Rescuecom Corp. v. Google Inc.: A Conscious Analytical Shift

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ABSTRACT: The trademark-use doctrine has generated voluminous debate among scholars and incongruous decisions among courts. The division among academics and the inconsistency between judicial decisions emanates from disagreement regarding whether the Lanham Act injects the trademark-use doctrine into the infringement analysis as a threshold determination and, if it does, what conduct qualifies as a trademark use. Until the spring of 2009, the Second Circuit appeared poised to apply the trademark-use doctrine strictly, facilitating outcomes in online trademark-infringement cases fundamentally different than those achieved by courts outside the Second Circuit. Rescuecom Corp. v. Google Inc. *provided the Second Circuit an opportunity to reassess and modify the scope of its trademark-use doctrine. This Note analyzes the Second Circuit's opinion in* Rescuecom Corp. v. Google Inc. *and argues that the Second Circuit discretely shifted its larger analytical framework away from the strict trademark-use doctrine. Although imperfect,* Rescuecom Corp. v. Google Inc. *represents a move in the proper analytical direction.*

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I. INTRODUCTION

Technology has altered the commercial world and the way companies conduct business. For instance, PepsiCo can ensure that every time a consumer launches a Google search for its competitor Coca-Cola, the consumer simultaneously sees advertisements for Pepsi's products prominently placed on the search-results page.[1] Google's search-result-advertising business model, which facilitates this conduct, generates billions of dollars in revenue for the company,[2] as well as voluminous debate in courtrooms and scholarly circles about whether this conduct is benign contextual advertising or injurious trademark infringement actionable under the Lanham Act.[3]

The Lanham Act provides trademark owners with protection against the unauthorized use of their marks.[4] Courts have, however, interpreted and applied the Act's infringement provisions differently, culminating in conflicting outcomes in factually similar cases.[5] This inconsistency emanates from disagreement regarding whether the Lanham Act injects the trademark-use doctrine ("trademark use" or "use doctrine") into the infringement analysis as a threshold determination, and if it does, what conduct qualifies as a trademark use.[6]

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1. Jim Edwards, *Google on Trial: Brands Challenge Keyword Ads: Courts Mull Protection for Trademarked Terms*, BRANDWEEK, May 21, 2007, at 6, 6.

2. Miguel Helft, *Google's Profit Surges in Quarter*, N.Y. TIMES, July 17, 2009, at B2 (stating that "Google derives almost all of its revenue from text ads that appear next to Internet search results," that Google's revenue climbed to $5.52 billion, and that "considering the economic environment, [that] was a pretty solid quarter").

3. *See, e.g.*, Reply Brief for Plaintiff–Appellant at 10, Rescuecom Corp. v. Google Inc. (*Rescuecom II*), 562 F.3d 123 (2d Cir. 2009) (No. 06-4881-cv), 2007 WL 6475453 (refuting Google's arguments that its "sponsored links" facilitate benign comparative advertising); Brief of Amici Curiae Intellectual Property Law Faculty in Support of Affirmance at 12, *Rescuecom II*, 562 F.3d 123 (No. 06-4881-cv), 2007 WL 6475455 (arguing that "keyword-based advertising . . . gives advertisers a tool for placing relevant, targeted, non-confusing ads"); Graeme B. Dinwoodie & Mark D. Janis, *Confusion over Use: Contextualsim in Trademark Law*, 92 IOWA L. REV. 1597, 1629–36 (2007) [hereinafter Dinwoodie & Janis, *Confusion over Use*] (discussing the "social costs that result from the sale of sponsored links").

4. The Lanham Act provides protection for both registered and unregistered trademarks. Lanham Act § 43, 15 U.S.C. § 1125(a) (2006), applies to and protects unregistered marks. Lanham Act § 32, 15 U.S.C § 1114, applies to and protects registered trademarks. For purposes of examples and discussions, this Note presumes that the trademarks at issue are valid and registered. Consequently, section 32 is the operative infringement section for the examples in this Note.

5. *Compare* Rescuecom Corp. v. Google, Inc. (*Rescuecom I*), 456 F. Supp. 2d 393 (N.D.N.Y. 2006) (granting Google's motion to dismiss trademark-infringement claims), *vacated*, 562 F.3d 123 (2d Cir. 2009), *with* Gov't Employees Ins. Co. v. Google, Inc. (*GEICO*), 330 F. Supp. 2d 700 (E.D. Va. 2004) (denying Google's motion to dismiss trademark-infringement claims).

6. *See* Margreth Barrett, *Finding Trademark Use: The Historical Foundation for Limiting Infringement Liability to Uses "In the Manner of a Mark,"* 43 WAKE FOREST L. REV. 893, 894 (2008) ("A sharp debate exists today, both in the courts and in legal scholarship, about whether

Prior to the spring of 2009, the U.S. Court of Appeals for the Second Circuit appeared to stand alone in applying the use doctrine strictly—requiring a threshold-use analysis entirely unconcerned with whether a defendant's conduct created a likelihood of confusion, and holding that various online conduct did not amount to the trademark use required to state a claim for infringement.[7] Meanwhile, courts outside the Second Circuit held that similar conduct did satisfy the use required to state a trademark-infringement claim.[8] In *Rescuecom Corp. v. Google Inc.*, however, the Second Circuit modified its analytical approach and took a step toward harmonizing its outcomes with those in other circuits.[9] The *Rescuecom* opinion is important to analyze and understand because, as scholars have explained, "the choices courts make at [these] crossroads"—whether they will recognize and apply the trademark-use doctrine, and if they do, the rigidity with which they will apply the doctrine—"will have a tremendous impact on both Internet-based commerce and on the overall evolution of trademark law."[10]

This Note analyzes the Second Circuit's decision in *Rescuecom* and argues that the court does more than factually distinguish *Rescuecom* from its prior decision in *1-800 Contacts, Inc. v. WhenU.Com, Inc.*[11] In *Rescuecom*, the Second Circuit makes a conscious analytical shift away from the circuit's previously applied strict trademark-use doctrine and, despite imperfections, this decision represents a move in the proper direction. Ideally, *Rescuecom*

'trademark use' is a prerequisite to finding trademark infringement, and if it is, what should satisfy the 'trademark use requirement.'"). *Compare Rescuecom I*, 456 F. Supp. 2d at 393 (applying the use doctrine and holding that defendant's conduct was not a trademark use), *with GEICO*, 330 F. Supp. 2d at 700 (holding that defendant made the requisite use).

7. Alan Cohen, *The Search for an Answer: Courts Don't Agree Whether Trademarks Are Infringed*, 5 IP L. & BUS. 12, 12 (2007) (discussing the different outcomes reached by different courts and quoting professor Eric Goldman as stating, "[a]rguably, the Second Circuit is marching to a different drummer").

8. *See, e.g.*, Google Inc. v. Am. Blind & Wallpaper, No. C 03-5340 JF (RS), 2007 WL 1159950, at *6 (N.D. Cal. Apr. 18, 2007) (holding that "the sale of trademarked terms in the AdWords program is a use in commerce for the purposes of the Lanham Act"); J.G. Wentworth, S.S.C. Ltd. P'ship v. Settlement Funding LLC, No. 06-0597, 2007 WL 30115, at *4 (E.D. Pa. Jan. 4, 2007) (holding that the defendant made a "trademark use of plaintiff's marks"); Buying for the Home, LLC v. Humble Abode, LLC, 459 F. Supp. 2d 310, 323 (D.N.J. 2006) (holding that the defendant's conduct satisfied the use requirement); Edina Realty, Inc. v. TheMLSonline.com, No. Civ. 04-4371JRTFLN, 2006 WL 737064, at *3 (D. Minn. Mar. 20, 2006) (holding that, "while not a conventional 'use in commerce,' defendant nevertheless uses the Edina Realty mark commercially"); *GEICO*, 330 F. Supp. 2d at 703 (holding that the plaintiff "pled sufficient facts which . . . allege 'trademark use'").

9. Rescuecom Corp. v. Google Inc. (*Rescuecom II*), 562 F.3d 123, 127 (2d Cir. 2009) (reversing the district court's dismissal and holding that the plaintiff "adequately pled a use in commerce").

10. Stacey L. Dogan & Mark A. Lemley, *Grounding Trademark Law Through Trademark Use*, 92 IOWA L. REV. 1669, 1672 (2007) [hereinafter Dogan & Lemley, *Grounding Trademark Law*].

11. 1-800 Contacts, Inc. v. WhenU.Com, Inc., 414 F.3d 400 (2d Cir. 2005).

will solidify the importance of the likelihood-of-confusion element in infringement analyses and will dissuade courts from applying the trademark-use doctrine strictly.

In the following discussion, Part II explores trademark law generally by addressing the law's purposes and goals. It then introduces the trademark-use doctrine and illuminates the doctrine's contentious nature by exploring some of the debates surrounding trademark use. Part II also establishes the foundational predicates essential to analyzing *Rescuecom* by introducing the case on which *Rescuecom* is built: *1-800 Contacts*; surveying the array of analytical approaches plaguing this area of law; and then explaining the conduct challenged in *Rescuecom*: search-result advertising. Part III details the Second Circuit's opinion in *Rescuecom*, explaining the court's reasoning and ultimate decision. Part IV then analyzes *Rescuecom* and argues that the decision represents a conscious analytical shift away from the Second Circuit's previously applied strict trademark-use doctrine. It illuminates this shift by detailing a series of analytical and drafting choices employed by the court. Part IV also notes some of the risks and limitations possibly created by *Rescuecom*'s analytical approach. Part V, drawing on academic discourse surrounding the doctrine, discusses why the Second Circuit's opinion is a move in the proper analytical direction. Part VI surveys some of the decision's implications, and Part VII concludes.

II. THE FOUNDATION

A. A BRIEF BACKGROUND ON TRADEMARKS

Trademarks serve several functions and accrue enormous value.[12] Trademarks communicate to the public that all goods bearing the mark emanate from the same source and "are of an equal level of quality."[13] In doing so, they minimize consumer search costs, bolster consumer confidence, and ultimately improve marketplace efficiency.[14] Trademarks

12. Estimates attribute as much as two-thirds of America's large businesses' value to their intangible assets, "especially the intellectual property of patents and trademarks." ROBERT J. SHAPIRO & NAM D. PHAM, ECONOMIC EFFECTS OF INTELLECTUAL PROPERTY-INTENSIVE MANUFACTURING IN THE UNITED STATES 3 (2007), *available at* http://www.sonecon.com/docs/studies/0807_thevalueofip.pdf. "[I]t is ideas that rule the world" and an "increasing share of the market valuation of the top U.S. companies is now apparently based on 'intangibles' . . . rather than on companies' stockpiles of physical assets." Alan S. Blinder, *Foreword* to SHAPIRO & PHAM, *supra*, at 1.

13. 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 3.2 (4th ed. 2009).

14. "'The fundamental purpose of a trademark is to reduce consumer search costs by providing a concise and unequivocal identifier of the particular source of particular goods.'" Jonathan J. Darrow & Gerald R. Ferrera, *The Search Engine Advertising Market: Lucrative Space or Trademark Liability?*, 17 TEX. INTELL. PROP. L.J. 223, 237 (2009) (quoting Ty Inc. v. Perryman, 306 F.3d 509, 510 (7th Cir. 2002)); *see also* Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.,

also embody a company's goodwill—the "'good feeling' consumers have when they see, hear, or think of the firm and/or its trademark; in economic terms, it is the probability that, based on this good feeling, customers will come back in the future."[15] Goodwill is extraordinarily valuable. For example, the value of Coca-Cola's trademark, independent of any tangible assets, is estimated to exceed $24 billion.[16]

Two primary interests structure trademark law: (1) consumer protection and (2) producer incentives.[17] At the heart of both interests stands the underlying goal of avoiding consumer confusion—it is the common concern driving trademark law.[18] Trademark law vindicates its first interest, consumer protection, by reducing consumers' search costs—the "costs of shopping and making purchasing decisions."[19] Trademarks reduce search costs by providing consumers an information shortcut, ensuring they can quickly and accurately decide to purchase a product based on a past favorable experience or avoid a product based on a past unfavorable experience.[20] Preventing others from using marks that are confusingly similar reduces consumers' search costs by allowing consumers to rely on the mark as an indication of the quality of the goods. Guarding against confusingly similar marks, therefore, furthers the consumer-protection goal by ensuring that consumers are able to rely on trademarks as information shortcuts and that consumers looking to purchase a particular company's product in fact purchase *that* company's product and are not confused or deceived by the same or similar mark into buying a different company's goods.

The second rationale, producer incentives, protects the mark's owner who has invested "'energy, time and money, . . . from [the mark's] appropriation by pirates and cheats.'"[21] It assures producers that they, not

174 F.3d 1036, 1048 (9th Cir. 1999) (explaining that trademark law aims to "reduc[e] the costs that customers incur in shopping and making purchasing decisions").

15. ROBERT P. MERGES, PETER S. MENELL & MARK A. LEMLEY, INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE 638 (rev. 4th ed. 2007).

16. *Id.* (citing *Industry Calls for Stiffer Enforcement of Anti-Counterfeiting Laws Abroad*, 44 PAT. TRADEMARK & COPYRIGHT J. (BNA) 585, 586 (Oct. 1, 1992)).

17. GRAEME B. DINWOODIE & MARK D. JANIS, TRADEMARKS AND UNFAIR COMPETITION: LAW AND POLICY 15 (2d ed. 2007) (introducing the "two primary justifications . . . traditionally . . . offered in support of trademark protection").

18. Dinwoodie & Janis, *Confusion over Use*, *supra* note 3, at 1599 ("For several decades, the concept of consumer confusion has served as the touchstone for trademark liability.").

19. Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 34 (2003) (quoting Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 163–64 (1995)).

20. DINWOODIE & JANIS, *supra* note 17, at 15.

21. *Id.* (quoting S. REP. NO. 79-1333, at 3 (1946)); *see also* MERGES ET AL., *supra* note 15, at 636 (arguing that granting a mark's creator exclusive rights in that mark protects and encourages three types of investment: (1) investment in creating the mark, (2) investment in advertising and promoting the product associated with the mark, and (3) "product-related

their competitors, will "reap the financial, [and] reputation-related rewards associated with a desirable product."[22] Guarding against confusion ensures that companies reap the financial reward of repeat customers who appreciate the quality of the goods and who, consequently, desire to seek out and purchase those goods again. If others were permitted to use confusingly similar marks, consumers may inadvertently purchase another company's goods. The company whose goods the consumer had actually sought to re-purchase would lose the financial reward of a repeat purchase that would have accrued absent the consumer's confusion. Thus, both interests—consumer protection and producer incentives—are achieved by avoiding consumer confusion.

The Lanham Act seeks to vindicate these goals by providing trademark owners with protection against others' unauthorized use of their marks—it grants owners the right to exclude.[23] If one owns a valid trademark for a distinctive logo, for example, the Lanham Act's infringement provisions grant the owner the right to exclude others from using that logo or one confusingly similar. The elements of infringement prescribed in the Lanham Act have provoked debate in recent cases involving trademark-infringement allegations in various online settings.[24] This debate centers on the trademark-use doctrine.

B. The Trademark-Use Doctrine in the Infringement Context

Despite garnering the spotlight in scholarly articles and judicial opinions, the trademark-use doctrine remains somewhat cloaked in ambiguity because its components and outer parameters have not been clearly articulated or defined.[25] Nevertheless, two features are largely

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investments such as high-quality raw materials, production equipment, and quality assurance techniques").

22. *Dastar*, 539 U.S. at 34 (quoting *Qualitex*, 514 U.S. at 163–64).

23. MERGES ET AL., *supra* note 15, at 13 (discussing intellectual-property rights and the right to exclude).

24. 1-800 Contacts, Inc. v. WhenU.Com, Inc., 414 F.3d 400, 408–12 (2d Cir. 2005) (addressing pop-up advertisements); Playboy Enters., Inc. v. Netscape Commc'ns Corp., 354 F.3d 1020, 1029–32 (9th Cir. 2004) (addressing banner advertisements); Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp., 174 F.3d 1036, 1046–53 (9th Cir. 1999) (addressing domain names and metatags); Gov't Employees Ins. Co. v. Google, Inc. (*GEICO*), 330 F. Supp. 2d 700, 704–05 (E.D. Va. 2004) (addressing search-result advertising).

25. Dogan & Lemley, *Grounding Trademark Law*, *supra* note 10, at 1673–74 ("[N]either judges nor scholars have yet articulated a satisfying definition of trademark use."); Graeme B. Dinwoodie & Mark D. Janis, *Lessons from the Trademark Use Debate*, 92 IOWA L. REV. 1703, 1713 (2007) [hereinafter Dinwoodie & Janis, *Trademark Use Debate*] (describing a "fundamental problem with the trademark use doctrine: no one can settle on what 'trademark use' means"). Margreth Barrett provides one definition of trademark use as follows: "trademark use entails application of a mark in a manner that invites consumers to associate the mark with goods or services that the user is offering for sale or distribution and to rely on it for information about the source, sponsorship, or affiliation of those goods or services." Margreth Barrett, *Internet Trademark Suits and the Demise of "Trademark Use,"* 39 U.C. DAVIS L. REV. 371, 375 (2006).

understood to be the doctrine's signature traits: (1) the requirement of a source-designating use[26] and (2) a threshold-use determination that subordinates the likelihood-of-confusion inquiry.[27]

First, the use doctrine requires a source-designating use.[28] A source-designating use, or a "trademark use," occurs when a defendant uses a plaintiff's mark to communicate the source of the defendant's goods or services.[29] The defendant's use must, therefore, invite consumers to believe that the plaintiff–mark owner is the source of the defendant–infringer's goods or services.[30] The key question centers on the manner in which the defendant employs the mark and whether the alleged conduct "suggests something about the source or sponsorship of [the defendant's] own products or services."[31] For instance, if an unauthorized party sells shirts imprinted with the Nike "swoosh" or "JUST DO IT" logo, that party is engaged in a trademark use (and infringement).[32] Emblazoning the Nike "swoosh" or "JUST DO IT" logo on a shirt is a trademark use because it invites consumers to believe that Nike Corporation is the source of the defendant's product.[33] Conversely, a news anchor's report about Nike's new products or the possibility that the company may locate a Niketown in a new city does not amount to a trademark use.[34] The news anchor is not using the Nike mark to convey source of any kind.

Second, the trademark-use doctrine imposes a threshold-use determination that subordinates considerations of whether the conduct

26. Dogan & Lemley, *Grounding Trademark Law*, *supra* note 10, at 1682 ("[T]rademark infringement should require . . . that a defendant . . . [use the mark] 'as a mark'—i.e., to indicate the source or sponsorship of those products or services."); Stacey L. Dogan & Mark A. Lemley, *Trademark and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777, 805 (2004) [hereinafter Dogan & Lemley, *Consumer Search Costs*] ("It is the use of the mark to brand or advertise the defendant's services or to suggest an affiliation with the plaintiff—so-called 'trademark use'—that triggers trademark law.").

27. Dogan & Lemley, *Consumer Search Costs*, *supra* note 26, at 805 (arguing that the trademark-use doctrine serves a "gatekeeper function" that assesses the nature of the defendant's use and precludes infringement "without regard to a factual inquiry into consumer confusion" where the defendant fails to make a trademark use).

28. Dogan & Lemley, *Grounding Trademark Law*, *supra* note 10, at 1682.

29. *Id.*; Dogan & Lemley, *Consumer Search Costs*, *supra* note 26, at 805.

30. *See* Barrett, *supra* note 25, at 375 ("[T]rademark use entails application of a mark in a manner that invites consumers to associate the mark with goods or services that the user is offering for sale or distribution and to rely on it for information about the source, sponsorship, or affiliation of those goods or services.").

31. Dogan & Lemley, *Grounding Trademark Law*, *supra* note 10, at 1699.

32. *Id.*

33. *See supra* notes 29–31 and accompanying text (providing a definition of trademark use).

34. Dogan & Lemley, *Grounding Trademark Law*, *supra* note 10, at 1683–84 (explaining that the following exemplify non-trademark (non-source-identifying) uses: comparative advertising, news reporting, and commentary).

creates a likelihood of confusion.[35] Under the doctrine, courts scrutinize the alleged offending conduct to determine whether the party makes the requisite trademark use.[36] This threshold determination initially minimizes the importance of confusion and focuses instead on the nature of the conduct.[37] Courts may analyze the likelihood of confusion only where a defendant makes a trademark use.[38] Where the defendant does not make a trademark use, the analysis ends—the conduct simply cannot be found infringing.

Applying the use doctrine strictly has important ramifications because the doctrine narrows the types of conduct that can be infringing. By designating a "class[] of behavior that cannot constitute infringement," the doctrine places certain conduct beyond the reach of trademark infringement.[39] Defendants thus employ the trademark-use doctrine as a shield against infringement allegations, arguing that their conduct involving the mark is not an actionable use under the Lanham Act and that a likelihood of confusion does not matter absent the prerequisite use finding.[40] Defendants have employed trademark-use arguments in various

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35. *See supra* note 27 and accompanying text (describing the "gatekeeper function" of the trademark-use doctrine); *see also* Dinwoodie & Janis, *Confusion over Use*, *supra* note 3, at 1600, 1620 (explaining that courts following the "new [trademark-use] theory would not even reach the question of confusion absent the defendant's use being a 'trademark use'" and that a "contextualist methodology . . . is the very antithesis of the formalistic use requirement advocated by trademark use proponents").

36. *See supra* notes 28–34 and accompanying text (describing the type of conduct amounting to a trademark use).

37. *See supra* note 27 (explaining the trademark-use doctrine's gatekeeping function which assesses the nature of the defendant's use "without regard to factual inquiry into consumer confusion").

38. *See supra* note 35 and accompanying text (discussing the threshold-use determination that initially subordinates the importance of the likelihood-of-confusion inquiry).

39. Dogan & Lemley, *Grounding Trademark Law*, *supra* note 10, at 1674.

40. *See* 4 MCCARTHY, *supra* note 13, § 25:70.25 ("The first line of defense in many of the keyword cases has been a Fed. R. Civ. P. 12(b)(6) motion to dismiss on the ground that the use of trademarks as keywords sold to advertisers by a search engine is not a statutory 'use' of plaintiff's trademark."); *see also, e.g.*, Google Inc. v. Am. Blind & Wallpaper, No. C 03-5340 JF (RS), 2007 WL 1159950, at *2 (N.D. Cal. Apr. 18, 2007) ("In its motion for summary judgment, Google ask[ed] the Court to declare that, as a matter of law, Google's sale of trademarked keywords in its AdWords program [did] not constitute use in commerce under the Lanham Act." (footnote omitted)); J.G. Wentworth, S.S.C. Ltd. P'ship v. Settlement Funding LLC, No. 06-0597, 2007 WL 30115, at *4 (E.D. Pa. Jan. 4, 2007) (defendant moved to dismiss by arguing that plaintiff could not demonstrate that defendant made a trademark use of plaintiff's marks); Rescuecom Corp. v. Google, Inc. (*Rescuecom I*), 456 F. Supp. 2d 393, 397–98 (N.D.N.Y. 2006) ("Defendant [sought] dismissal of plaintiff's trademark infringement claim . . . on the basis that the complaint fail[ed] to allege that defendant's use of plaintiff's mark, Rescuecom, [was] an actionable 'trademark use.'"), *vacated*, 562 F.3d 123 (2d Cir. 2009); Gov't Employees Ins. Co. v. Google, Inc. (*GEICO*), 330 F. Supp. 2d 700 (E.D. Va. 2004) (defendant moved to dismiss by arguing that plaintiff's complaint failed to allege facts supporting a claim that defendant made a trademark use).

online contexts[41]—most recently in search-result advertising where Google's model stands alone in one vital respect: Google "sells" trademarked terms to advertisers through its AdWords program and uses those trademarked keywords to trigger advertisements for the parties that purchased those terms.[42]

A final significant feature animating the trademark-use doctrine is its propensity to generate debate. Scholars and courts dispute not only the proper authorizing language in the Lanham Act and the doctrine's potential virtues and vices, but also the very existence of the doctrine itself.[43]

C. Locating the Use Doctrine Within the Lanham Act: The Cases for and Against a Statutorily Prescribed Trademark-Use Doctrine

The Lanham Act contains no language expressly creating, adopting, or supporting the trademark-use doctrine.[44] Consequently, some scholars argue that the Lanham Act does not implicate the trademark-use doctrine at all and that trademark use is not an independent element of infringement.[45] They view the use doctrine as a "newly-minted" creature without a foundation in either the common law or the Lanham Act.[46] Other scholars contend that the trademark-use requirement does exist, but that it is not a

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41. *See, e.g.*, 1-800 Contacts, Inc. v. WhenU.Com, Inc., 414 F.3d 400, 404 (2d Cir. 2005) (pop-up advertisements); Playboy Enters., Inc. v. Netscape Commc'ns. Corp., 354 F.3d 1020, 1023 (9th Cir. 2004) (banner advertisements); Brookfield Commc'ns., Inc. v. W. Coast Entm't Corp., 174 F.3d 1036, 1043 (9th Cir. 1999) (domain names and metatags); *GEICO*, 330 F. Supp. 2d at 702–03 (search-result advertising).

42. Paul W. Garrity, *Search Engine Advertising 101*, METROPOLITAN CORP. COUNS., Mar. 1, 2007, at 18, 18. Microsoft's adCenter program does not allow advertisers to bid on keywords that might infringe upon others' trademarks and Yahoo! prohibits the use of keywords which "violate the trademark rights of others." *Id.*; *see also* Rescuecom Corp. v. Google Inc. (*Rescuecom II*), 562 F.3d 123, 125–26 (2d Cir. 2009) (explaining that "AdWords is Google's program through which advertisers purchase terms" and alleging that competitors purchased Rescuecom's trademark through Google's program).

43. Barrett, *supra* note 6, at 893 ("U.S. courts and scholars are debating the existence and scope of a 'trademark use' prerequisite for infringement liability . . . ."); *id.* at 897 ("[T]here are notable differences among the circuits concerning the source, scope, and meaning of this 'use' requirement."); *id.* at 898–99 ("Legal scholars have likewise divided over the existence and scope of the trademark use requirement.").

44. 4 MCCARTHY, *supra* note 13, § 23:11.50 ("[T]he Lanham Act nowhere explicitly states that 'use as a trademark' is required for an accused use to be an infringement."); Dinwoodie & Janis, *Confusion over Use*, *supra* note 3, at 1609 ("There is no statutory language expressly supporting the trademark use theory.").

45. Dinwoodie & Janis, *Trademark Use Debate*, *supra* note 25, at 1704 ("We still aren't persuaded that the language of the Lanham Act imposes a trademark use requirement . . . ."); *id.* at 1719 ("[W]e see the trademark use doctrine . . . as a newly-minted doctrine created for the purpose of resolving keyword cases but having (perhaps unforeseen) implications that transcend those cases." (footnote omitted)).

46. *Id.*

separate element and is not analyzed as an independent threshold matter.[47] Under this second interpretation, trademark use is implicitly analyzed within the likelihood-of-confusion framework.[48] Yet, another circle of scholars embrace the trademark-use doctrine as a fundamental aspect of trademark law and a necessary threshold inquiry in allegations of infringement.[49]

The use doctrine's proponents seek roots for the trademark-use requirement in various places. Some scholars argue that the doctrine developed at common law, though it remained unarticulated, and was implicitly codified in the Lanham Act.[50] Others argue that the "use in commerce" language embedded in various provisions of the Lanham Act establishes the trademark-use requirement.[51] Still others locate the requirement in the infringement provisions' affixation language mandating that the mark be used "on or in connection with" goods or services.[52] Of particular concern in this Note is the analysis based on the "use in commerce" language because the Second Circuit invoked the "use in commerce" interpretation in both *1-800 Contacts* and *Rescuecom*.

1. Arguments Advocating "Use in Commerce" as a Basis for the Trademark-Use Doctrine

In *1-800 Contacts*, the Second Circuit adopted the interpretation locating the trademark-use doctrine within the phrase "use in commerce."[53] Central to this interpretation is the fact that "[t]he [Lanham] Act employs the term 'use in commerce' in two very different contexts."[54] It imposes the "use in commerce" of a mark as a precondition to both acquiring trademark rights and enforcing those rights against alleged infringers.[55] Section 32 of the Lanham Act establishes "use in commerce" as an element of trademark infringement.[56] Section 45 governs the acquisition of trademark rights and

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47. 4 MCCARTHY, *supra* note 13, § 23:11.50 ("It is my view that there is no separate statutory requirement of 'trademark use.' . . . Thus, 'trademark use' is not a separate element of plaintiff's case, but is only one aspect of the likelihood of confusion requirement for infringement.").

48. *Id.*

49. *See generally* Dogan & Lemley, *Grounding Trademark Law*, *supra* note 10 (embracing the trademark-use doctrine).

50. *See* Dinwoodie & Janis, *Confusion over Use*, *supra* note 3, at 1616–18 (describing and refuting the common-law-incorporation argument).

51. *Id.* at 1609–15 (describing and critiquing the argument locating the use doctrine in section 45's "use in commerce" definition).

52. *Id.* (describing and critiquing the argument locating the use doctrine within the "on or in connection with" clause).

53. 1-800 Contacts, Inc. v. WhenU.Com, Inc., 414 F.3d 400, 407–09 (2d Cir. 2005).

54. Rescuecom Corp. v. Google Inc. (*Rescuecom II*), 562 F.3d 123, 133 (2d Cir. 2009).

55. Lanham Act § 32(1)(a), 15 U.S.C. § 1114(1)(a) (2006) (requiring a "use in commerce" to state an actionable claim for trademark infringement); Lanham Act § 45, 15 U.S.C. § 1127 (requiring a "use in commerce" to acquire rights in a mark).

56. 15 U.S.C. § 1114(1)(a).

requires one to make a "use in commerce" to acquire rights in a mark.[57] Section 45 also supplies a definition for the phrase "use in commerce" providing that:

> The term "use in commerce" means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce—
>
> (1) on goods when—
>
> (A) it is placed in any manner on the goods or their containers or the display associated therewith or on the tags or labels affixed thereto, or . . . on documents associated with the goods or their sale, and
>
> (B) the goods are sold or transported in commerce, and
>
> (2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce . . . .[58]

Trademark-use advocates argue that section 45's "use in commerce" definition requires a particular *type* of use—specifically, a source-designating use. Accordingly, they contend that the definition embodies the trademark-use doctrine.[59] Proponents then argue that section 45's definition applies to all recitations of the phrase "use in commerce" in the statute.[60] Thus, they impute section 45's definition and the attendant use requirement to the infringement provisions and require, in accordance with the doctrine, that defendants use plaintiffs' marks in a source-designating fashion before courts may contemplate whether a likelihood of confusion exists.[61]

2. Arguments Rejecting "Use in Commerce" as the Basis for the Trademark-Use Doctrine

Scholars and courts that reject the use doctrine and deny "use in commerce" as a basis for the doctrine argue that Congress never intended section 45's definition to apply in the infringement context. Rather, they argue, Congress intended section 45's definition to apply only in the acquisition-of-rights context.[62] Accordingly, they contend that use theorists

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57. 15 U.S.C. § 1127.

58. *Id.*

59. Barrett, *supra* note 6, at 943–57.

60. *Id.* at 943–44.

61. *Id.* at 943–51.

62. Dinwoodie & Janis, *Confusion over Use*, *supra* note 3, at 1609–12 (arguing that section 45's "use in commerce" language does not establish a trademark-use requirement in infringement contexts).

incorrectly impose a trademark-use requirement based on an erroneous interpretation of the Lanham Act.

Advocates adhering to this position cite a Senate Report generated during the 1988 congressional amendment to section 45's definition of "use in commerce."[63] This Senate Report stated that "'the revised ["use in commerce"] definition is intended to apply to all aspects of the trademark-registration process . . . . Clearly, however, use of any type will continue to be considered in an infringement action.'"[64] Courts and scholars use this Senate Report to suggest that Congress meant only to define the conduct necessary to acquire trademark rights, not the conduct that gives rise to infringement liability.[65]

A further argument contends that "use in commerce" is simply a jurisdiction-invoking phrase in the infringement provisions that preserves Congress's power to regulate trademarks.[66] Congress situated its power to enact trademark legislation within the Commerce Clause to overcome threats of unconstitutionally overreaching its power.[67] According to this argument, the phrase "use in commerce," therefore, appears simply to indicate that Congress has rooted its ability to regulate trademarks within its constitutional power to regulate commerce.[68]

D. The Essential Background to Rescuecom*:* 1-800 Contacts, Inc. v. WhenU.com, Inc. *as a Precursor and the Search-Result-Advertising Business Model*

Since Congress formulated and enacted the Lanham Act well before the Internet's development and ubiquitous use,[69] the Internet has provided unique opportunities for trademark-infringing conduct unanticipated by those who enacted the statute.[70] Innovative actors have found new ways to

63. *Id.* at 1611–12.

64. *Id.* (quoting S. REP. NO. 100-515, at 44–45 (1988)).

65. *See, e.g.*, Rescuecom Corp. v. Google Inc. (*Rescuecom II*), 562 F.3d 123, 138 (2d Cir. 2009) (explaining that "[t]he Senate Report for the 1988 amendment confirms that the definition in [section 45] was meant to apply only to registering a mark rather than infringing one"); *see also* Dinwoodie & Janis, *Confusion over Use*, *supra* note 3, at 1611–12 (stating that the Senate Report "favors treating the 'use in commerce' language as relevant only to registration").

66. Dinwoodie & Janis, *Confusion over Use*, *supra* note 3, at 1610–11.

67. *Id.* (stating that absent the "use in commerce" language in the Lanham Act's provisions, "Congress might lack authority to enact federal trademark legislation by virtue of the Supreme Court's opinion in *The Trade-Mark Cases*").

68. *Id.* at 1610–11 ("Thus the phrase appears not only in the provision authorizing federal registration, but also in the infringement provisions creating causes of action in the federal courts with respect to both registered and unregistered marks.").

69. *See* MERGES ET AL., *supra* note 15, at 634 (detailing trademark law's statutory evolution and eventual codification in its current form—the Lanham Act).

70. Cohen, *supra* note 7, at 12 ("[I]n most cases involving Internet search engines, third-party trademarks aren't physically put on anything—not a product, not even the advertisement.

use others' marks online, and trademark owners have vigilantly challenged the new conduct. Judicial decisions across the nation have yet to coalesce around one consistent interpretation or analytical approach to allegations of online trademark infringement.[71] The Second Circuit's decision in *1-800 Contacts* is important because it applied the trademark-use doctrine strictly.[72] This led the Second Circuit to outcomes different than those reached in other circuits, threatened a circuit split over the issue of trademark use, and provided the analytical foundation for the Second Circuit's subsequent *Rescuecom* decision.

1. *1-800 Contacts, Inc. v. WhenU.Com, Inc.*: Trademark Use and the Precursor to *Rescuecom*

In *1-800 Contacts*, the plaintiff challenged the defendant's online pop-up advertisements, and the court's decision established the analytical foundation for the Second Circuit's later *Rescuecom* opinion. The defendant included 1-800 Contacts's website address in an unpublished directory of terms and triggered pop-up advertisements in response to a computer user's online conduct.[73] The plaintiff argued that including 1-800 Contacts's website in the internal directory and triggering the advertisements' display amounted to trademark infringement.[74] The court, however, held that the defendant did not make the requisite trademark use necessary for infringement and,[75] consequently, the plaintiff's trademark-infringement claims failed.[76]

Instead, the trademark is used only as a trigger."); *see* Dogan & Lemley, *Grounding Trademark Law*, *supra* note 10, at 1672 ("[T]he vast majority of cases in the pre-Internet era involved defendants that clearly had used the mark (or something like it) as a visible device in marketing their own products. Courts rarely . . . faced claims against parties whose use of a trademark did not fit the traditional model.").

71. *See* Cohen, *supra* note 7, at 12 (pointing out that when it comes to search-result advertising, "there are three things on which all agree[: i]t's enormously profitable for the search engines[, i]t's phenomenally effective for the advertisers[, a]nd the case law is a mess").

72. 1-800 Contacts, Inc. v. WhenU.Com, Inc., 414 F.3d 400, 411–12 (2d Cir. 2005). *1-800 Contacts* involved pop-up advertisements rather than search-result advertising. *Id.* at 402. Despite this factual distinction, *1-800 Contacts* is important because it adopts the strict trademark-use doctrine later revisited in the *Rescuecom II* opinion.

73. *Id.* at 404 (explaining that WhenU's proprietary software "'responds to a [computer user's] "in-the-moment" activities by generating pop-up advertisement windows' that are relevant to those specific activities" (citation omitted)). These pop-up advertisements, in contrast to search-result advertising, appear in a window separate from the search-results page. *Id.* at 404–05. Furthermore, the frame surrounding the pop-up advertisement includes a label stating, "'A WhenU Offer-click ? for info.'" *Id.* at 405.

74. *Id.*

75. *Id.* at 403 ("We hold that, as a matter of law, WhenU does not 'use' 1-800's trademarks within the meaning of the Lanham Act . . . .").

76. *Id.* at 412.

The Second Circuit reached this outcome by articulating and applying a strict derivation of the trademark-use doctrine.[77] The court located the trademark-use doctrine in section 45's "use in commerce" definition and imputed section 45's definition to the infringement provision.[78] It then divorced "use" from the phrase "in commerce" and dissected the infringement analysis into three distinct inquires: (1) use, (2) in commerce, and (3) likelihood of confusion.[79]

This tripartite test explicitly invoked a strict derivation of the trademark-use doctrine by requiring a threshold-use determination wholly precluding considerations of confusion.[80] The court explained that under this test, although a variety of activities may create a likelihood of confusion, "no such activity is actionable under the Lanham Act" absent an initial finding of trademark use.[81] Thus, where the defendant does not make a trademark use, the analysis ends; there is no determination of confusion, and there can be no infringement.[82]

The *1-800 Contacts* court cited multiple reasons for its decision that the defendant failed to make a trademark use. Its internal-use justification gained traction among Second Circuit district courts and provided the basis for subsequent courts' dismissals.[83] This rationale suggested that using another's mark internally "simply does not violate the Lanham Act."[84] An internal use employs the mark in a way "that does not communicate it to the

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77. *1-800 Contacts*, 414 F.3d at 406 (employing a threshold-use analysis devoid of considerations of confusion, the court stated: "Because we agree with WhenU that it does not 'use' 1-800's trademarks, we need not and do not discuss the issue of likelihood of confusion"); *id.* at 412 ("[U]se must be decided as a threshold matter because, while any number of activities may be 'in commerce' or create a likelihood of confusion, no such activity is actionable under the Lanham Act absent the 'use' of a trademark.").

78. *Id.* at 407–08 (reiterating section 45's "use in commerce" definition—laid out in 15 U.S.C. § 1127—and "not[ing] that WhenU does not 'use' 1-800's trademark in the manner ordinarily at issue in an infringement claim: it does not 'place' 1-800 trademarks on any goods or services in order to pass them off as emanating from or authorized by 1-800").

79. *Id.* at 412.

80. *Id.* ("'[U]se' must be decided as a threshold matter because, while any number of activities may be 'in commerce' or create a likelihood of confusion, no such activity is actionable under the Lanham Act absent the 'use' of a trademark." (citation omitted)).

81. *Id.*

82. *1-800 Contacts*, 414 F.3d at 406 (stating that since WhenU did not "'use' 1-800's trademarks" the court "need not and do[es] not address the issue of likelihood of confusion").

83. *See* S&L Vitamins, Inc. v. Austl. Gold, Inc., 521 F. Supp. 2d 188, 199–202 (E.D.N.Y. 2007) ("[S]trictly internal [use] . . . does not constitute Lanham Act 'use.'"); *see also* Merck & Co. v. Mediplan Health Consulting, Inc., 425 F. Supp. 2d 402, 415–16 (S.D.N.Y. 2006) ("This internal use of the mark 'Zocor' as a key word to trigger the display of sponsored links is not use of the mark in a trademark sense.").

84. *1-800 Contacts*, 414 F.3d at 409. The court explained that "[a] company's internal utilization of a trademark in a way that does not communicate it to the public is analogous to an individual's private thoughts about a trademark. Such conduct simply does not violate the Lanham Act . . . ." *Id.*

public"—that is, the public never sees the defendant's conduct involving the mark.[85] The court emphasized the internal nature of the defendant's use in *1-800 Contacts* by stating, "the only place WhenU reproduces the address is in the . . . directory[, which] . . . is inaccessible to both the [computer] user and the general public."[86]

The court also reasoned that the defendant did not use 1-800 Contacts's trademark. Rather it used the plaintiff's website address, www.1-800contacts.com, in the internal directory.[87] Additionally, the court found it important that the defendant did not "link trademarks to any particular competitor's ads, and a customer [could not] pay to have its pop-up ad appear . . . in connection with any particular trademark."[88] The strict trademark-use approach applied in *1-800 Contacts* contrasts with other courts' online trademark-infringement analyses as explored below.

2. Analytical Approaches Among Various Courts

The Ninth Circuit, in *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, focused almost exclusively on the likelihood-of-confusion assessment, which it knighted the "core element of trademark infringement."[89] The court did not expressly acknowledge or apply the use doctrine and relegated questions of whether the defendant used the mark to approximately one sentence and two footnotes.[90] It briskly stated that the "defendants used the marks in commerce" without elaborating on why the defendant's conduct qualified as a potentially actionable use.[91]

The court's analytical approach is not entirely clear, and there are three plausible frameworks under which the court may have operated. First, it may have tacitly applied the threshold-use analysis, found the requisite source-identifying use, and simply left this analysis unarticulated but implicit within the opinion. Under this approach, the implication that the court applied a threshold-use analysis derives from the fact that the court analyzed the likelihood of confusion which, according to use theorists, it would not do absent a prerequisite finding of use.[92]

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85. *Id.*

86. *Id.* The court also stated that the "fatal flaw . . . is that WhenU's pop-up ads do *not* display the 1-800 trademark." *Id.* at 410.

87. *Id.* at 408.

88. *Id.* at 412.

89. Playboy Enters., Inc. v. Netscape Commc'ns Corp., 354 F.3d 1020, 1024 (9th Cir. 2004). Although this case involved banner advertisements, it is important for its analytical underpinnings, namely, that it did not expressly acknowledge or apply the trademark-use doctrine. *Id.*

90. *Id.*

91. *Id.*

92. *See* notes 27, 35–38 and accompanying text (noting that subordinating considerations of confusion is a signature trait of the trademark-use doctrine).

Second, the court may have refrained from applying or recognizing the use doctrine altogether. It may have interpreted the phrase "use in commerce" simply as a jurisdictional statement situating Congress's power to regulate trademarks within its constitutional power to regulate commerce.[93] Under the second approach, the phrase "use in commerce" would not impose an additional requirement for trademark infringement and the court, accordingly, would not have engaged in a threshold-use determination. Third, the court may have rejected the use doctrine by reasoning that the definition of "use in commerce" applies only in the rights-acquisition context, and does not modify or limit the infringement provisions.[94] Under the third approach, the court, again, would not have employed the use doctrine. Although the court's analytical approach is not entirely clear, the Ninth Circuit's brisk determination of use and confusion-centric approach contrasts starkly with the Second Circuit's strict use analysis exemplified by *1-800 Contacts*.

Government Employees Insurance Co. v. Google, Inc. (*GEICO*) further illustrates the non-uniform analyses employed among courts. In *GEICO*, the plaintiff alleged that Google "unlawfully used its trademarks by allowing advertisers to bid on the trademarks" and by linking others' advertisements to the marks.[95] The court explicitly applied the use doctrine and found that the plaintiff adequately alleged that the defendant made a trademark use.[96]

The *GEICO* court, however, applied a more lenient derivation of the trademark-use doctrine than that applied in the Second Circuit's *1-800 Contacts* decision. It is a more lenient construction of the use doctrine because *GEICO*'s approach folds considerations of confusion into its initial trademark-use analysis. This is demonstrated by the court's reasoning which finds the requisite trademark use while acknowledging that the defendant's conduct may create confusion: "when defendants sell the rights to link advertising to plaintiff's trademarks, defendants are using the trademarks in commerce [(use)] in a way that may imply that defendants have permission from the trademark holder to do so [(confusion)]."[97] *GEICO*'s more lenient understanding of the trademark-use doctrine resulted in an analytical approach that contrasted with the Second Circuit's strict interpretation of the use doctrine. Under its more lenient conception, the *GEICO* court incorporated considerations of confusion during its initial use analysis;

93. *Playboy*, 354 F.3d at 1024 n.11 ("Federal jurisdiction over trademark cases rests on the Commerce Clause, sweeps as broadly as possible, and clearly encompasses the circumstances of this case.").

94. *Id.* (stating that section 45's definition of "use in commerce" "applies to the required use a plaintiff must make in order to have rights in a mark").

95. Gov't Employees Ins. Co. v. Google, Inc. (*GEICO*), 330 F. Supp. 2d 700, 704 (E.D. Va. 2004).

96. *Id.* at 702–04.

97. *Id.* at 704.

whereas the Second Circuit, in *1-800 Contacts*, demanded a use analysis entirely devoid of considerations of confusion.[98]

Interpreting and applying the Lanham Act consistently is desirable because these decisions "will have a tremendous impact on both Internet-based commerce and on the overall evolution of trademark law."[99] A patchwork of divergent analyses negates trademark law's ability to effectively and beneficially regulate Internet-based commerce. Developing consistent standards is necessary to set the boundaries of permissible conduct, to prevent renegade commercial practices from impeding the Internet's effectiveness, and to structure the Internet's enormous market so that it functions optimally for both consumers and producers. Search-result advertising is the recent frontier providing courts the opportunity to further assess these analytical approaches.

3. Search-Result Advertising and the Use Doctrine

a. The Business Model: What Is Search-Result Advertising?

Rescuecom and a variety of other companies[100] have argued that search-result advertising, exemplified by Google's AdWords program,[101] constitutes trademark infringement. The search-result-advertising issue crystallizes around the dual practices of (1) selling trademarked terms as keywords and (2) using trademarks to generate competitors' advertisements.[102]

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98. *See supra* Part II.D.1 (discussing the Second Circuit's approach in *1-800 Contacts*, which contrasts with the court's approach in *GEICO*).

99. Dogan & Lemley, *Grounding Trademark Law*, *supra* note 10, at 1672.

100. *See infra* notes 102 and 114 (providing a non-exhaustive list of companies that have alleged that Google's search-result-advertising program constitutes trademark infringement).

101. "AdWords is Google's program through which advertisers purchase terms (or keywords)." Rescuecom Corp. v. Google Inc. (*Rescuecom II*), 562 F.3d 123, 125 (2d Cir. 2009). "In addition to AdWords, Google also employs Keyword Suggestion Tool, a program that recommends keywords to advertisers to be purchased." *Id.* at 126.

102. Rescuecom Corp. v. Google, Inc. (*Rescuecom I*), 456 F. Supp. 2d 393, 395–96 (N.D.N.Y. 2006), *vacated*, 563 F.3d 123 (2d Cir. 2009). The court demonstrated that the search-result-advertising issue revolved around Google selling the trademark and using the trademark to trigger advertisements by stating:

> Defendant contends that selling "Rescuecom", plaintiff's trademark, to plaintiff's competitors as a keyword that triggers the appearance of links to their websites among the search results an Internet user receives when he or she enters "Rescuecom" in Google, defendant's Internet search engine, is not a trademark "use" within the meaning of the Lanham Act.

Id. (footnote omitted); *see also* Google Inc. v. Am. Blind & Wallpaper, No. C 03-5340 JF (RS), 2007 WL 1159950, at *1 (N.D. Cal. Apr. 18, 2007) (framing the issue around "the sale by Google . . . of trademarked terms belonging to [plaintiff] as keywords that trigger 'Sponsored Links' on Google's search results pages"); Gov't Employees Ins. Co. v. Google, Inc. (*GEICO*),

Search-result advertising is one of the fastest growing advertising mediums in America.[103] It generates billions of dollars in revenue for search engines, like Google, that employ the business model.[104] To begin a search, a person enters a keyword into the search field and, upon launching the search, Google uses the keyword to generate two types of results: (1) a list of links to websites objectively relevant to the search term based on proprietary algorithms and (2) a list of advertisements, or "Sponsored Links," whose placement is subjectively based on considerations including the advertiser's bid price and the advertisement's click-through rate.[105] The keyword entered into the search field triggers the paid advertisements' display and a link to the advertisers' websites.[106]

These advertisements, and the keywords sold to trigger their display, stand at the center of the trademark-infringement controversy in *Rescuecom.*[107] Although a variety of search engines generate advertisements that correlate with the search term, Google stands alone in one vital respect: Google "sells" trademarked terms as keywords to advertisers through its AdWords program, and it uses those trademarked keywords to trigger advertisements for the parties who purchased those terms.[108] Google displays the "advertisements on the search result page either in the right margin or in a horizontal band immediately above the column of relevance-based search results."[109] Since the advertisements' placement depends in

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330 F. Supp. 2d 700, 704 (E.D. Va. 2004) (framing the issue around defendant's alleged sale of trademarks and defendant's practice of linking those trademarks to others' advertisements).

103. Garrity, *supra* note 42, at 1.

104. Darrow & Ferrera, *supra* note 14, at 226 (citing Google Inc., Annual Report (Form 10-K), at 36 (Feb. 15, 2008); Google Inc., Quarterly Report (Form 10-Q), at 21 (May 12, 2008) ("Advertising revenues made up 98% of our revenues for the three months ended March 31, 2008 . . . .")); Eric Bangeman, *A Peek Inside Google's War Chest*, ARS TECHNICA, Mar. 2, 2007, http://arstechnica.com/business/news/2007/03/8966.ars (stating that Google reported $10.6 billion in revenue in 2006 and that advertising accounted for about ninety-nine percent of this revenue).

105. Claudia Ray & Brendan T. Kehoe, *'Rescuecom v. Google': Second Circuit on Keyword Issue*, N.Y. L.J., Apr. 15, 2008, at 4, 4 (explaining the search-result-advertising "issue," in response to the following question posed at an intellectual-property-law conference: "'What is the "keyword issue"; I don't really get it?'"); *see* Cohen, *supra* note 7, at 12 (explaining the issue surrounding "search engine advertising"); Danny Sullivan & Claudia Bruemmer, *Paid Search Advertising: Google AdWords, Yahoo Search Marketing and Microsoft adCenter*, SEARCH ENGINE WATCH, Mar. 12, 2007, *available at* http://www.searchenginewatch.com/2167821 (explaining how Google AdWords ranks sponsored links); *see also Rescuecom II*, 562 F.3d at 125–26 (explaining Google's search-result-advertising business model and the conduct with which Rescuecom took issue).

106. *Rescuecom II*, 562 F.3d at 125.

107. *Id.* at 125–31 (analyzing trademark-infringement claims targeting Google's search-result-advertising practices of selling trademarked keywords and using the trademarked keywords to trigger both advertisements and links to competitors' websites).

108. Garrity, *supra* note 42. Microsoft's adCenter program does not allow advertisers to bid on keywords that might infringe upon others' trademark rights and Yahoo! prohibits the use of keywords which "violate the trademark rights of others." *Id.*

109. *Rescuecom II*, 562 F.3d at 126.

part on the price an advertiser is willing to pay, advertisers can obtain priority placement among the highly visible results by bidding on an established competitor's reputable mark. Google has, thus, been coined "the world's most valuable online advertising agency disguised as a web-search engine."[110]

The following scenarios illustrate the search-result-advertising issue. Since Google allows companies to buy others' trademarks and link an advertisement to those terms, PepsiCo can ensure that every time a consumer searches for its competitor, Coca-Cola, the consumer simultaneously sees sponsored advertisements for Pepsi's products at the top of the results page.[111] Another pointed example derives from Mazda's conduct in response to an advertising campaign launched by Pontiac. In 2006, Pontiac launched television advertisements instructing consumers to "Google Pontiac."[112] Mazda then purchased the term "Pontiac" through Google's AdWords program. Thus, each time a person searched for Pontiac, Mazda's advertisements appeared.[113] These examples demonstrate the search-result-advertising conduct with which companies have taken issue and filed suit.

b. Search-Result Advertising in Case Law: The Infringement Claim and the Second Circuit's Impending Solitary Position

Companies whose trademarks have been sold through Google's search-result-advertising service have brought claims against both the search engine and the purchasing advertisers, alleging that they have engaged in trademark infringement.[114] These plaintiffs allege that the defendants'

110. *Internet Advertising: The Ultimate Marketing Machine*, ECONOMIST, July 6, 2006, *available at* http://www.economist.com/businessfinance/displayStory.cfm?story_id=7138905.

111. Edwards, *supra* note 1, at 6.

112. *Id.* As an aside, this campaign likely garnered a response from Google demanding they stop instructing consumers to "Google Pontiac" to guard against any subsequent allegation of genericide. Genericide occurs when "the public [has] expropriated a term established by a product developer" and the term "has come to signify a category of products rather than a single product/source combination." The Murphy Door Bed Co., Inc. v. Interior Sleep Sys., Inc., 874 F.2d 95, 101 (2d Cir. 1989); MERGES ET AL., *supra* note 15, at 795. An allegation of genericide, if proven, abrogates a company's exclusive rights in a mark and enables others to use the mark. *Murphy Door Bed,* 874 F.2d at 101; MERGES ET AL., *supra* note 15, at 795. Consequently, "[t]rademark lawyers . . . seek to prevent their clients' terms from being used as nouns or verbs, fearing that this will lead to their use as the generic term." MERGES ET AL., *supra* note 15, at 792.

113. Edwards, *supra* note 1, at 6.

114. *See, e.g.*, *Rescuecom II*, 562 F.3d at 124 (claiming that Google, a search engine, engaged in trademark infringement); J.G. Wentworth, S.S.C. Ltd. P'ship v. Settlement Funding LLC, No. 06-0597, 2007 WL 30115, at *1 (E.D. Pa. Jan. 4, 2007) (claiming that plaintiff's competitor, a purchasing advertiser, engaged in trademark infringement through Google's AdWords program).

conduct creates sponsorship or affiliation confusion.[115] Under this type of confusion, a defendant's conduct leads consumers to erroneously believe that there is some degree of affiliation between the mark owner and the alleged infringer.[116] Consumers may believe, for instance, that the mark owner has given the alleged infringer permission to use the mark, that the mark owner and the alleged infringer are engaged in a joint venture together, or that mark owner is sponsoring and endorsing the alleged infringer.[117] Rescuecom, for example, alleged that Google's search-result-advertising practices "confused or deceived [consumers] into thinking that the linking ads were authorized[,] . . . approved by[, or affiliated with] the company whose trademark they typed into the search engine."[118]

As explored earlier, defendants often invoke the use doctrine to defend against these claims.[119] They argue that infringement requires a trademark use, that their conduct does not qualify as a trademark use, and that they are, therefore, not liable for infringement.[120] Courts outside the Second Circuit have held, almost uniformly, that allegations of search-result advertising satisfy the use required to state a claim for infringement.[121] Meanwhile, the Northern District of New York reached the opposite conclusion in *Rescuecom*—holding that an allegation of search-result

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115. *See Rescuecom II*, 562 F.3d at 130–31 (arguing that Google's conduct leads searchers to mistakenly believe "that these ads or websites are sponsored by, or affiliated with Rescuecom").

116. *Id.*

117. *See* MERGES ET AL., *supra* note 15, at 733 (explaining sponsorship or affiliation confusion as conduct that creates confusion by causing persons to "believe that the trademark owner is affiliated with or sponsors the infringer's products").

118. 4 MCCARTHY, *supra* note 13, § 25:70.25.

119. *Id.* ("The first line of defense in many of the keyword cases has been a Fed. R. Civ. P. 12(b)(6) motion to dismiss on the ground that the use of trademarks as keywords sold to advertisers by a search engine is not a statutory 'use' of plaintiff's trademark.").

120. *Id.*

121. *See, e.g.*, Buying for the Home, LLC v. Humble Abode, LLC, 459 F. Supp. 2d 310, 321, 323 (D.N.J. 2006) (holding that the plaintiff "satisfied the 'use' requirement of the Lanham Act" where plaintiffs alleged that defendant–competitors engaged in trademark infringement by purchasing advertising through Google's search-result-advertising service); 800-JR Cigar, Inc. v. GoTo.com, Inc., 437 F. Supp. 2d 273, 285 (D.N.J. 2006) (holding that, as a matter of law, the defendant, which operated a search-result-advertising service similar to Google's, made a "trademark use of JR Cigar's trademarks"); Edina Realty, Inc. v. TheMLSonline.com, No. Civ. 04-4371JRTFLN, 2006 WL 737064, at *3 (D. Minn. Mar. 20, 2006) (holding that the defendant "use[d] the Edina Realty mark" within the meaning of the Lanham Act when it purchased plaintiff's marks through Google's AdWords service); Gov't Employees Ins. Co. v. Google, Inc. (*GEICO*), 330 F. Supp. 2d 700, 705 (E.D. Va. 2004) (holding that the plaintiff "pled sufficient facts which . . . allege 'trademark use'" in its complaint against Google's search-result-advertising service); *see also* Posting of Ashby Jones to The Wall Street Journal Law Blog, Bad Results for Google in Recent 2nd Circuit Ruling over Keywords, http://blogs.wsj.com/law/2009/04/06/bad-results-for-google-in-recent-2nd-circuit-ruling-over-keywords/ (Apr. 6, 2009, 12:39 PM ET) ("'Every single district court outside of the 2nd Circuit found that the purchasing of a competitor's keyword to trigger ads at least met the threshold question of stating a claim . . . .'" (quoting Ian Ballon, an Internet attorney at Greenberg Traurig, LLP)).

advertising did not satisfy the use required to state a claim for infringement and dismissing the claim on summary judgment.[122] Reading *1-800 Contacts* and the district court's decision in *Rescuecom* together, the Second Circuit appeared poised to apply the use doctrine strictly, facilitating outcomes fundamentally different than those obtained by courts outside the Second Circuit.

It is against this backdrop, where the Northern District of New York applied the trademark-use doctrine strictly and attained an outcome fundamentally different than those achieved by district courts in other circuits, that the Second Circuit decided *Rescuecom*. *Rescuecom* thus provided the Second Circuit the opportunity to reassess and modify the application of its law.

III. THE SECOND CIRCUIT'S OPINION IN *RESCUECOM CORP. V. GOOGLE INC.*

In *Rescuecom Corp. v. Google Inc.*, Rescuecom[123] alleged that Google's search-result-advertising practices constituted trademark infringement.[124] It argued that Google sold its trademark as a keyword to competitors and caused competitors' advertisements to appear on users' screens whenever a user searched for the term "Rescuecom."[125] Rescuecom contended that Google's presentation of advertisements, in response to searchers' queries for "Rescuecom," failed to clearly distinguish Sponsored Links as purchased advertisements rather than relevant results.[126] Consequently, Rescuecom argued that Google's presentation of advertisements was "likely to cause confusion or to deceive consumers into believing that competitors [were] affiliated with Rescuecom."[127]

The Northern District of New York dismissed the claims against Google, basing its opinion largely on the analysis adopted in the Second Circuit's prior *1-800 Contacts* decision.[128] The district court invoked the strict trademark-use doctrine and followed *1-800 Contacts*'s lead by stating that, in

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122. Rescuecom Corp. v. Google, Inc. (*Rescuecom I*), 456 F. Supp. 2d 393, 403 (N.D.N.Y. 2006), *vacated*, 562 F.3d 123 (2d Cir. 2009).

123. "Rescuecom is a national computer service franchising company that offers on-site computer services and sales." Rescuecom Corp. v. Google Inc. (*Rescuecom II*), 562 F.3d 123, 125 (2d Cir. 2009). RESCUECOM is a registered federal trademark—registered in 1998—and the parties did not dispute the mark's validity. *Id.*

124. This Note focuses only on the trademark-infringement allegations. Rescuecom also alleged causes of action for false designation of origin and dilution under the Lanham Act. *Id.* at 127. Those claims, however, exceed the scope of this Note.

125. *Id.* at 127.

126. *Id.* at 131.

127. *Id.* at 126 (stating that a user might easily believe that the advertisements are part of the relevance-based search results, and that "the appearance of a competitor's ad and link in response to a searcher's search for Rescuecom is likely to cause trademark confusion as to affiliation, origin, sponsorship, or approval of service").

128. *Rescuecom II*, 562 F.3d at 124 ("The district court believed the dismissal of the action was compelled by our holding in *1-800 Contacts, Inc. v. WhenU.Com, Inc.* . . . .").

the Second Circuit, three separate elements constitute trademark infringement: (1) use, (2) in commerce, and (3) likelihood of confusion.[129] The court engaged in a threshold-use analysis requiring defendants to make a trademark use—a use of the plaintiff's mark "indicating source or origin."[130] The district court held that Google did not make the requisite trademark use of Rescuecom's mark for one of two alternate reasons: (1) because it failed to place Rescuecom's mark on any goods, containers, displays, or advertisements or (2) because selling the trademark and using it to trigger advertisements were internal uses not amounting to a trademark use within the meaning of the Lanham Act.[131] As such, the district court never addressed whether Google's conduct created a likelihood of confusion.

The Second Circuit reversed the district court's dismissal and reinstated Rescuecom's complaint.[132] The court expressly reaffirmed its decision in *1-800 Contacts*[133] and applied the same statutory interpretation: that the Lanham Act's infringement provisions incorporate section 45's "use in commerce" definition and the attendant use doctrine.[134] It conducted a threshold-use analysis. This time, however, the court held that Rescuecom adequately alleged that "Google's use of Rescuecom's mark was a 'use in commerce.'"[135]

Pursuant to *1-800 Contacts*'s precedential statutory interpretation, a service provider is liable for infringement if it "use[s] or display[s] [the mark at issue] in the sale or advertising of services and the services [are]

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129. Rescuecom Corp. v. Google, Inc. (*Rescuecom I*), 456 F. Supp. 2d 393, 400 (N.D.N.Y. 2006), *vacated*, 562 F.3d 123 (2d Cir. 2009). The district court emphasized the application of the Second Circuit's strict trademark-use doctrine by stating:

> [T]o the extent GEICO and *Edina Realty* base findings of trademark use on allegations of a likelihood of confusion or commercial use of a mark, they are inconsistent with the law of the Second Circuit which specifies that trademark use, in commerce, and likelihood of confusion are three separate elements.

Id. (citation omitted).

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

131. *Id.* at 403. The court stated that "in the absence of allegations that defendant placed plaintiff's trademark on any goods, displays, containers, or advertisements, or used plaintiff's trademark in any way that indicates source or origin, plaintiff can prove no facts in support of its claim which would demonstrate trademark use." *Id.* at 400.

132. *Rescuecom II*, 562 F.3d at 124 ("[W]e vacate the judgment dismissing the action and remand for further proceedings.").

133. *Id.* at 131 ("Our court's ruling in *1-800* . . . was undoubtedly the correct result.").

134. *Id.* at 127, 129 (stating the statutory interpretation as follows: "[o]ur court ruled in *1-800* that a complaint fails to state a claim under the Lanham Act unless it alleges that the defendant has made a 'use in commerce' of the plaintiff's trademark as the term 'use in commerce' is defined in 15 U.S.C. § 1127"; and applying the same statutory interpretation: "Google's utilization of Rescuecom's mark fits literally within the terms specified by 15 U.S.C. § 1127").

135. *Id.* at 127.

rendered in commerce."[136] The court explained that Google provides advertising services through its AdWords program.[137] Consequently, the court of appeals held that "Google's utilization of Rescuecom's mark fit[] literally within the terms specified by [section 45:] Google *uses* and sells Rescuecom's mark 'in the sale . . . of [its advertising] services . . . rendered in commerce.'"[138] Rescuecom, therefore, adequately alleged an actionable claim in its pleadings.[139]

The court of appeals claimed to reach a different outcome than it did in *1-800 Contacts* by distinguishing the two cases factually and coining them "materially different."[140] The court reasoned that the *1-800 Contacts* defendant "did not use, reproduce, or display the plaintiff's marks *at all*"[141]: the defendant did not sell the plaintiff's trademark and it was the plaintiff's website address, not its trademark, that allegedly triggered the pop-up advertisements.[142] Additionally, the defendant in *1-800 Contacts* did not manipulate or control which advertisement popped up in response to any particular term.[143]

In contrast, according to the court, Google displays, offers, recommends, and *sells* Rescuecom's *trademark* to advertisers and then uses the trademarked term to actually trigger competitors' advertisements.[144] Moreover, Google manipulates which advertisements display by linking Rescuecom's trademark to the purchaser's advertisement, which ensures that the purchaser's advertisement displays every time a searcher types Rescuecom's mark into the search field.[145]

Conspicuously absent from the court of appeal's analysis is the Second Circuit's previously explicit statements that infringement requires three separate elements: (1) use, (2) in commerce, and (3) likelihood of confusion. The court did not expressly divide its infringement standard into the tripartite test articulated previously, nor did it explicitly mandate that use be analyzed completely devoid of the likelihood-of-confusion inquiry.[146] The analysis further departed from prior Second Circuit decisions by actually entertaining considerations of confusion during its threshold use

136. Lanham Act § 45, 15 U.S.C. § 1127 (2006); *Rescuecom II*, 562 F.3d at 128.

137. *Rescuecom II*, 562 F.3d at 129.

138. *Id.* (quoting 15 U.S.C. § 1227 (emphasis added)).

139. *Id.* at 124.

140. *Id.* at 127.

141. *Id.* at 128 (emphasis in original).

142. *Rescuecom II*, 562 F.3d at 128 (pointing out that the plaintiff did not use or claim the website address as a trademark).

143. *Id.* at 129.

144. *Id.*

145. *Id.* at 126.

146. *See generally Rescuecom II*, 562 F.3d 123 (failing to articulate the tripartite test and omitting its prior refrain that use must be analyzed entirely devoid of the likelihood-of-confusion inquiry).

analysis. For instance, the court rebuffed Google's product-placement analogy and explained that product placement in brick-and-mortar stores "escapes liability because it . . . does not cause a *likelihood of confusion*[,] . . . not by reason of an absence of" a particular type of use.[147] It further intoned that an alleged infringer's use of a mark will not escape liability by virtue of the type of conduct irrespective of "how likely the use is to *cause confusion* in the marketplace."[148]

Under the Second Circuit's previously applied strict use doctrine, however, the court would not have entertained considerations of consumer confusion at this point in the analysis.[149] It would have analyzed only the nature of Google's conduct to determine whether that conduct amounted to the requisite trademark use.[150] If the court found trademark use, it would then analyze whether that use was "in commerce."[151] Only then could it concern itself with the likelihood of confusion.[152]

Interestingly, the court attached an appendix addressing the debate surrounding the applicability of section 45's "use in commerce" definition to the infringement context.[153] The appendix makes clear that the *Rescuecom* court believes Congress never intended section 45's definition to apply to infringement or to limit the types of conduct that could result in liability.[154] Rather, pursuant to the court's understanding, Congress intended section 45's definition to apply only to the sections prescribing eligibility for registration.[155] To support its interpretation, the appendix details the Lanham Act's structural and linguistic evolution, explaining that "the words 'use' and 'in commerce' came into proximity with each other" in the infringement provisions as the "happenstance" result of the extensive "drafting, revision, and rearrangement which the Act has undergone."[156]

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147. *Id.* at 130 (emphasis added).

148. *Id.* (emphasis added).

149. 1-800 Contacts, Inc. v. WhenU.Com, Inc., 414 F.3d 400, 412 (2d Cir. 2005) ("'[U]se' must be decided as a threshold matter because, while any number of activities may be 'in commerce' or create a likelihood of confusion, no such activity is actionable under the Lanham Act absent the 'use' of a trademark.").

150. *Id.*

151. *Id.* (articulating the three-prong test).

152. *Id.*

153. *Rescuecom II*, 562 F.3d at 128 n.2 ("The Appendix to this opinion discusses the applicability of [section 45's] definition of 'use in commerce' to sections of the Lanham Act proscribing infringement.").

154. *Id.* at 139 ("The foregoing review of the evolution of the Act seems to us to make clear that Congress did not intend that this definition apply to the sections of the Lanham Act which define infringing conduct.").

155. *Id.* (stating the court's belief that Congress did not intend for section 45's definition of "use in commerce" to apply to the infringement provisions; rather, "the definition was . . . intended to apply to the sections which used the phrase in prescribing eligibility for registration and for the Act's protections").

156. *Id.* at 134–39 (detailing the Lanham Act's evolution).

According to the court, Congress simply had "no intent to invoke [section 45's] specialized restrictive meaning" in the infringement context.[157]

Despite its understanding as laid out in the appendix, the court ultimately stated that although it could discern Congress's intent, "Congress does not enact intentions[, i]t enacts statutes."[158] The statute, according to the court, could reasonably be interpreted to require section 45's definition to apply to the infringement provisions.[159] Since this is a reasonable interpretation and one adopted previously by the Second Circuit in *1-800 Contacts,* the court applied section 45's definition to the infringement provision and analyzed use as a threshold matter.[160] The court ultimately suggested that Congress "study and clear up [the] ambiguity" surrounding the issue.[161]

IV. *RESCUECOM CORP. V. GOOGLE INC.*: A CONSCIOUS ANALYTICAL SHIFT AWAY FROM THE STRICT TRADEMARK-USE DOCTRINE

The Second Circuit expressly reaffirmed its prior *1-800 Contacts* decision and attributed the divergent result in *Rescuecom* to material differences between the two cases.[162] The court technically employed a threshold-use determination and analyzed whether Google's conduct fit within section 45's "use in commerce" definition.[163] In so doing, the *Rescuecom* court appeared to endorse the circuit's previously applied strict use doctrine.

The Second Circuit, however, reached a different outcome in *Rescuecom* than it did in *1-800 Contacts* by doing more than distinguishing the two cases factually. Factual distinctions notwithstanding, the Second Circuit discretely shifted its larger analytical framework away from its previously applied strict

157. *Id.* at 134. The phrase "use in commerce" appeared in the infringement provisions as the result of the "happenstance pairing of the verb 'use' with the term 'in commerce,' whose purpose is to claim the jurisdictional authority of the Commerce Clause." *Id.* at 138–39.

158. *Rescuecom II,* 562 F.3d at 139.

159. *Id.* at 139–40. The Second Circuit explained that, prior to the 1988 amendments to the Lanham Act, a court could have reasonably imputed section 45's definition to the infringement provisions and required a defendant to engage in conduct specified in section 45's "use in commerce" definition. *Id.* at 139. The subsequent 1988 amendments did not require a court to abandon this interpretation. *Id.* at 139–40. Rather, according to the Second Circuit, a court could reasonably have continued to interpret the infringement provisions as incorporating section 45's "use in commerce" definition. *Id.* at 140.

160. *Id.* at 140.

161. *Id.* at 140–41; 4 MCCARTHY, *supra* note 13, § 25:70.25 ("The court was concerned about the propriety of a court effectively rewriting a statute to mean what it was obviously intended by Congress to mean, rather than what it literally said.").

162. *Rescuecom II,* 562 F.3d at 127, 131 (explaining that the different outcomes in *1-800 Contacts* and *Rescuecom II* resulted from material differences between the two cases and reaffirming *1-800 Contacts*).

163. *Id.* at 129, 131 (applying section 45's "use in commerce" definition to the infringement provisions and reaffirming *1-800 Contacts* by stating that "[o]ur court's ruling in *1-800* . . . was undoubtedly the correct result"); *id.* at 129 ("Google's utilization of Rescuecom's mark fits literally within the terms specified by [section 45].").

use doctrine, shrouding this conceptual move in a series of concrete analytical and drafting choices. Juxtaposing the court's rhetoric and analysis in *Rescuecom* with Second Circuit cases previously applying the strict use doctrine—namely *1-800 Contacts*—illuminates the court's conscious analytical shift away from the strict use doctrine.[164] The decision ultimately compromises the circuit's strict use doctrine by stripping it of its defining feature—a threshold-use analysis wholly precluding considerations of confusion. Although imperfect,[165] the decision represents a move in the proper analytical direction.[166]

A. A Conscious Analytical Shift Away from the Strict Use Doctrine

Several of the opinion's features contribute to the Second Circuit's analytical shift and bolster the interpretation that the court did more than factually distinguish *Rescuecom* from *1-800 Contacts*. First, the decision graphed considerations of confusion onto its initial-use assessment. Second, the decision employed noticeably different rhetoric than that used in both *1-800 Contacts* and the district court's opinion in *Rescuecom*. Third, it articulated a broader range of conduct that it will recognize as the requisite trademark use for purposes of its infringement analysis. And fourth, it appended its own interpretation that Congress did not intend section 45's definition to apply to and limit infringement—a position taken by commentators rejecting the use theory.

Commingling considerations of confusion with its initial-use determination represents the decision's most effective element in shifting the Second Circuit's analytical approach away from its previously applied strict use doctrine. It is the most effective tactic because it strips *1-800 Contacts*'s strict use doctrine of its defining feature—a threshold-use analysis entirely precluding considerations of confusion. The Second Circuit laid the foundation for reincorporating confusion by conspicuously omitting the rigid tripartite test articulated in both *1-800 Contacts* and the district court opinion in *Rescuecom*,[167] which extracted considerations of confusion from the initial use determination and served as the foundation for the Second Circuit's strict use doctrine.[168] In addition to omitting the tripartite test

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164. *See infra* Part IV.A–B (analyzing the Second Circuit's *Rescuecom II* decision).

165. *See infra* Part IV.B (discussing limitations and risks that *Rescuecom II*'s analytical approach creates).

166. *See infra* Part V (discussing why *Rescuecom II* is a move in the proper analytical direction).

167. *Compare* 1-800 Contacts, Inc. v. WhenU.Com, Inc., 414 F.3d 400, 407 (2d Cir. 2005) (explicitly requiring the three-prong test), *with Rescuecom II*, 562 F.3d at 127–31 (discussing the analytical framework but failing to articulate (1) use, (2) in commerce, and (3) likelihood of confusion as three separate and distinct elements of trademark infringement).

168. By visually separating the infringement elements into three discrete inquiries—(1) use, (2) in commerce, and (3) likelihood of confusion—the tripartite test structurally and conceptually removed considerations of confusion from the initial use determination.

from the decision, the *Rescuecom* court also refrained from instructing courts to analyze use alone as a threshold matter irrespective of confusion.[169] Consciously omitting these features quietly expanded the Second Circuit's operative analytical framework because it no longer expressly foreclosed initial considerations of confusion. This softened the foundation upon which the Second Circuit had applied its strict use doctrine, permitted the court to reincorporate and analyze confusion during its initial use determination, and demonstrates an important analytical shift.

The Second Circuit's analysis in *Rescuecom* further departs from the strict use doctrine by actually entertaining considerations of confusion during its threshold-use determination and graphing confusion onto its initial-use assessment. For instance, the court explained that the manner in which a defendant uses a mark will not insulate a defendant from liability without regard to "how likely the use is to *cause confusion* in the marketplace," and the court rejected Google's argument that an internal use—*by its nature*—precludes a finding of infringement.[170] The court also hypothesized factual scenarios, distilled purposefully confusing conduct technically permissible under the strict use doctrine, and reasoned that such intentionally deceptive activities are "neither within the intention nor the letter of the Lanham Act."[171] The court intoned that trademark law would not shield the intentionally confusing conduct in its hypothetical fact-pattern from judicial review simply by virtue of the defendant's type of conduct and completely indifferent to the likelihood of confusion.[172]

Moreover, the *Rescuecom* court rebuffed Google's analogy to non-actionable product placement in brick-and-mortar stores. The court explained that the benign product placement to which Google analogized "escapes liability because it . . . does not cause a *likelihood of consumer confusion*," not because the defendant fails to use the mark in a particular manner.[173] The court expounded by explaining that if an off-brand purveyor paid a retail seller in brick-and-mortar stores to arrange product displays to create confusion, causing customers seeking a famous brand to purchase the off-brand, the confusion-inducing conduct would not escape

169. *Rescuecom II*, 562 F.3d at 127–31.

170. *Id.* at 130 (emphasis added).

171. *Id.* at 130 n.4. For example, the court reasoned that continuing to apply a strict use analysis devoid of confusion would technically permit search engines to automatically divert users directly to competitors' websites when a user entered a trademarked search term into a search field. *Id.*

172. *Id.* at 130 (reasoning that dismissing a claim without considering confusion would allow search engines to "use trademarks in ways designed to deceive and cause consumer confusion . . . [, which] is surely neither within the intention nor the letter of the Lanham Act").

173. *Id.* (emphasis added).

liability merely because it could claim a particular type of use—"product placement."[174]

The above represents a distinct departure from the Second Circuit's strict approach exemplified by *1-800 Contacts* and the district court opinion in *Rescuecom Corp. v. Google, Inc.*,[175] both of which mandated a threshold-use inquiry and entirely precluded considerations of confusion until after a court found the requisite trademark use.[176] In *1-800 Contacts*, for instance, the court stated that "'use' must be decided as a threshold matter" and that, although a variety of activities may "create a likelihood of confusion, no such activity is actionable under the Lanham Act absent" an initial finding of trademark use.[177] Likewise, the district court in *Rescuecom*, stated that "[e]ven if plaintiff proved . . . that Internet users . . . are confused as to whether the sponsored links belong to or emanate from plaintiff [these facts do not] establish trademark use."[178] The district court further stated that confusion, "without an allegation of trademark use in the first instance, . . . cannot sustain a cause of action for trademark infringement."[179] By fusing considerations of confusion with its initial-use determination, the court of appeals' decision in *Rescuecom* stands in stark contrast to *1-800 Contacts* and the district court's opinion. This contrast illuminates *Rescuecom*'s analytical shift away from the Second Circuit's previously strict trademark-use doctrine.

The court of appeals' rhetoric also assists in the Second Circuit's conscious analytical shift. The district court and *1-800 Contacts*, both of which applied the strict use doctrine, referred to and analyzed simply the term "use."[180] For instance, the court in *1-800 Contacts* organized its discussion of the applicable trademark law beneath the heading: "'Use' Under the Lanham Act."[181] Even more directly, the *1-800 Contacts* court held, "as a matter of law, [that] WhenU [did] not 'use' 1-800 Contacts's trademarks within the meaning of the Lanham Act."[182] It employed even

174. *Rescuecom II*, 562 F.3d at 130. The court further characterized the "gist of a Lanham Act violation [as] an unauthorized use, which 'is likely to *cause confusion*.'" *Id.* (emphasis added).

175. Rescuecom Corp. v. Google, Inc. (*Rescuecom I*), 456 F. Supp. 2d 393 (N.D.N.Y. 2006), *vacated*, 562 F.3d 123 (2d Cir. 2009).

176. *See supra* notes 73–82, 128–31 and accompanying text (discussing the trademark use doctrine in *1-800 Contacts* and the district court opinion in *Rescuecom*).

177. 1-800 Contacts, Inc. v. WhenU.Com, Inc., 414 F.3d 400, 412 (2d Cir. 2005).

178. *Rescuecom I*, 456 F. Supp. 2d at 400–01.

179. *Id.*

180. *1-800 Contacts*, 414 F.3d at 403 ("WhenU does not 'use' 1-800's trademarks within the meaning of the Lanham Act."); *Rescuecom I*, 456 F. Supp. 2d at 400 (relying on *1-800 Contacts* and stating that "[a] 'trademark use' . . . is one indicating source or origin").

181. *1-800 Contacts*, 414 F.3d at 406–12 (dividing its analysis into the three general considerations: (1) "Legal Standards," (2) "'Use' Under the Lanham Act," and (3) "1-800's Remaining Claims").

182. *Id.* at 403. The court's rhetoric consistently referred to the "use" requirement completely divorced from the composite phrase "use in commerce." *Id.* For example, the court

stronger rhetoric by stating that, "'use,' 'in commerce,' and 'likelihood of confusion' [are] three distinct elements of . . . infringement . . . [and] 'use' must be decided as a threshold matter."[183] Framing the analysis around the isolated term "use" conceptually anchored the analysis around a blunted determination of the nature and type of conduct irrespective of potential confusion.

The *Rescuecom* court of appeals notably altered its rhetoric by referring to and analyzing the composite phrase "use in commerce."[184] For example, the court framed the issue with noticeably different language by organizing its analysis under the heading: "Google's Use of Rescuecom's Mark Was a '*Use in Commerce*.'"[185] Moreover, the court held that "Rescuecom's complaint adequately plead[ed] a *use in commerce*."[186] Employing broader language by reaggregating "use" with "in commerce" assisted the court in quietly reframing its analytical approach. The conceptually broader phrase "use in commerce" added a level of abstraction that helped shift the Second Circuit's analytical approach away from the harsh use determination entirely devoid of the likelihood of confusion.

The court also distanced itself from the strict use doctrine by broadening the conduct that it will recognize as an infringing trademark use. The Second Circuit's *1-800 Contacts* decision suggested that a defendant's "internal" use of a mark—that is, conduct involving the trademark that is not visible to consumers—did not amount to an actionable trademark use.[187] The *1-800 Contacts* court stated that "[a] company's internal utilization of a trademark in a way that does not communicate it to the public is analogous to a[n] individual's private thoughts about a trademark. Such [internal] conduct simply does not violate the Lanham Act . . . ."[188]

1-800 Contacts's internal-use justification gained traction and served as the basis for subsequent Second Circuit district-court decisions. In *S&L Vitamins, Inc. v. Australian Gold, Inc.*, for example, the Eastern District of New York held 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.'"[189] Likewise, in *Merck & Co.*

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stated that "we agree with WhenU that it does not 'use' 1-800's trademarks" and "the district court erred as a matter of law in finding that WhenU 'uses' 1-800's trademark." *Id.* at 406–07.

183. *Id.* at 412.

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

185. *Id.* (emphasis added).

186. *Id.* (emphasis added).

187. *Id.* at 129 (detailing prior district-court opinions that, according to the court, "appear" to have reached the conclusion that internal uses do not amount to trademark uses).

188. *1-800 Contacts*, 414 F.3d at 409.

189. *Rescuecom II*, 562 F.3d at 129 (citing S&L Vitamins, Inc. v. Austl. Gold, Inc., 521 F. Supp. 2d 188, 199–202 (E.D.N.Y. 2007)).

v. Mediplan Health Consulting, Inc., the Southern District of New York held that "the internal use of a keyword to trigger advertisements did not qualify as trademark use."[190]

The court of appeals' decision in *Rescuecom* recoils from *1-800 Contacts*'s ostensibly blanket prohibition against internal conduct qualifying as a trademark use.[191] The *Rescuecom* court, in fact, brings internal uses within the scope of conduct properly qualifying as a trademark use by insisting that it did not imply, in *1-800 Contacts,* that internal conduct insulates alleged infringers from liability.[192] In doing so, the Second Circuit broadened the concept of trademark use beyond the narrowly cabined conception previously recognized under its strict use doctrine. This further illuminates the Second Circuit's analytical shift away from the strict trademark-use doctrine.

The Second Circuit's appended statutory interpretation of the Lanham Act further contributes to *Rescuecom*'s conscious analytical shift. The appendix addresses and refutes the statutory interpretation upon which the Second Circuit invokes the use doctrine.[193] The judicial appendix explains the court's belief that Congress did not intend section 45's "use in commerce" definition to apply to and limit the infringement provisions.[194] Instead, Congress intended section 45's definition to apply only to the sections prescribing eligibility for acquiring rights in a mark.[195] The appendix traces the Lanham Act's historical and linguistic evolution to support its interpretation and to conclude that the phrase "use in commerce" appeared in the infringement provisions as the "happenstance" result of drafting and amending the Lanham Act.[196] The court's express interpretation that Congress did not intend section 45's definition to apply to the infringement provisions compromises the Second Circuit's strict use doctrine because it undermines the integrity of the foundational statutory interpretation upon which the doctrine was invoked.

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190. *Id.* (citing Merck & Co. v. Mediplan Health Consulting, Inc., 425 F. Supp. 2d 402, 415–16 (S.D.N.Y. 2006)).

191. *Id.* at 130 (explaining that it will not foreclose the possibility that internal uses may qualify as infringing uses and asserting that *1-800 Contacts* did not imply that using "a trademark in an internal software program insulates the alleged infringer from a charge of infringement, no matter how likely the use is to cause confusion in the marketplace").

192. *Id.*

193. *See supra* notes 153–55 and accompanying text (stating the court's belief that Congress did not intend section 45's definition of "use in commerce" to apply to the infringement provisions).

194. *See supra* note 154–57 and accompanying text (detailing the court's interpretation as described in the appendix).

195. *See supra* note 155 and accompanying text (stating the court's belief that Congress only intended section 45 to apply to the section prescribing registration eligibility).

196. *Rescuecom II*, 562 F.3d at 138–39.

As the above analysis demonstrates, the Second Circuit shifted its larger analytical framework away from the strict trademark-use doctrine through a series of analytical and drafting choices. Although it reaffirms *1-800 Contacts*, the *Rescuecom* opinion ultimately compromises the Second Circuit's strict use doctrine by stripping it of its defining feature—a threshold-use analysis wholly precluding considerations of confusion. Although the decision represents a move in the proper analytical direction, it poses some risks and limitations explored below.

B. Limitations and Risks Created by the Decision's Analytical Approach

Rescuecom provided the Second Circuit the opportunity to be the first appellate court to definitively address the trademark-use doctrine applied to search-result-advertising cases and to set a clear analytical example upon which other circuits could model their analyses.[197] The decision, however, incorporates some incongruous aspects, which potentially precludes the opinion from providing a clear analytical model. For example, the court applied the interpretation that section 45's "use in commerce" definition invokes the use doctrine in the Lanham Act's infringement provisions, but then conceded in its appendix that Congress did not intend section 45's definition to apply in the infringement context.[198] Additionally, the opinion expressly reaffirmed *1-800 Contacts*[199]—appearing to again endorse the strict use doctrine. The court then, however, discretely shifted its approach away from the strict use doctrine, burying this alteration in a series of analytical and drafting choices.[200] By failing to expressly confront and resolve these incongruities, the court passed upon the opportunity to provide transparent reasoning and a clear analytical example that could serve as a model for other courts grappling with similar issues.

By extension, the opinion risks creating even more inconsistency, both within the Second Circuit itself and among the circuits generally. By weaving rhetoric and reasoning applicable to both the strict use doctrine and a confusion-centric approach, the Second Circuit fashions a test that may function as a wild card of result-oriented adjudication where parties can try their chance at a win. It does so because the approach allows parties to bring strong arguments under both use and confusion, which leaves open the

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197. *See* Ray & Kehoe, *supra* note 105, at 4 (discussing *Rescuecom II* and stating that bringing this case before the "U.S. Court of Appeals for the Second Circuit [made] it the first appellate court, in more than 12 keyword-advertising cases filed nationwide, to hear the issue"); *see also* Owners, Borrowers & Thieves 2.0, Can Google Sell Trademarks as Keywords to Trigger Advertising?, http://iplitigator.hschblackwell.com/tags/rescuecom/ (Apr. 9, 2009) (labeling the Second Circuit "the first circuit court to directly address the issue of keyword advertising").

198. *See supra* Part III (discussing the Second Circuit's opinion in *Rescuecom II*).

199. *See supra* note 133 and accompanying text (demonstrating the Second Circuit's express reaffirmation of *1-800 Contacts*).

200. *See supra* Part IV.A (analyzing the *Rescuecom II* decision and detailing the Second Circuit's departure from the strict use doctrine).

possibility that Second Circuit courts may emphasize use or confusion in order to achieve desired outcomes in particular cases.[201] Unpredictability could also result simply from different courts inadvertently and unintentionally applying and emphasizing various portions of the analysis differently. This potential for greater unpredictability may generate more litigation, inconsistent outcomes (both intra- and inter-circuit), and uncertainty among business actors regarding how to structure commercial conduct.

Further, the court largely compromised only one interpretation of the use doctrine—the interpretation that section 45's "use in commerce" definition imputes the use doctrine to the Lanham Act's infringement provisions.[202] As a result, though somewhat less likely given the opinion's tone and demonstrated incorporation of likelihood-of-confusion inquiries, the Second Circuit could reemploy a stricter use analysis by seeking roots for the use doctrine in one of the two other locations advocated by use theorists: the Lanham Act's affixation language or the implicit codification of the alleged common-law use doctrine.[203] Thus, the decision may perpetuate the inconsistency plaguing this area of law.

Despite these potential risks, the opinion represents a move in the proper analytical direction. Moreover, so long as courts incorporate confusion into their analysis and follow the guidance articulated in the *Rescuecom* opinion and appendix, these risks likely will not materialize.

V. THE SECOND CIRCUIT'S *RESCUECOM* OPINION IS A MOVE IN THE PROPER ANALYTICAL DIRECTION

The Second Circuit reached the proper tangible outcome by reversing the district court's dismissal and moved in the proper analytical direction. The outcome's propriety is illuminated largely by the trademark-use debate played out in articles by intellectual-property scholars discussing, among other things, the trademark-use doctrine's foundation, scope, virtues, vices,

201. For example, courts could emphasize the portion of the decision explaining that it reversed the district court because the defendant's conduct fit literally within section 45's "use in commerce" definition. *Rescuecom II*, 562 F.3d at 129. This approach stresses the threshold-use determination that requires specific conduct. Alternatively, a court could emphasize the portions of the opinion incorporating considerations of confusion. It could stress the fact, for example, that the Second Circuit explained that product placement "escapes liability because it . . . does not cause a likelihood of *consumer confusion*." *Id.* at 130 (emphasis added).

202. *Id.* at 127. The appendix takes issue with the interpretation that the Lanham Act imputes section 45's "use in commerce" definition, and the attendant use doctrine, to the infringement provisions. *Id.* It does not address the propriety of locating the strict use doctrine in other portions of the Lanham Act as advocated by use theorists. *See supra* notes 50, 52 and accompanying text (discussing use theorists arguments that the Lanham Act implicitly codifies the use doctrine, or that the "on or in connection with" language implicates the use doctrine).

203. *See supra* notes 50, 52 and accompanying text (discussing these arguments).

and unintended consequences.[204] Support for the Second Circuit's conscious analytical shift away from its previously strict use doctrine can be gleaned from legislative history and canons of statutory construction, search-cost and confusion considerations, and trademark law's common-law tradition.

A. LEGISLATIVE HISTORY AND CANONS OF STATUTORY CONSTRUCTION

Legislative history supports *Rescuecom*'s conscious analytical shift away from the strict use doctrine. The use doctrine operates to limit trademark law's reach and dilute its ability to regulate potentially infringing or harmful conduct by placing whole categories of behavior beyond trademark infringement's purview.[205] For example, since the trademark-use doctrine mandates that parties make a source-designating use, the doctrine would "permit Joe's Yankee HQ, Inc. to sell unauthorized BOSTON RED SOX merchandise, provided that Red Sox fans purchase the merchandise to 'show loyalty' to the team without concern for the authorized or unauthorized nature of the merchandise."[206] Joe's Yankee HQ, Inc.'s conduct would be permissible under the use doctrine because the Boston Red Sox's mark was not being used to indicate the source of the defendant's goods, but only to communicate loyalty to Boston's baseball team.[207] Absent the requisite source-designating use, the conduct simply could not be infringing. Use-doctrine proponents purport to bring a "vast and diverse" array of "unauthorized third-party conduct . . . under the umbrella of non-trademark" and, therefore, non-infringing use.[208]

Legislative history, however, counsels against cabining trademark infringement's ability to regulate an array of behavior and, instead, suggests that a robust catalog of conduct shall properly remain within trademark infringement's scope. A Senate Report generated in connection with amendments to the Lanham Act captures this sentiment by explaining that, despite amendments to the Act, "*use of any type* will continue to be considered in an infringement action."[209] This legislative history contradicts

204. *See generally* Dinwoodie & Janis, *Confusion over Use*, *supra* note 3, at 1602 ("tak[ing] on the trademark use theory in its own right . . . reject[ing] the theory both descriptively and prescriptively" and discussing the theory's consequences); Dinwoodie & Janis, *Trademark Use Debate*, *supra* note 25 (focusing on two general points of disagreement with the authors Dogan and Lemley); Dogan & Lemley, *Grounding Trademark Law*, *supra* note 10 (confronting many of the arguments articulated in *Confusion over Use*).

205. Dinwoodie & Janis, *Confusion over Use*, *supra* note 3, at 1600–01 (explaining that the "trademark use doctrine would function to limit the reach of trademark law . . . in a large number of different contexts").

206. *Id.* at 1601–02.

207. *See supra* notes 28–31 and accompanying text (explaining "source-designating use").

208. Dinwoodie & Janis, *Confusion over Use*, *supra* note 3, at 1608.

209. *Id.* at 1612 (emphasis added) (quoting S. REP. NO. 100-515, at 44–45 (1988)). This Senate Report was generated in connection with the 1988 Trademark Law Revision Act. *Id.* It

the use doctrine's formalistic categorization and designation of entire classes of conduct that "cannot constitute infringement."[210]

Since the Senate Report contemplates trademark law analyzing "use of any type"[211] in infringement actions, it supports *Rescuecom*'s conscious analytical shift away from the strict use doctrine, which contrary to the legislative history's sentiments, constricts the realm of conduct that may give rise to infringement. Although the Second Circuit does not abandon the use doctrine entirely and does not necessarily allow "use of any type . . . to be considered in an infringement action,"[212] it has moved in a direction that better comports with the legislative history. By compromising its strict use doctrine, the Second Circuit moved to a more inclusive position—allowing the court to analyze a broader array of conduct in an infringement action.[213] Legislative history, therefore, supports *Rescuecom*'s analytical shift away from the strict use doctrine.

Moreover, the presence of section 33(b)(4) in the Lanham Act, coupled with ordinary canons of statutory construction, support the contention that the trademark-use doctrine has no foundation in the Lanham Act and, by extension, the Second Circuit's conscious analytical shift away from its strict derivation of the doctrine. Section 33(b)(4) provides a defense for non-trademark uses by stating: "it shall be a defense to an action for infringement of any mark 'that the use . . . charged to be an infringement is a use, otherwise than as a mark.'"[214]

Pursuant to section 33(b)(4), if the defendant's use is "otherwise than as a mark,"[215] then no infringement can exist. Likewise, under the trademark-use doctrine, if the defendant fails to use the mark as a trademark, then no infringement can exist. Accordingly, applying the trademark-use doctrine renders section 33(b)(4) superfluous.[216] Since "[o]rdinary canons of statutory construction counsel against such a reading,"[217] the use doctrine should not be impliedly incorporated into the

also supports the more specific conclusion, in *Rescuecom II*'s appendix, that Congress did not intend section 45's "use in commerce" definition to apply in the infringement context.

210. Dogan & Lemley, *Grounding Trademark Law*, *supra* note 10, at 1674.

211. Dinwoodie & Janis, *Confusion over Use*, *supra* note 3, at 1612 (quoting S. REP. NO. 100-515, at 44–45 (1988)).

212. *Id.*

213. *See supra* Part IV.A (detailing the Second Circuit's departure from the strict use doctrine).

214. Dinwoodie & Janis, *Confusion over Use*, *supra* note 3, at 1617 (quoting Lanham Act § 33(b)(4), 15 U.S.C. § 1115(b)(4) (2000)).

215. *Id.*

216. *Id.*; *see also* Dinwoodie & Janis, *Trademark Use Debate*, *supra* note 25, at 1708 ("Given the fact that section 33(b)(4) expressly preserves a defense for some non-trademark uses, interpreting the infringement provisions as impliedly filtering out all non-trademark uses would render the defense superfluous.").

217. Dinwoodie & Janis, *Confusion over Use*, *supra* note 3, at 1617.

Lanham Act. In addition to legislative and statutory considerations, arguments drawing on trademark law's underlying goals also support compromising the strict use doctrine.

B. SEARCH-COST AND CONFUSION CONSIDERATIONS

Trademark law's central goals also endorse *Rescuecom*'s analytical shift. Trademark law aims to reduce consumers' search costs and provide producers incentives by protecting their investments.[218] Non-deceptive and non-confusing practices reduce consumer search costs, improve economic efficiency, and protect producers' investments.[219] Conversely, deceptive and confusing practices increase consumer search costs, impair economic efficiency, and diminish producers' protections. Since the presence or absence of consumer confusion impacts trademark law's end goals, allowing courts to analyze confusion is a necessary predicate to determining whether particular conduct promotes or hinders trademark law's central objectives. The Second Circuit's strict use doctrine compromised confusion's importance and precluded courts from analyzing confusion during its initial-infringement determinations.[220] By shifting away from the strict use doctrine, the Second Circuit's approach now allows initial assessments of confusion and, therefore, better ensures trademark law the opportunity to vindicate its goals of reducing consumer search costs and providing producer incentives.

The search-result-advertising context demonstrates how the strict use doctrine may proliferate consumer search costs. The doctrine places conduct beyond trademark infringement's reach irrespective of whether that conduct creates confusion.[221] This, theoretically, allows more confusing conduct in the marketplace. Moreover, "selling trademark-generated sponsored links may increase the 'noise' that contributes to information overload and simultaneously . . . lessen the reduction in search costs that might otherwise occur from additional information."[222] Since consumers encounter vast quantities of information online, and since the strict use doctrine places conduct beyond trademark law's reach irrespective of whether that conduct creates confusion, the strict use doctrine threatens to

218. *See supra* notes 17–22 and accompanying text (discussing trademark law's two primary interests).

219. *See* Darrow & Ferrera, *supra* note 14, at 237 ("[T]he 'likelihood of confusion' standard reduces consumer search costs and promotes economic efficiency by allowing trademark owners to enjoin the use of confusingly similar marks."). *See also supra* Part II.A (discussing consumer protection, producer incentives, and the primary role consumer confusion plays in vindicating these interests).

220. *See supra* notes 77, 80–82 and accompanying text (detailing the strict use doctrine applied in *1-800 Contacts*).

221. *See supra* notes 77–82 and accompanying text (discussing the strict trademark-use doctrine's preclusion of considerations of consumer confusion).

222. Dinwoodie & Janis, *Confusion over Use*, *supra* note 3, at 1631–32.

compound information overload with the proliferation of confusing information. Allowing parties to present more information in a confusing way—as the strict use doctrine threatens to do—increases consumer search costs and, therefore, thwarts trademark law's central goals. As scholars point out, in the online context, "more information is sometimes simply more; indeed, sometimes, more information is less."[223]

Google's search-result-advertising business model provides a cogent example of particular interest given this Note's focus. The strict use doctrine may actually motivate Google to induce consumer confusion by making search-result advertisements "blend in" with organic results. Google employs a pay-per-click business model which generates income for Google each time a searcher clicks on an advertisement.[224] If Google makes it less apparent that the sponsored links are advertisements and not organic search results, consumers may click on advertisements more often, erroneously believing that the advertisements are, in fact, objectively relevant results. Rescuecom suggested that Google may be inducing and preying upon consumer confusion in this fashion, alleging that "[d]iscovery in this case may very well show that Google . . . conducted research with respect to its AdWords campaign and found that the number of 'clicks' on advertisements is reduced significantly when they are more accurately labeled as 'paid advertisements.'"[225] This allegation paints a picture of the intentionally misleading conduct that is detrimental to trademark law's interests but, nonetheless, likely permissible under the strict use doctrine.

As this discussion demonstrates, trademark law's goals are better vindicated by an approach that analyzes consumer confusion before tossing conduct outside infringement's reach. By shifting away from the strict use doctrine toward an analytical approach that incorporates confusion during initial assessments, the Second Circuit moves in the proper analytical direction. In addition to trademark law's underlying goals, the law's common-law character provides further support for the Second Circuit's analytical shift.

C. Trademark Law's Common-Law Character

"[F]ederal trademark . . . law has retained its common law character,"[226] and "Congress has been comfortable in allowing courts to develop the basic contours of trademark protection."[227] This common-law tradition possesses an organic quality with the pliability to adapt, address, and respond to the "gradual change[s] of trade, commerce . . . [and]

223. *Id.* at 1632.
224. Sullivan & Bruemmer, *supra* note 105.
225. Reply Brief for Plaintiff–Appellant, *supra* note 3, at 11.
226. Dinwoodie & Janis, *Trademark Use Debate*, *supra* note 25, at 1710–11.
227. *Id.*

invention."[228] It provides trademark law the capacity to address new conduct and behavior catalyzed by a rapidly changing commercial world.

Use theorists, however, champion the use doctrine for "curtailing an utterly new form of trademark claim."[229] To the extent that the doctrine does curtail claims against new conduct, it is at odds with trademark law's common-law character and attendant ability to "develop trademark law with regard to potentially infringing acts."[230]

The *Rescuecom* decision shifts away from the strict use doctrine and better incorporates trademark law's common-law character. The decision invokes the common-law tradition by entertaining the notion that new conduct, different than traditionally infringing conduct—namely, Google's search-result advertising services—may give rise to trademark infringement.[231] Since *Rescuecom* evidences an analytical move allowing courts to apply trademark's common-law character and to develop the "basic contours of trademark protection,"[232] the decision represents a move in the proper analytical direction.

In addition, the trademark-use doctrine's strict source-designating requirement[233] heralds to a more antiquated time in trademark law's development when courts interpreted "'source' literally."[234] As the market and nature of conducting business changed, courts, commentators, and consumers recognized and adapted to the changing landscape by broadening their conception of source.[235] For example, in contrast to trademark law's early years,[236] licensing agreements are commonplace today and courts view "licensed production as [a] genuine commercial practice."[237] Courts legitimated new commercial conduct like licensing "primarily by redefining"—and broadening—"what it meant to be the

228. 15 AM. JUR. 2D *Common Law* § 2 (2009).

229. Dogan & Lemley, *Grounding Trademark Law*, *supra* note 10, at 1673.

230. Dinwoodie & Janis, *Trademark Use Debate*, *supra* note 25, at 1710–11 ("[W]e endorse the common law development of trademark law *both* with regard to potentially infringing acts and potentially permitted uses." (emphasis added)).

231. *See supra* Part III (discussing the outcome and reasoning in *Rescuecom II*).

232. Dinwoodie & Janis, *Trademark Use Debate*, *supra* note 25, at 1710–11.

233. *See supra* notes 73–88 and accompanying text (explaining the Second Circuit's strict trademark-use doctrine as articulated in *1-800 Contacts*).

234. *See* Mark P. McKenna, *Testing Modern Trademark Law's Theory of Harm*, 95 IOWA L. REV. 63, 79 (2009) (explaining, for example, that "[l]icensing posed serious conceptual problems in traditional trademark law because courts in that era viewed 'source' literally").

235. *Id.* at 79 ("Courts' interest in accommodating the emerging practice of licensing production of trademarked products also pushed them to expand the concept of source to capture a broader set of commercial relationships.").

236. *Id.* at 79–80 (explaining that "[l]icensing posed serious conceptual problems in traditional trademark law because courts in that era viewed source literally" and, as a result of this conceptual difficulty, "licensing traditionally was forbidden").

237. *Id.* at 80.

source of a product."[238] Courts also broadened the likelihood-of-confusion standard to include confusion as to source that extends beyond the literal "source of origin."[239] Consequently, actionable confusion now includes not only confusion regarding the literal source, but also confusion as to association or sponsorship.[240] The strict use doctrine is at odds with the interpretive trend that has moved away from traditional trademark law's strict source-designating requirements and toward a more flexible understanding of "source."

VI. *RESCUECOM*'S IMPACT AND A HOPEFUL NEW CHAPTER IN THE TRADEMARK-USE DEBATE

Most directly, the court of appeals' decision simply provides Rescuecom an opportunity to make its case and to fight on. It does not necessitate draconian outcomes, like the complete abrogation of contextual advertising, to which use theorists allude.[241] Use theorists warn, for example, that abandoning the use doctrine risks impairing the Internet's effectiveness at providing "innovative and useful means of marketing products and services."[242] The decision, however, does not compel a finding of infringement nor the end of search-result advertising as a business model.[243]

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238. *Id.* As a result of courts, expanding conception of use, "even when a mark owner did not actually produce the products bearing its mark, courts began to hold, [a mark owner] could still be considered the legal source of those products if it exercised sufficient control over their quality." *Id.*

239. McKenna, *supra* note 234, at 76–77 (explaining that traditional trademark law "focused on confusion regarding source of origin" and that "[t]hese courts interpreted 'source of origin' quite literally").

240. *See id.* at 79 (explaining that "[b]y redefining the 'source' of a product to include related or affiliated parties, courts could capture" a different kind of confusion—consumer's confusion regarding whether a "mark owner sponsored or stood behind the quality of the junior user's goods"); *see also* Dinwoodie & Janis, *Confusion over Use*, *supra* note 3, at 1599 n.2 (citing Pub. L. No. 87-772, § 17, 76 Stat. 769, 773–74 (1962) (codified as amended at 15 U.S.C. § 1114 (2006)) (expanding actionable confusion by deleting references to "origin" and "purchasers").

241. Barrett, *supra* note 25, at 448–50 (insinuating that an outcome like that in *Rescuecom II* is analogous to finding trademark infringement where one coffee shop decides to locate next to its competitor or where the producers of a theater program place advertisements for competing companies on the same page).

242. *Id.* at 449–50.

243. For instance, in *J.G. Wentworth*, the court held that the defendant made a "trademark use of plaintiff's mark, but [that the] use create[d] no likelihood of confusion as a matter of law" and the court, therefore, granted the defendant's motion to dismiss. J.G. Wentworth, S.S.C. Ltd. P'ship v. Settlement Funding LLC, No. 06-0597, 2007 WL 30115, at *4 (E.D. Pa. Jan. 4, 2007); *see also* Rescuecom Corp. v. Google Inc. (*Rescuecom II*), 562 F.3d 123, 130 (2d Cir. 2009) ("We have no idea whether Rescuecom can prove that Google's use of Rescuecom's trademark in its AdWords program causes likelihood of confusion or mistake."); *id.* ("Whether Google's actual practice is in fact benign or confusion is not for us to judge at this time.").

It simply better incorporates one of trademark law's prime inquiries—whether or not consumers are likely to be confused.[244]

The fact that many people click on "sponsored links" may evidence a relatively high rate of consumer confusion. Alternatively, it may evidence that targeted advertisements are simply successful in assisting consumers in finding the goods or services they seek.[245] If the second scenario proves true and Google's practice does not create a likelihood of confusion, then search-result advertising may continue, unabated, in its current form—at least as far as trademark law is concerned. In fact, as consumers become more accustomed to Internet commercial practices, they may be able to easily discern the difference between natural results and advertisements. If so, the necessary confusion would not exist and search-result advertising would not amount to infringement. If, however, the search-result-advertising page does not adequately distinguish between natural results and paid-advertising results and a likelihood of confusion therefore exists, the solution may be simple: better distinguish the advertisements from the natural results.[246] This would not preclude search-result advertising. It would only require a slightly different format or page layout on the search-results page.

Another solution, far short of completely abrogating search-result advertising, may simply require companies like Google to promulgate policies that address trademark owners' concerns and rights. Under Google's original policy, for example, once Google received a trademark owner's complaint, it prevented advertisers from bidding upon that trademark as a keyword.[247] Google changed this policy shortly before its initial public offering in 2004.[248] A return to preventing advertisers from bidding on third-party trademarks once a trademark owner complains may provide an adequate solution to the potential infringement problem. Such

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244. *See supra* Part IV.A (discussing the analytical shift and reincorporation of confusion); *see also* Dinwoodie & Janis, *Confusion over Use*, *supra* note 3, at 1599 ("For several decades, the concept of consumer confusion has served as the touchstone for trademark liability.").

245. Darrow & Ferrera, *supra* note 14, at 239 ("Evidence that search engine users find sponsored links responsive to their inquiries can be found in click through rates that sometimes exceed 10%, compared to an average 2% redemption rate for traditional coupons." (footnotes omitted)).

246. *Id.* at 255. ("It may well be that Google should more clearly delineate between paid and organic results by, for example, using different fonts, more discernable shading, or simply a label that is more understandable than 'Sponsored Links.'"); Dinwoodie & Janis, *Confusion over Use*, *supra* note 3, at 1665–66 (discussing "safe harbor" solutions and potential prerequisites to invoking immunity; the hypothesized prerequisites include the following: "search engines might be required to present disclaimers on search results pages, to disclose information about search methodology, to differentiate clearly between organic and sponsored search results, or when put on notice of allegedly infringing activity, to de-index the infringing webpage").

247. Garrity, *supra* note 42 (explaining that until June 2004, shortly before Google's initial public offering, Google's policy was to prevent advertisers from bidding upon trademarks as keywords once a trademark owner complained to Google).

248. *Id.*

an approach comports with trademark owners' duty to police their marks and is a reasonable policy considering that other search engines, like those hosted by Microsoft and Yahoo!, do not sell trademarks through their search-result-advertising services.[249] An assessment of whether search-result advertising creates a likelihood of confusion—as the Second Circuit's approach now allows—is necessary to determine whether consumers and producers would benefit from a change in policy.

The court's demonstrated commitment to avoiding consumer confusion and deceptive practices generates the decision's most important implication: it compromises the Second Circuit's previously strict use doctrine by stripping it of its defining feature—a threshold-use analysis entirely precluding considerations of confusion. This will likely lead Second Circuit courts to engage in a flexible-use analysis that graphs confusion considerations onto initial-use determinations. This will ideally generate outcomes within the Second Circuit that are more consistent with the outcomes reached by courts in other circuits. This Note remains hopeful that the conscious shift in the Second Circuit's analysis, coupled with the opinion's overall tenor, will solidify confusion's importance in infringement analyses and will dissuade circuits that have not yet adopted a clear stance on trademark use from applying the use doctrine strictly.

VII. CONCLUSION

Prior to the spring of 2009, the Second Circuit appeared poised to apply the use doctrine strictly, facilitating outcomes within the Second Circuit fundamentally different than those obtained by courts in other circuits. As the Second Circuit stood atop this brink—largely built on the foundation of *1-800 Contacts*—*Rescuecom* provided the opportunity to reassess and modify the scope of its trademark-use doctrine. The *Rescuecom* decision discreetly shifted the Second Circuit's analytical framework away from the strict use doctrine through a series of analytical and drafting choices. Despite potential risks, the decision represents a move in the proper analytical direction.

249. Joseph J. Lewczak & Peter C. Welch, *Keyword Advertising Users Search for Legal Antidote*, LEGAL BACKGROUND, July 13, 2007, http://www.wlf.org/upload/007-13-07lewczak.pdf. ("Microsoft and Yahoo! have sought to steer clear of possible issues arising from sale of keywords; both have policies which forbid the purchase of keywords which might violate the trademark rights of others."); *see also* Garrity, *supra* note 42 ("Microsoft's adCenter program does not allow an advertiser to bid on as a keyword 'any term whose use would infringe the trademark of any third party.' Likewise, Yahoo!'s Search Marketing service prohibits the use of keywords which 'violate the trademark rights of others.'" (footnote omitted)).