complicated factual analysis.⁶⁵

This broad issue affects multiple areas of the Internet. First, courts have wrestled with whether domain names containing competitor trademarks constitute a use in commerce, and ultimately, trademark infringement. The issue of what constitutes trademark infringement

60. *Id.*

61. *Id.*

62. Mark Bartholomew, *Making a Mark in the Internet Economy: A Trademark Analysis of Search Engine Advertising*, 58 OKLA. L. REV. 179, 187 (2005).

63. *Id.*; see Cohen, *supra* note 46, at 1 (stating how for traditional goods such as “soda cans or cereal boxes,” a use in commerce only required affixing the trademark to the goods).

64. Cohen, *supra* note 46, at 1; see Rescuecom Corp. v. Computer Troubleshooters USA, Inc., 464 F. Supp. 2d 1263, 1266 (N.D. Ga. 2005) (stating how the use of keywords as sponsored link triggers “does not seamlessly mesh with traditional Lanham analysis”).

65. See, e.g., Rescuecom Corp., 464 F. Supp. 2d at 1266–67 (“The . . . case triggers a novel legal question with factual underpinnings that are not yet clear to this court. The Court’s limited understanding of the matter suggests that this dispute does not seamlessly mesh with traditional Lanham analysis and that the transposition will require more factual development of the record . . .”); Google, Inc. v. Am. Blind & Wallpaper Factory, Inc., No. C 03-05340 JF, 2005 WL 832398, at *5–6 (N.D. Cal. Mar. 30, 2005) (declining Google’s motion to dismiss as a matter of law until there is further development of the factual record).

covers a broad spectrum of cases, from cases where the domain name contains only the competitor's trademark surrounded by "www." and ".com" (such as www.ford.com) to cases of longer domain names containing a trademark within only part of the domain name, (such as www.thisisahypotheticalwebsite/stillahypo/123456789/ford.com).⁶⁶

Another area of the Internet dealing with the use in commerce requirement involves "metatags." A metatag "is a list of words normally hidden in a web site that acts as an index or reference source identifying the content of the web site for search engines."⁶⁷ Most courts have determined that using metatags of a competitor's trademark in one's Web site constitutes a use in commerce and allow a trademark infringement claim to proceed.⁶⁸

C. The Split of Authority over "Use in Commerce"

The more recent question regarding the Lanham Act's use in commerce requirement is its relation to search engine advertising via search term keywords. The specific issue is whether the purchase or sale of trademarked keywords that trigger advertisements and sponsored links constitutes a use in commerce. In the last ten years, various courts have been forced to deal with this unique issue. Federal district courts within the Third, Fourth, Eighth, and Ninth Circuits have affirmatively held that the purchase or sale of trademarks as keywords triggering advertisements and sponsored links constitutes a Lanham Act use in commerce.⁶⁹ Conversely, district courts in the Second Circuit have dismissed Lanham Act trademark infringement litigation by holding that purchases and sales of trademarked keywords are not uses in commerce.⁷⁰ Without guidance

66. E.g., Interactive Prods. Corp. v. a2z Mobile Office Solutions, Inc., 326 F.3d 687 (6th Cir. 2003) (discussing whether defendant's use of the plaintiff's trademark "Lap Traveler" in the domain name "a2zsolutions.com/desks/floor/laptoptraveler/dkfl-lt.htm" constituted Lanham Act trademark infringement).

67. McCARTHY, *supra* note 50, at § 25:69.

68. See, e.g., Brookfield Commc'n's v. W. Coast Entm't Corp., 174 F.3d 1036, 1052–53, 1064–65 (9th Cir. 1999) (holding the defendant's affirmative use of the plaintiff's trademark as a metatag constitutes a valid claim of trademark infringement, an element of which is use in commerce); J.G. Wentworth, S.S.C. Ltd. P'ship v. Settlement Funding LLC, No. 06-0597, 2007 WL 30115, at *6 (E.D. Pa. Jan. 4, 2007) (holding that the "defendant's incorporation of plaintiff's marks in its keyword meta tags [sic] constitute [sic] trademark use under the Lanham Act").

69. See, e.g., Google, Inc. v. Am. Blind & Wallpaper Factory, Inc., No. C 03-5340 JF (RS), 2007 WL 1159950 (N.D. Cal. Apr. 18, 2007) (Ninth Circuit); J.G. Wentworth, 2007 WL 30115 (E.D. Pa. Jan. 4, 2007) (Third Circuit); Edina Realty, Inc. v. TheMLSonline.com, No. Civ. 04-4371JRTFLN, 2006 WL 737064 (D. Minn. Mar. 20, 2006) (Eighth Circuit); Gov't Employees Ins. Co. v. Google, Inc., No. 1:04CV507, 2005 WL 1903128 (E.D. Va. Aug. 8, 2005) (Fourth Circuit).

70. See Resuecom Corp. v. Google, Inc., 456 F. Supp. 2d 393, 403 (N.D.N.Y. 2006) (holding

from Congress or the Supreme Court, this split of authority appears destined to extend into the future.

*Rescuecom Corp. v. Google, Inc.*⁷¹ and *Google Inc. v. American Blind & Wallpaper Factory, Inc.*⁷² represent the competing arguments sufficiently for a valid analysis of this judicial conflict. The factual basis of each case is sufficiently similar to allow a proper analysis of the arguments. However, several preliminary matters must be addressed before any such analysis is undertaken. Initially, there are several other arguments either presented or relied upon in all the cases in determining whether a valid claim of Lanham Act trademark infringement exists. For example, many cases consider whether there is a "likelihood of confusion" in determining if a trademark has been infringed.⁷³ Although relevant to the ultimate analysis of whether trademark infringement has ultimately occurred, this Comment does not address these issues but rather focuses solely on whether the use in commerce element exists in these cases.

Secondly, for purposes of this Comment, purchasers and sellers of keywords will be treated as being similarly situated in relation to potential Lanham Act liability. In other words, purchasers and sellers of these search terms will be treated as equally liable or not liable. There are several reasons for this besides merely narrowing the issue. First, courts tend to approach the analysis as hinging upon the same issues regardless of whether the alleged infringer is the purchaser or seller of keywords.⁷⁴ Second, the Lanham Act recognizes theories of secondary liability.⁷⁵ According to *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*,⁷⁶ a party can be contributorily liable for trademark infringement if that party continues to supply its service "to one whom it knows or has reason to know is engaging in trademark infringement."⁷⁷ Thus, the fact that a search engine supplies a product (the keyword purchase system,

that defendant's use of plaintiff's trademark is not a use within the Lanham Act).

71. 456 F. Supp. 2d 393 (N.D.N.Y. 2006).

72. No. C 03-5340 JF (RS), 2007 WL 1159950 (N.D. Cal. Apr. 18, 2007).

73. See, e.g., *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 411 (S.D.N.Y. 2006).

74. *Compare Buying for the Home, LLC v. Humble Abode, LLC*, 459 F. Supp. 2d 310 (D.N.J. 2006) (alleged infringer purchaser of trademarked keyword), and *800-JR Cigar, Inc. v. GoTo.com, Inc.*, 437 F. Supp. 2d 273 (D.N.J. 2006) (alleged infringer seller of trademarked keyword).

75. *800-JR Cigar, Inc.*, 437 F. Supp. 2d at 280 (citing *Am. Tel. & Tel. Co. v. Winback & Conserve Program, Inc.*, 42 F.3d 1421, 1432-33 (3d Cir. 1994)).

76. 456 U.S. 844, 854 (1982).

77. See *id.* (stating that a manufacturer or distributor can be liable for continuing to supply its product to a known trademark infringer); *Am. Tel. & Tel. Co. v. Winback & Conserve Program, Inc.*, 42 F.3d 1421, 1432 (3d Cir. 1994) (stating that the doctrine in *Inwood Labs* is not confined to manufacturers).

like AdWords) and has knowledge of the keyword purchaser's infringement of the competitor's trademark is sufficient to create liability under the Lanham Act, assuming that all other elements of the cause of action are met.⁷⁸ Lastly, the statutory language of the Lanham Act causes of action themselves are sufficiently broad in scope to grant potential liability to both purchasers and sellers. For example, § 1114(1)(a) applies to "any person . . . in connection with the sale, offering for sale, distribution, or advertising of any goods or services . . ." using a reproduction of a registered mark.⁷⁹ By selling these keywords, a search engine provider is connected to the sale and advertising of the trademarks.⁸⁰ Likewise, a purchaser of the trademarked keywords is using the trademark in advertising "any good or service." Similarly, § 1125(a)(1) applies to "any person" using a symbol "in connection with any goods or services."⁸¹ Given the similar treatment of purchasers and sellers of search term keywords, this Comment will assume the relative arguments supporting and precluding uses in commerce apply to each party with relatively equal weight.

1. The Arguments of the District Courts in the Second Circuit: *Rescuecom Corp. v. Google, Inc.*

District courts in the Second Circuit repeatedly have held that the purchase or sale of trademarks as search engine keywords does not constitute a use in commerce.⁸² These holdings consistently rely on similar arguments and precedents, regardless of any factual differences in the cases. *Rescuecom Corp. v. Google, Inc.*,⁸³ which relies heavily on *1-800 Contracts v. WhenU.com*,⁸⁴ represents these courts' stance regarding whether search engine keyword purchases and sales constitute trademark infringement under the Lanham Act.

In *Rescuecom*, plaintiff Rescuecom Corporation ("Rescuecom") was a "computer services franchising business" owning the registered trademark "Rescuecom" and operating the successful Web site

78. "The two elements for contributory trademark infringement are . . . (1) supply of a product, and (2) knowledge of direct infringement." *Fonovisa, Inc. v. Cherry Auction, Inc.*, 847 F. Supp. 1492, 1498 (E.D. Cal. 1994) *rev'd*, 76 F.3d 259 (9th Cir. 1996).

79. 15 U.S.C. § 1114(1)(a) (2000).

80. See *infra* Part III.B.1.

81. 15 U.S.C. § 1125(a)(1)(A) (2000).

82. *Fragrancenet.com, Inc. v. FragranceX.com, Inc.*, 493 F. Supp. 2d 545, 552–53 (E.D.N.Y. 2007) (discussing four cases relying on this holding).

83. 456 F. Supp. 2d 393, 396 (N.D.N.Y. 2006).

84. 44 F.3d 400 (2d Cir. 2005).

Rescuecom.com.⁸⁵ Averaging 17,000 to 30,000 visitors per month, the Web site advertised its “consulting, networking, and Internet services” to customers and potential franchisees.⁸⁶ According to the court, Rescuecom’s “famous name and trademark, as well as its reputation for excellence, distinguish its goods and services from its competition and lead potential franchisees and customers to search for Rescuecom Corporation specifically through a variety of means, including Google.”⁸⁷

Rescuecom filed suit against Google alleging, among other claims, Lanham Act trademark infringement for selling the Rescuecom trademark to Rescuecom’s competitors as a keyword triggering the appearance of the competitors’ sponsored links.⁸⁸ Google responded by filing a motion to dismiss, arguing that the sale did not amount to a “trademark ‘use’ within the meaning of the Lanham Act.”⁸⁹ The court, after recognizing the split of authority among district courts regarding the use in commerce requirement, agreed with Google that the “use” requirement was not satisfied.⁹⁰ In so holding, the court relied upon several key arguments advanced by the appellate and district courts before it.

The first tenet of the *Rescuecom* holding regarded the actual construction of the term “use in commerce.” The *Rescuecom* court stressed that a finding could not be based strictly on a use in commerce, but rather, must be split into three separate elements: “use,” “in commerce,” and “likelihood of confusion.”⁹¹ In the court’s view, precedent in other circuits “put the cart before the horse” by basing the finding of a trademark use on the confusion caused by such use.⁹² The court defined the sub-element of “trademark use” as “indicating source or origin.”⁹³ Constrained by Second Circuit precedent, Rescuecom

85. *Rescuecom*, 456 F. Supp. 2d at 396.

86. *Id.*

87. *Id.*

88. *Id.* at 395–96.

89. *Id.*

90. *Id.* at 398–401.

91. *Rescuecom Corp.*, 456 F. Supp. 2d at 399–400 (citing *1-800 Contacts, Inc. v. WhenU.com*, 414 F.3d 400, 412 (2d Cir. 2005)).

92. See *id.* (citing *1-800 Contacts, Inc.*, 414 F.3d 400, 412 (2d Cir. 2005)).

93. *Id.* at 400 (quoting *Pirone v. MacMillan, Inc.*, 894 F.2d 579, 583 (2d Cir. 1990)).

argued that the trademark use occurred through three⁹⁴ different mechanisms, thereby triggering Lanham Act liability.⁹⁵

The first mechanism proffered by Rescuecom was that Google capitalized on the goodwill associated with Rescuecom's trademark by marketing it to Rescuecom's competitors.⁹⁶ The court refuted this argument, relying on the separation of "trademark use" and "in commerce" as demonstrated in *1-800 Contacts*. Analogizing search engines to the pop-up advertisements at issue in *1-800 Contacts*, the court held that Rescuecom failed to establish that capitalizing on this goodwill constituted "trademark use," and that the plaintiff had only alleged the "in commerce" element in its complaint.⁹⁷

Rescuecom next argued that trademark use occurred when Google allowed the triggered sponsored links to "divert[] and misdirect[] Internet users away from [Rescuecom's] website."⁹⁸ The court refuted this argument by relying on an analogy found within *1-800 Contacts*, stating that displaying the sponsored links alongside the organic search results was similar to a drug store placing its own store-brand generic products next to the trademarked products they emulate.⁹⁹ This comparison mirrors the analogy offered in *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.*,¹⁰⁰ cited by many district courts in the Second Circuit to support the rule that a party can "use a trademarked name to convey to consumers what it is their product seeks to copy; in such cases, defendants are 'not trying to get the good will of the name, but the good will of the goods.'"¹⁰¹ Along with its analogy, the *Rescuecom* court distinguished contrary holdings that such search engine triggers

94. Rescuecom actually presented four arguments, but only three have merit. The fourth argument was that Google "used" the mark by preventing Internet users from reaching Rescuecom's Web site by displaying the sponsored links alongside the actual search result listing of Rescuecom.com. *Id.* at 402. Rescuecom reasoned that by displaying both the sponsored link and Rescuecom.com, an Internet user could not click on both the sponsored link and Rescuecom's link simultaneously. *Id.* Rescuecom argued that this inability constituted Google using the trademark in violation of the Lanham Act. *Id.* The court dismissed this argument. *Id.* at 402–03. Because no other circuit relies on an argument similar to Rescuecom's, this Comment will ignore this argument as well.

95. *Id.* at 400.

96. *Id.* at 400–01.

97. *See id.* ("Although these facts may suffice to satisfy the "'in commerce' . . . requirement[] at the pleading stage, without an allegation of trademark use in the first instance, they cannot sustain a cause of action for trademark infringement.").

98. *Id.* at 402.

99. *Id.* at 401–03 (citing *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 410–11 (2d Cir. 2005)).

100. 431 F. Supp. 2d 425, 427 (S.D.N.Y. 2006).

101. *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 413 (S.D.N.Y. 2006) (quoting *Saxlehner v. Wagner*, 216 U.S. 375, 380–81 (1910)).

constituted “uses in commerce” by demonstrating that these contrary holdings involved advertisements *actually displaying* the plaintiffs’ trademarks.¹⁰²

The final argument proffered by Rescuedom was that Google’s internal use of the plaintiff’s trademark constituted a use within the Lanham Act.¹⁰³ The court refuted this argument by reasoning that Google did not place the “plaintiff’s trademark on any goods, containers, displays, or advertisements, or that its internal use [of the trademark] is visible to the public.”¹⁰⁴ The court supported its argument by relying on the *1-800 Contacts* court’s analysis that such use “is analogous to a [sic] individual’s private thoughts about a trademark,” and therefore “does not violate the Lanham Act.”¹⁰⁵ This “individual private thoughts” analogy is relied upon extensively by most district courts in the Second Circuit.¹⁰⁶ Concluding with this analogy, the court dismissed the Lanham Act claim against Google for failure to state a claim upon which relief could be granted.¹⁰⁷

2. The Arguments of the District Courts in the Third, Fourth, Eighth, and Ninth Circuits

Unlike in *Rescuedom*, the arguments supporting the viewpoint of the district courts in the Third, Fourth, Eighth, and Ninth Circuits—that the purchase or sale of trademarks as search engine keywords constitutes a use in commerce—are not easily found within one representational case. The major holdings of these courts rely and refer to prior arguments and holdings, but are not summarized into a single all-encompassing case. Instead, the cases incorporate similar holdings by reference and adjust them to the slightly altered factual basis of each situation. The closest these holdings come to a single all-encompassing viewpoint is the unpublished case *Google Inc. v. American Blind & Wallpaper Factory, Inc.*¹⁰⁸

102. *Rescuedom Corp.*, 456 F. Supp. 2d at 402 (“[T]here is no allegation that plaintiff’s trademark is displayed in any of the sponsored links about which plaintiff is concerned.”).

103. *Id.* at 400.

104. *Id.* at 403.

105. *Id.* (quoting *1-800 Contacts, Inc. v. WhenU.com*, 414 F.3d 400, 409 (2d Cir. 2005)).

106. E.g., *Merck & Co., Inc.*, 425 F. Supp. 2d at 415–16; *FragranceNet.com v. FragranceX.com, Inc.*, 493 F. Supp. 2d 545, 549–51 (E.D.N.Y. 2007).

107. *Rescuedom Corp.*, 456 F. Supp. 2d at 403–04.

108. *Google, Inc. v. Am. Blind & Wallpaper Factory, Inc.*, No. C 03-5340 JF (RS), 2007 WL 1159950 (N.D. Cal. Apr. 18, 2007).

American Blind & Wallpaper Factory is factually and procedurally similar to *Rescuecom*. In 2003, Google filed an action for declaratory relief “seeking a judicial determination that its ‘AdWords’ advertising program [did] not infringe [American Blind & Wallpaper Factory, Inc.’s] trademarks.”¹⁰⁹ American Blind & Wallpaper Factory, Inc. (“American Blind”) asserted counterclaims and third-party claims against Google and several other search engine providers, including Ask Jeeves, Inc. and America Online, Inc. for Lanham Act trademark infringement.¹¹⁰ Google and the other third-party defendants then filed a motion to dismiss, arguing that American Blind failed to allege actionable trademark “use.”¹¹¹ Claiming novelty of the legal issues, the court denied the motion solely for the purpose of allowing further development of the factual record given the uncertain status of the law.¹¹² Almost two years later, Google moved for summary judgment arguing that American Blind failed to allege trademark use.¹¹³ Relying on analysis conducted in the prior motion to dismiss, and subsequent developments in the law in other circuits, the court denied this motion by holding that a use in commerce existed for purposes of the Lanham Act.¹¹⁴

The *American Blind & Wallpaper Factory* court relied on the holding supplied in *Government Employees Insurance Co. v. Google, Inc.*,¹¹⁵ (“*GEICO I*”), despite noting that the cases were factually distinguishable.¹¹⁶ The *GEICO I* court held that “when defendants sell the rights to link advertising to plaintiff’s trademarks, defendants are using the trademarks in commerce in a way that may imply that defendants have permission from the trademark holder to do so.”¹¹⁷ More specifically, the court reasoned that this implication of permission constituted a use in commerce because “advertisers could directly purchase rights” in their competitors’ trademarks.¹¹⁸ The court further

109. *Id.* at *1.

110. *Id.*

111. *Google, Inc. v. Am. Blind & Wallpaper Factory, Inc.*, No. C 03-05340 JF, 2005 WL 832398, at *1, *4 (N.D. Cal. Mar. 30, 2005).

112. *See id.* at *5, *6–7 (denying dismissal given the uncertain status of the law but purposefully declining to express an opinion as to whether the search engines will prevail against American Blind’s claims).

113. *Am. Blind & Wallpaper Factory, Inc.*, 2007 WL 1159950, at *1–2.

114. *Id.* at *6.

115. 330 F. Supp. 2d 700 (E.D. Va. 2004).

116. *Am. Blind & Wallpaper Factory, Inc.*, 2007 WL 1159950, at *4.

117. *Gov’t Employees Ins. Co.*, 330 F. Supp. 2d at 704.

118. *See id.* (stating that the marketing of protected marks themselves as keywords in which advertisers could directly purchase rights constitutes a trademark use in commerce).

reasoned that the mere act of purchasing trademarks as keyword triggers is in itself a trademark use by relying on (now reversed) case law.¹¹⁹

American Blind & Wallpaper Factory also referenced the analysis conducted in *800-JR-Cigar, Inc. v. GoTo.com, Inc.*¹²⁰ as support for its holding that the use in commerce requirement was satisfied.¹²¹ The case is factually distinguishable from the *Google* cases given that in *800-JR Cigar* the sponsored links were combined with the organic search results,¹²² while in the *Google* cases they were separately identified as “Sponsored Links.”¹²³ Nevertheless, *American Blind & Wallpaper Factory* still considered the rationale to be significantly on point to support its decision. *800 JR-Cigar* offered three reasons supporting the occurrence of a use in commerce in the purchase and sale of trademarked search terms. First, GoTo’s acceptance of bids from competitors paying for prominence in search results constituted the act of trading on the value of the trademarks.¹²⁴ The second conclusion, factually distinguishable from the *Google* cases, was that “by ranking its paid advertisers before any [organic] listings in a search results list, GoTo has injected itself into the marketplace, acting as a conduit to steer potential customers away from JR[-Cigar] to JR[-Cigar]’s competitors.”¹²⁵ The final reason, arguably factually distinguishable, was that a trademark use occurred given that it marketed trademark terms as effective search terms.¹²⁶ *Edina Realty, Inc. v. TheMLSonline.com* offered a similar argument, stating that given the plain meaning of the use in commerce definition of the Lanham Act, the purchases of search terms that include the plaintiff’s trademark to generate sponsored links are commercial uses of the trademark.¹²⁷

119. See *id.* at 703 (relying on findings in *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 309 F. Supp. 2d 467 (S.D.N.Y. 2003), *rev’d*, 414 F.3d 400 (2d Cir. 2005)).

120. *800-JR Cigar, Inc. v. GoTo.com, Inc.*, 437 F. Supp. 2d 273 (D.N.J. 2006).

121. *Am. Blind & Wallpaper Factory, Inc.*, 2007 WL 1159950, at *6.

122. See *800-JR Cigar, Inc.*, 437 F. Supp. 2d at 277–78 (“After all paying advertisers’ sites are listed as search results, GoTo lists unpaid . . . listings, i.e. those whose sites are most logically relevant to the search criteria.” (emphasis added)).

123. See *Resuecom Corp. v. Google, Inc.*, 456 F. Supp. 2d 393, 397 (N.D.N.Y. 2006) (“When an Internet user enters the keyword, it triggers the sponsored link to appear on the search results page either to the right or immediately above the search results.”); *Google, Inc. v. Am. Blind & Wallpaper Factory, Inc.*, No. C 03-05340 JF, 2005 WL 832398, at *2 (N.D. Cal. Mar. 30, 2005) (“Sponsored Links appear at the top and on the margins of Google’s search-results pages.”)

124. *800-JR Cigar, Inc.*, 437 F. Supp. 2d at 285.

125. *Id.*

126. See *id.* (discussing that GoTo.com’s Search Term Suggestion Tool identified and marketed trademarked search terms to JR Cigar’s competitors).

127. No. Civ. 04-4371JFTFLN, 2006 WL 737064, at *3 (D. Minn. Mar. 20, 2006).

The court in *Buying for the Home, LLC v. Humble Abode, LLC* provides the clearest argument supporting the existence of a use in commerce regarding the purchase and sale of trademarks as search term keywords by incorporating the holdings of *GEICO I*, *Edina Realty*, and *American Blind & Wallpaper Factory*.¹²⁸ The *Buying for the Home* court held that a purchase of a trademark as a search term is, in itself, a commercial transaction occurring “in commerce.”¹²⁹ Second, the court stated in plain language that there is a “use” because a plaintiff’s trademark is used to trigger the commercial advertising, including a link to the defendant’s Web site.¹³⁰ This reasoning epitomizes the rationale of district courts in the Third, Fourth, Eighth and Ninth Circuits that the action of purchasing or selling the trademark *itself* constitutes a use in commerce within the meaning of the Lanham Act.

3. The Present Split of Authority

As demonstrated above, courts are split as to whether the purchase or sale of a trademark as a keyword constitutes a use in commerce for purposes of trademark infringement pursuant to the Lanham Act. Assuming that precedent is not overturned in the near future, one should expect Supreme Court intervention soon.¹³¹ Moreover, one could expect Congressional legislation to play some part in the overall solution, given the numerous uncertainties inherent in this issue. In fact, Congress has created similar legislation in the past to address Lanham Act issues arising out of the Internet boom, namely for domain name cybersquatting.¹³² Until the Supreme Court or Congress intervenes, a careful analysis must be conducted to determine the relevant merits and flaws of each of the courts’ viewpoints in order to determine the correct answer for the immediate future.

128. 459 F. Supp. 2d 310, 323 (D.N.J. 2006).

129. *Id.*

130. *Id.*

131. Cohen, *supra* note 46, at 1.

132. See MCCARTHY, *supra* note 50, at § 25:78 (The 1999 Anti-cybersquatting Consumer Protection Act was codified as Lanham Act § 43(c), 15 U.S.C. 1125(c). It “was directed at preventing the cybersquatting on the Internet by the use of domain names that are confusingly similar to trademarks and person’s names.”) Cybersquatting is knowingly reserving a domain name consisting of the mark or name of a company, for the purpose of relinquishing the right to that domain name back to the legitimate owner for a price. *Id.* at § 25:77.

III. ANALYSIS

An essential factor in this split of authority concerns the element of “use.” District courts in the Second Circuit, such as in *Rescuecom*, conclude that the requisite element of a use in commerce in a trademark infringement action actually comprises two elements, “trademark use” and “in commerce.”¹³³ District courts in other circuits, such as the *Edina Realty* court in the Eighth Circuit, rely merely on the “plain meaning” of 15 U.S.C. § 1127 in determining if there is a use in commerce.¹³⁴ The *Rescuecom* court’s creation of additional elements for a valid infringement claim is flawed because it disregards the statutory language present within the Lanham Act itself. Section 1127 defines the phrase “use in commerce” in its entirety, not in separate pieces. The *Rescuecom* court splits the phrase into both “use” and “in commerce,” utilizing the definition provided by § 1127 only when convenient to its analysis. This splitting of the phrase into separate elements then allows the court to require additional thresholds for a successful infringement claim beyond those specified by the statute. The causes of action created by § 1114 and § 1125 explicitly refer to “use in commerce” in its entirety, not as distinct elements. Therefore, § 1127’s definition of the *entire* phrase should be given greater weight in interpretation. As this Comment will show, the definition of the entire phrase as provided in the statute weakens *Rescuecom*’s overall analysis.¹³⁵

A. The Correct Interpretation of “in the Ordinary Course of Trade”

Section 1127 defines use in commerce as “the bona fide use of a mark in the ordinary course of trade, and not merely to reserve a right in a mark.”¹³⁶ *Rescuecom* gives very little weight to a critical part in the definition, “in the ordinary course of trade.” Instead, it dismisses this requirement by holding that “[a]lthough . . . facts may suffice to satisfy the ‘in commerce’ . . . requirement[] at the pleading stage, without an allegation of trademark use in the first instance, they cannot sustain a

133. See *Rescuecom Corp. v. Google, Inc.*, 456 F. Supp. 2d 393, 399–400 (N.D.N.Y. 2006) (relying on *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400 (2d Cir. 2005), and stating that other circuits err by not separating the Lanham Act “use in commerce” requirement into three elements: use, in commerce, and likelihood of confusion).

134. See *Edina Realty, Inc. v. TheMLSonline.com*, No. Civ. 04-4371JFTFLN, 2006 WL 737064, at *3 (D. Minn. Mar. 20, 2006) (holding the purchase of trademarked search terms is a “use in commerce” based on the plain meaning of the Lanham Act).

135. See *infra* Parts III.A–B.

136. 15 U.S.C. § 1127 (2000).

cause of action for trademark infringement.”¹³⁷ The court fails to consider the use in commerce requirement as a whole because it prematurely determined that it lacks the fictional requirement of “trademark use.” This strict adherence to precedent ignores a fundamental purpose of Congress’s addition of “in the ordinary course of trade” to the statutory definition. Prior to 1988, the statutory definition of use in commerce omitted that phrase in its entirety and merely stated when a use in commerce is deemed to occur for a good or service.¹³⁸ “Congress revised its prior definition so that ‘use’ would be interpreted ‘with flexibility so as to encompass various genuine, but less traditional trademark uses.’”¹³⁹ The district court’s devotion to the idea of “trademark use,” as opposed to the entire statutory definition provided by Congress, errs by failing to incorporate this flexible interpretation mandate.

At its simplest, one would expect the phrase “the ordinary course of trade” would include sales and purchases within its definition. Black’s Law Dictionary defines trade as either “[t]he business of buying and selling or bartering goods or services” or “[a] transaction or swap.”¹⁴⁰ Applied to the search engine context, search engines are in the business of selling search term keywords to purchasers, which also include other entities’ trademarks. The search engine derives its income from purchasers paying for the goodwill associated with these trademarks because they are “trading on the value” associated with their competitor’s trademark.¹⁴¹ Computer users input trademarks as their search terms “based on the feelings of goodwill they already hold toward particular marks.”¹⁴² The purchasers and sellers of trademarked keywords “are trading off of the goodwill in the mark by causing their own advertisements to appear based on the” computer user’s input of these trademarks.¹⁴³

137. *Rescuelcom Corp.*, 456 F. Supp. 2d at 401 (citing *I-800 Contacts, Inc.*, 414 F.3d at 412).

138. See Lanham Act of 1946, ch. 540, 60 Stat. 427, 444 (1946) (codified as amended at 15 U.S.C. §§ 1051–1127) (“For the purposes of this Act, a mark shall be deemed to be used in commerce (a) 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 (b) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce.”).

139. Bartholomew, *supra* note 62, at 187 n.53 (quoting SENATE COMM. ON THE JUDICIARY, TRADEMARK LAW REVISION ACT OF 1998, S. Rep. No. 100-515, at 44 (1988)).

140. BLACK’S LAW DICTIONARY 1529 (8th ed. 2004).

141. *Buying for the Home, LLC v. Humble Abode, LLC*, 459 F. Supp. 2d 310, 323 (D.N.J. 2006).

142. Bartholomew, *supra* note 62, at 211.

143. *Id.* at 218.

In the alternative, the purchase of search term keywords should be considered a standard business practice of the entity owning the trademark. In 2006, online advertising revenue totaled \$16.8 billion in the United States alone.¹⁴⁴ Although Internet advertisements account for only 4.7% of advertising expenses,¹⁴⁵ there were 5,357,966,000 portal and search engine “impressions” during the week of September 16, 2007 alone.¹⁴⁶ An “impression” is “the number of times an ad is rendered for viewing.”¹⁴⁷ A substantial portion of these impressions were likely triggered by a computer user inputting a search term that an advertiser had previously purchased as its trigger. Given that companies famous for their advertising, such as Coca-Cola and AT&T, purchase advertising on the Internet in large quantities,¹⁴⁸ one could infer that the purchase of keyword search terms is a typical form of conducting business (or, at the very least, is quickly becoming that way). In fact, keyword-triggered advertising constituted more than 40% of Internet advertising spending in 2004, a number that has likely grown since.¹⁴⁹ The Restatement of Unfair Competition defines “use in the ordinary course of business” as “uses that are typical in the particular market or trade in which the mark is used.”¹⁵⁰ Applied in the Internet context, it is likely a typical practice of companies to purchase keywords to trigger their sponsored links to achieve their ultimate goal of generating revenue. Substituting this standard practice into the language of 15 U.S.C. § 1114, the cause of action would read:

Any person who shall, without the consent of the registrant [make a typical purchase of a keyword to generate a sponsored link that is a] reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services or in connection with use likely to cause confusion . . . shall be liable in a civil action . . .¹⁵¹

144. *In Brief. Online Ad Revenue Sets Record for a Third Year*, *supra* note 1.

145. Story, *supra* note 2, at 6.

146. Nielsen//NetRatings AdRelevance, *Top Site Genres*, http://www.adrelevance.com/intelligence/intel_dataglance.jsp?sr=36808&flash=false (last visited Sept. 24, 2007).

147. Nielsen//NetRatings, *Nielsen//NetRatings Reports Topline U.S. Data for Aug. 2007, Top 10 Advertisers, Aug. 2007*, http://www.netratings.com/pr/pr_070910.pdf (last visited Sept. 24, 2007).

148. Nielsen//NetRatings AdRelevance, *Leading CPG Advertisers*, http://www.adrelevance.com/intelligence/intel_dataglance.jsp?sr=36810&flash=false (last visited Sept. 24, 2007).

149. Markoff & Ives, *supra* note 3.

150. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 18 cmt. c (1995). It should be noted that the Restatement refers to the ordinary course of *business* while 15 U.S.C. § 1127 refers to the ordinary course of *trade*. However, in this context, “trade” is synonymous with “business.”

151. 15 U.S.C. § 1114(1).

Applying the Restatement's definition, indicating this is a typical business transaction, implies that "use in commerce" is thereby satisfied in the purchase and sale of trademarked search terms. That is, the purchase of the search term triggers are a standard business practice as defined by the Restatement, in the form of company advertising, thereby constituting a use in commerce. Thus, using the competitor's trademark in commerce by the typical practice of advertising substantiates the cause of action in § 1114, assuming that other necessary elements such as a "likelihood of confusion" are met.

B. Section 1127's Expository Statements of What Is "Deemed to Be Use in Commerce"

1. When Services Are Deemed Uses in Commerce

In order to give additional clarity to the definition of "use in commerce," § 1127 also provides expository statements of when a trademark is "deemed to be in use in commerce."¹⁵² For services, it deems that a trademark is used in commerce "when it is used or displayed in the sale or advertising of services and the services are rendered in commerce . . ."¹⁵³ The *Rescuecom* court, in holding that trademark infringement suits centered on purchases and sales of trademarked search terms are precluded by a lack of use in commerce, fails to analyze a crucial component of this expository statement: when the trademark "is used or displayed in the . . . advertising of services."¹⁵⁴ In *Rescuecom*, the court held that there was no use in commerce because the defendant search engine did not *display* the actual trademark in the text of the sponsored search results.¹⁵⁵ In doing so, the court is equating use with display alone.¹⁵⁶ This methodology errs because the statutory definition never equates display to use, implying the two terms "display" and "use" have separate meanings.¹⁵⁷ Therefore, *Rescuecom*'s error

152. 15 U.S.C. § 1127 (2000).

153. *Id.*

154. *Rescuecom Corp. v. Google, Inc.*, 456 F. Supp. 2d 393, 401 (N.D.N.Y. 2006).

155. *Id.*

156. See Frye, *supra* note 55, at 121 (Referring to a case involving trademark infringement for pop-up advertisers, stating "the [S]econd [C]ircuit's reasoning thus far seems to equate use with the display alone and to put aside the possibility that 'use' can include more than just one display. . . . [N]othing in the statutory definition suggests that 'use in commerce' in this context must, to qualify as 'use,' affect the appearance or functionality of the owner's website.").

157. *See id.*

manifests itself by relying on the notion that use in commerce must affect the appearance or functionality of a Web site.

The Second Circuit identifies commercial advertising under the Lanham Act as being part of an organized campaign to penetrate the relevant market.¹⁵⁸ Under this definition, a purchaser of a trademarked search term is purchasing as part of an organized campaign to penetrate the trademark holder's market. In other words, businesses use the trademarked keyword advertising triggers as a technique to enter into the growing electronic commerce market.¹⁵⁹ Because this meets the definition of advertising, the trademark is being "used" in the advertising. Therefore, § 1127 would deem this a use in commerce.

The use in commerce requirement is also satisfied when the general dictionary meaning is applied to the term "advertising." Black's Law Dictionary defines "advertising" as "[t]he action of drawing the public's attention to something to promote its sale."¹⁶⁰ Similarly, Random House Unabridged Dictionary defines "advertising" as "the act or practice of calling public attention to one's product, service, need, etc., by paid announcements in newspapers and magazines, over radio or television, on billboards etc."¹⁶¹ Substituting the Black's Law Dictionary definition into the § 1127 statutory language, the provision reads: "when it is used in ['the action of drawing the public's attention to promote its sale']." Obviously, companies purchase the trademark of another entity as a search term in an attempt to draw the public's attention in order to advance their own sales. At its very core, then, the purchase of these trademarked keywords falls with the purpose of "advertising" as utilized in § 1127.

When using these definitions as support for the "use in commerce" requirement, it is apparent that the argument only applies to purchasers of the trademarked search terms and not to search engines themselves. However, the various forms of secondary liability would likely transfer the logical reasoning employed above to the search engines as sellers of

158. See NXIVM Corp. v. Ross Inst., 364 F.3d 471, 482 (2d Cir. 2004) ("The touchstone of whether a defendant's actions may be considered 'commercial advertising or promotion' under the Lanham Act is that the contested representations are part of an organized campaign to penetrate the relevant market." (quoting *Fashion Boutique of Short Hills, Inc. v. Fendi USA, Inc.*, 314 F.3d 48, 57 (2d Cir. 2002))).

159. See Bartholomew, *supra* note 62, at 179 ("The explosive growth of e-commerce comes at a price. As commercial Web sites multiply, businesses are looking for new techniques to break through the informational clutter. One such technique that has received considerable attention is the use of Internet search engines for keyword search advertising.").

160. BLACK'S LAW DICTIONARY, *supra* note 140, at 59.

161. RANDOM HOUSE UNABRIDGED DICTIONARY (2d ed. 1993). The term "etc." in this definition would include the Internet.

the trademarked search phrases. For example, *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.* provides for contributory liability under the Lanham Act when the entity continues to supply the service when it has reason to know of the trademark infringement.¹⁶² Applying this rationale, a search engine would be contributorily liable by assisting the keyword purchasers in their trademark infringement. Regardless of the secondary liability theories, by incorporating the above analysis relating to purchasers of trademarked terms, the selling of the trademarked search terms are “use[s] . . . in the sale . . . of services”¹⁶³ given that the trademark is the actual product supplied by the search engine to these potential purchasers.

2. When Goods Are Deemed Uses in Commerce

Unfortunately, a similar analysis of when a use in commerce is deemed for goods, according to § 1127, is much more tenuous. Section 1127 states that a trademark is used 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, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and . . . the goods are sold or transported in commerce.¹⁶⁴

The initial analysis should focus on whether the trademark is placed on a “display associated therewith.” Random House Unabridged Dictionary defines a display, among several definitions, as an “exhibition.”¹⁶⁵ This definition does not satisfy the use in commerce requirement because, as in most of the search engine trademark cases, the trademark is not actually being displayed, but rather is being used as a trigger. Likewise, any analysis should focus on whether a trademarked keyword is a “document associated with the goods or their sale.” Older definitions of the term “document” define the word in the context of a tangible object,¹⁶⁶ thereby precluding its application as a sponsored link trigger given that it exists only in cyberspace. However, the computer revolution has modernized this term’s definition to reflect its

162. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982).

163. 15 U.S.C. § 1127 (2000).

164. *Id.*

165. RANDOM HOUSE UNABRIDGED DICTIONARY, *supra* note 161, at 568.

166. See, e.g., *id.* at 578 (defining “document” as “any written item, as a book, article, or letter, esp. of a factual or informative nature”).

technological usage. Merriam-Webster's dictionary defines "document" as "a computer file containing information input by a computer user and usually created with an application (as a word processor)."¹⁶⁷ Although still tenuous, this definition partially supports the finding of a use in commerce for a good because the trademark is being used in a computer file input by a computer user. Specifically, search engines maintain some database computer file that contains the trademark. Although the definition favors the standard word processing context, this does not completely foreclose such a definition, thereby granting some merit to this argument. In fact, in *Hamzik v. Zale Corp.*, a district court in the Second Circuit acknowledged in dictum that such an argument could succeed within a specific set of factual circumstances, but declined to pursue the merits of such reasoning.¹⁶⁸ Nevertheless, such reasoning is merely conjectural and poorly supported.

3. The Services Nature of Internet Commerce

Determining if a use in commerce exists in the purchase and sale of trademarked search terms therefore depends on whether the trademark is used on a good or service. In the majority of sponsored link uses, the sponsored link or advertisement is a service and not a good. Sponsored links often direct or advertise an entity's services to a customer. For example, the plaintiff in *Rescuecom* offers repair and consulting services.¹⁶⁹ Any party purchasing "Rescuecom" as a search term keyword would likely be offering similar services. Similarly, the defendant in *Edina Realty, Inc. v. TheMLSonline.com* offers realty and brokerage services.¹⁷⁰ It can be concluded, then, that these companies are offering services and not goods; the correct § 1127 exposition would also be when a mark is deemed to be in use in commerce "on services."¹⁷¹

Companies advertising a product through a sponsored link are more likely advertising a service that provides a product to a consumer. For

167. MERRIAM-WEBSTER ONLINE DICTIONARY, <http://www.merriam-webster.com/dictionary/document>.

168. See *Hamzik v. Zale Corp./Delaware*, No. 3:06-cv-1300, 2007 WL 1174863, at *3 n.4 (N.D.N.Y. Apr. 19, 2007) (stating that "an argument could be made . . . that the link are documents associated with the goods or their sale" when a link directs the computer user to a site that uses the trademark without permission).

169. *Rescuecom Corp. v. Google, Inc.*, 456 F. Supp. 2d 393, 396 (N.D.N.Y. 2006).

170. *Edina Realty v. TheMLSonline.com*, No. Civ. 04-4371JFTFLN, 2006 WL 737064, at *1 (D. Minn. Mar. 20, 2006).

171. 15 U.S.C. § 1127 (2000).

example, Amazon.com sells books and other consumer products over the Internet.¹⁷² If Amazon.com appears as a sponsored link, the Web site itself is not a product, but rather a service that provides the product to the consumer. As a result, the “services” example from § 1127 applies instead of the “goods” example, and therefore a use in commerce exists. Expanding this logic, assume that Coach, a producer of handbags, purchases the trademark of a specific type of Prada handbag as a search term. Subsequently, a computer user inputs the Prada handbag’s trademarked name into a search engine, triggering a sponsored link of a similar Coach handbag to appear. Although this similar Coach handbag is itself a good, if the Web site sells the good, it is *offering the service* of providing the good. In other words, the trademark was used as a search term to trigger the Web site that is a service that ships Coach handbags. Again, the “services” exposition from § 1127 would then apply in contrast to the “goods” exposition. Given that the “services” exposition satisfies the use in commerce requirement, the cause of action would not be defeated, unlike when utilizing the “goods” exposition. However, this logical analysis also prevents some triggers of sponsored links from becoming uses in commerce. If a provider of goods does not sell its goods online, and the sponsored link is merely an advertisement for that product, the “goods” exposition will then apply because no service is provided. The “goods” exposition application would thereby preclude a finding of a use in commerce because the trademark would not be used *on* the “goods or their containers or the displays associated therewith or on the tags or on the labels affixed thereto, or . . . on documents associated with the goods or their sale.”¹⁷³ Therefore, although a determination of whether the trademark is used on a service or a good is initially critical to determining if there is a use in commerce, in most instances this initial determination is irrelevant because most Internet Web sites can be classified as services by their very nature.

C. The Flaws in the *Rescuecom* Court’s Analysis

The *Rescuecom* district court, following Second Circuit precedent, primarily relies on the same basic arguments in support of the holding that the purchase and sale of trademarks as search term triggers are not uses in commerce under the Lanham Act. The initial argument, discussed earlier, involved the separation of the use in commerce

172. Amazon.com, <http://www.amazon.com> (last visited Apr. 3, 2007).

173. 15 U.S.C. § 1127.

requirement within the cause of action into two entirely separate elements; “use” and “in commerce.”¹⁷⁴ The court buttresses this argument with two additional arguments principally introduced in *I-800 Contacts, Inc. v. WhenU.com, Inc.*¹⁷⁵ and *Merck & Co. v. Medioplan Health Consulting, Inc.*¹⁷⁶ These arguments utilize several analogies comparing the alleged infringement to non-trademark and non-Internet scenarios. Although well reasoned and thoroughly analyzed, the analogies fail as a result of several logical fallacies and factual distinctions that cause their use to be inapplicable in the search engine advertising context.

1. The Failings of the Internal Utilization Analogy

I-800 Contacts held that “[a] company’s internal utilization of a trademark in a way that does not communicate it to the public is analogous to a[sic] individual’s private thoughts about a trademark”¹⁷⁷ and therefore does not violate the Lanham Act because it, *inter alia*, is not a use in commerce.¹⁷⁸ In *I-800 Contacts*, the plaintiff alleged that the defendant’s “pop-up ads” infringed on its trademarks by delivering these “pop-up ads” of the plaintiff’s competitors when computer users accessed the plaintiff’s Web site.¹⁷⁹ A “pop-up ad” is an advertisement generated by any number of parties that appears on a computer user’s computer screen while surfing the Internet and clicking on specific links. In this case, the defendant provided special software, downloaded by computer users, that generated pop-up advertisements when certain words were typed into a Web browser or search engine, or when a computer user visited certain Internet sites.¹⁸⁰ To generate these pop-up ads, the “software employ[ed] an internal directory comprising ‘approximately 32,000 [Web site addresses] and [address] fragments, 29,000 search terms and 1,200 keyword algorithms.’”¹⁸¹ This internal

174. See *Rescuecom Corp.*, 456 F. Supp. 2d at 399–400 (relying on *I-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400 (2d Cir. 2005) and stating that other circuits err by not separating the Lanham Act “use in commerce” requirement into three elements: use, in commerce, and likelihood of confusion).

175. 414 F.3d 400 (2d Cir. 2005).

176. 431 F. Supp. 2d 425 (S.D.N.Y. 2006).

177. *I-800 Contacts, Inc.*, 414 F.3d at 409.

178. See *id.* (“Such conduct simply does not violate the Lanham Act, which is concerned with the use of trademarks in connection with the sale of goods or services in a manner likely to lead to consumer confusion as to the source of such goods or services.”).

179. *Id.* at 405.

180. *Id.* at 404.

181. *Id.* (quoting *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734, 743 (E.D. Mich.

directory listed the plaintiff's Web address, containing its registered trademark within it.¹⁸² Given that the trademark was only used internally by the defendant to trigger the advertisements, the court held that there was no use in commerce, as the use was not "in connection with the sale of goods or services."¹⁸³

Trademarked search term cases, such as *Rescuecom*, follow the reasoning in *I-800 Contacts* on the grounds that the search engine's internal use of the trademark is invisible to the public.¹⁸⁴ However, these cases ignore one critical distinguishing fact: the search engines are *selling* the trademarks and the sponsored link advertisers are *purchasing* these trademarked search terms. That is, the trademark is not merely being used as an internal trigger, but rather, the search engine is earning money selling the trademark as the trigger. Likewise, the sponsored link advertiser is paying for this trademark to be used as a trigger. *I-800 Contacts* explicitly states that the defendant does not disclose "the proprietary contents of the . . . directory to its advertising clients nor does it permit these clients to request or purchase specified keywords . . .".¹⁸⁵ Therefore, analogizing that such use by a search engine is comparable to a person's internal thoughts is flawed because it omits the fact that search engines and advertisers buy and sell the trademarks as triggers, which are in themselves uses in commerce given the statutory language. That is, when a person buys or sells something, they do not "think" the transaction, but instead, physically conduct it. In fact, in *Hamzik v. Zale Corp.*, the district court acknowledged that this factual distinction "may give rise to a Lanham Act 'use'."¹⁸⁶ District courts outside of the Second Circuit have recognized this important distinction and refused to incorporate the analogy as support for their holdings.¹⁸⁷ Instead, these courts have refuted the analogy, stating that the "opportunity to reach consumers via alleged purchase and/or use of a protected trademark . . . cross[es] the line from internal use to use in commerce under the Lanham Act."¹⁸⁸

2003)).

182. *Id.* at 408.

183. *Id.* at 409.

184. See, e.g., *Rescuecom Corp. v. Google, Inc.*, 456 F. Supp. 2d 393, 403 (N.D.N.Y. 2006) (referencing *I-800 Contacts, Inc.* and stating that the trademark's use is not visible to the public).

185. *I-800 Contacts, Inc.*, 414 F.3d at 409.

186. *Hamzik v. Zale Corp./Delaware*, No. 3:06-cv-1300, 2007 WL 1174863, at *3 (N.D.N.Y. Apr. 19, 2007).

187. E.g., *J.G. Wentworth, S.S.C. Ltd. P'ship v. Settlement Funding LLC*, No. 06-0597, 2007 WL 30115, at *6 (E.D. Pa. Jan. 4, 2007).

188. *Id.*

2. The Failings of the Product Placement Analogy

District courts within the Second Circuit also rely heavily on an analogy presented in *Merck & Co. v. Mediplan Health Consulting, Inc.*¹⁸⁹ as support for denying the occurrence of a use in commerce. In *Merck*, plaintiff Merck, a pharmaceutical company, filed suit against several Canadian online pharmacies for trademark infringement of the mark “Zocor” after the defendants’ purchase of the trademark as a search term.¹⁹⁰ In explaining its holding, the court posited:

Here, in the search engine context, defendants do not “place” the Z[ocor] marks on goods, containers, displays, or associated documents, nor do they use the marks to indicate sources of sponsorship. Rather, the marks are used only in the sense that a computer user’s search of the keyword “Zocor” will trigger the display of sponsored links to defendants’ websites. This internal use of the keyword “Zocor” is not use of the mark in the trademark sense; rather, this use is more akin to the product placement marketing strategy employed in retail stores, where, for example, a drug store places its generic products alongside similar national brand products to capitalize on the latter’s name recognition. The sponsored link marketing strategy is the electronic equivalent of product placement in a retail store.¹⁹¹

This analogy fails, however, because it inaccurately describes the situation. In the context of search engines, the analogy would suggest that if Google placed *its own* Web sites as sponsored links, then there would not be a use in commerce because this would be the “electronic equivalent of product placement in a retail store.”¹⁹² Instead, the correct context is that of Google selling and purchasers buying these sponsored links. The *Merck* analogy misconstrues the factual background and forgets that search engines are earning money from the trademark, and that advertisers are purchasing the trademark. Therefore, the correct analogy would be the following scenario: *Nike purchases the trademark “Adidas” from Foot Locker. Every time a customer enters Foot Locker and requests a pair of Adidas shoes, the Foot Locker employee then brings out a pair of Nike shoes and a pair of Adidas shoes.*

189. 425 F. Supp. 2d 402 (S.D.N.Y. 2006).

190. *Merck & Co. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 408, 415 (S.D.N.Y. 2006).

191. *Merck & Co. v. Mediplan Health Consulting, Inc.*, 431 F. Supp. 2d 425, 427 (S.D.N.Y. 2006) (citing *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 411 (2d Cir. 2005)).

192. *Id.*

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To make the analogy even more accurate, imagine that Foot Locker receives five dollars every time a customer requests Adidas and the employee brings Nike shoes. In this sense, Foot Locker is using the “Adidas” trademark in commerce by selling it to competitors as advertising. Likewise, Nike is using the trademark in commerce by purchasing it from a company besides the trademark owner.

D. A Trademark Analogy Solution for Avoiding Lanham Act Liability

A solution exists to avoid use of a trademark in commerce within the Lanham Act sense when using keyword advertising. This solution reconciles the conflicting case law in most respects. To avoid a Lanham Act use in commerce, the purchase and sale of general categories as search terms, rather than trademark names as search terms, would preclude liability if a computer user’s search of a trademarked term triggered its more general encompassing category. For example, Toyota would purchase the keyword “car” from the search engine as its trigger of the sponsored link. When a computer user later typed the word “Ford” into the search engine, this could trigger within the search engine’s internal code the generic category of “car.” The category of “car” would then trigger any sponsored links that have been purchased for the search term “car.”

This is similar to a company buying an advertisement in the yellow pages of a phone book. Imagine that Blackacre Painters, a local painting company, purchases an advertisement within the house painting section of the yellow pages. In the phone book, the advertisement is only a few millimeters away from the phone listing of its rival local painting company, Jayhawk Painting Co. Jayhawk Painting Co. has registered its name as a trademark. A potential consumer searching for Jayhawk Painting Co., using the yellow pages, would find both Jayhawk Painting Co. and its rival Blackacre Painters. Given that the user did not search for the trademarked name Jayhawk Painting Co., but instead, the general category of commerce, there was no use in commerce. However, if Blackacre Painters purchased the right to have its advertisement appear next to Jayhawk Painting Co. in the white pages of the phone book, there is a use in commerce because the trademark is used in the advertising of services.¹⁹³

193. It is important to remember that just because this can be classified as a use in commerce per 15 U.S.C. § 1127, it does not automatically create a valid trademark infringement claim. The aggrieved party must still prove that the other elements of a valid trademark infringement claim are satisfied, including that a “likelihood of confusion” exists. Moreover, there are several affirmative

Applied in the search engine context, search engines could avoid liability by converting their systems to the electronic equivalents of phone book yellow pages that effectively assist the consumer by identifying the proper category for his purposes. Moreover, this form of advertising trigger would support “the dominant rationale for protecting trademarks [which is] reducing consumer search costs.”¹⁹⁴ Creating a yellow pages-type advertising system presents the relevant information to the consumer efficiently without piggy-backing on the trademark.

IV. CONCLUSION

The plain meaning of the Lanham Act’s definition of “use in commerce,” and the *Rescuecom* court’s flawed reasoning, demonstrates that a use in commerce exists in the purchase and sale of trademarked search terms for purposes of Lanham Act liability for trademark infringement. The primary analogies buttressing the holdings of the district courts in the Second Circuit are factually distinguishable, and therefore improperly relied upon. Moreover, the literal or plain meaning application of the definition provided within the Lanham Act indicates that a use in commerce exists when trademarked search terms are sold or purchased to trigger advertising. A solution exists, however, for purchasers and sellers of search terms to avoid Lanham Act liability by merely purchasing and selling categories of search terms in such a manner as to replicate the functionality of a common yellow pages phone book.

Nevertheless, the mere existence of this important use in commerce element of these causes of action still does not guarantee that trademark infringement has in fact occurred because there are several other elements that must be satisfied. For example, the likelihood of confusion test, factually distinguishable in almost every case, can be a difficult hurdle to meet for purposes of proving liability. Regardless, continued litigation is inevitable given the legal uncertainties related to this form of advertising. This ambiguity in the law will undoubtedly lead to forum shopping and endless appellate litigation until Congress or the United States Supreme Court chooses to intervene and resolve the judicial split. Until that time, maybe the courts should look to search engines like Google for guidance. A search for the term “Google” using Google’s

defenses, such as “classic fair use” and “nominative fair use” that could preclude a Lanham Act trademark infringement action. Therefore, although there is a use in commerce in this analogy, the other requisite elements are likely missing or insufficient to support a valid cause of action.

194. Bartholomew, *supra* note 62, at 195.

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search engine leads to just one sponsored link: www.google.com/ig.¹⁹⁵ If a search of the “world’s most valuable”¹⁹⁶ brand on its very own search engine initiates not even a single sponsored link of a third party, one can infer that Google does not sell its own trademark on AdWords. It appears, then, that Google does not want another company using its trademark to trigger sponsored links to competing sites. Doesn’t this indicate that Google wants to keep others from infringing upon its trademark?

195. Google, <http://www.google.com>, (search using the term “Google”) (last visited Jan. 19, 2008).

196. See *Google Sells Ads, but Won’t Spend Much on Them*, MSNBC.COM, Oct. 14, 2007, <http://www.msnbc.msn.com/id/21295728/> (last visited Jan. 19, 2008).