

Fashion Apparel Law Blog

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"Google AdWords -- Be Careful What You Bid For"

Since the proliferation of the internet and online advertising, trademark owners have sought to prevent the unauthorized use of their marks as keywords for online advertising on search engines. In the Second Circuit before 2009, trademark owners had difficulty protecting their marks where the competitor's link simply shows up as "Sponsored Link" on the landing page, and no other use of the mark has been made, because of the decision in 1-800 Contacts, Inc. v. WhenU.com, Inc., 414 F.3d 400 (2d Cir. 2005), which held that no Lanham Act "use", and, thus, no actionable Lanham Act claim, exists for the use of a trademark in a keyword or metatag, where (a) the defendant does not place the trademark on any product, good or service, (b) it is not used in any way that would indicate source of origin, and (c) where defendant's use of plaintiff's trademark is strictly internal and not communicated to the public, as the use does not indicate the source or origin of the product.

Recently, however, the U.S. District Court for the Eastern District of New York in FragranceNet.com, Inc. v. Les Parfums, Inc. (Case No. 09-CV-2626) (the "FragranceNet.com Case"), citing the Second Circuit decision in RescueCom Corp. v. Google, Inc., 562 F.3d 123 (2d Cir. 2009), signaled a change split in the circuits. The district court also significantly held that the issue of genericness of a registered trademark is not susceptible to determination on a motion to dismiss under Federal Rule 12(b)(6). This finding is significant, especially in the context of dot.com domain names that also function as trademarks.

The Facts of the FragranceNet.com Case

In the FragranceNet.com case, the plaintiff, FragranceNet.com, brought action against the defendants (collectively, "Les Parfums") alleging that Les Parfums' use of its registered trademarks as keywords for Google AdWords constitutes trademark infringement, trademark dilution, passing off, and unfair competition. Les Parfums brought a motion to dismiss on the basis that the registered trademarks at issue, "fragrancenet" and "fragrancenet.com", are generic terms, and thus are not protectable under trademark laws.

The Court did not rule on the issue of whether the trademarks were actually generic, but held that it was improper to do so on a motion to dismiss. FragranceNet.com had alleged plausible claims with respect to its registered trademarks. The Court added that registered trademarks, even in the context of dot.com domain names, are presumed not to be generic and the party alleging that the mark is generic must overcome this presumption. The district court held that because Les

Parfums failed to present any evidence to overcome the presumption and since no discovery been taken, the motion was denied. Issues of fact remained as to whether FragranceNet.com's trademarks were generic and such an inquiry is fact-intensive and not susceptible to a Rule 12(b)(6) dismissal prior to commencement of discovery.

The FragranceNet.com v. FragranceX.com Case

The FragranceNet.com Case is not the first time FragranceNet.com has pursued claims against its competitors for use of its trademarked terms as keywords for sponsored links. In FragranceNet.com, Inc. v. FragranceX.com, Inc., 493 F. Supp. 2d 545 (E.D.N.Y. June 12, 2007) ("FragranceX"), FragranceNet.com brought an action against FragranceX.com for using its trademark as a keyword to prompt FragranceX.com's appearance as a sponsored link in Google's search engine, and for including the trademark as a metatag on its website. The Court denied FragranceNet.com's motion to amend its complaint for futility, since it could not survive a motion to dismiss based upon the Second Circuit precedent in 1-800 Contacts, Inc. v. WhenU.com, Inc., which held that no "use" had been made under the Lanham Act. The Court reasoned, where the use of a trademark is solely internal and not communicated to consumers in any way, there can be no likelihood of confusion.

At the time, the plaintiff in FragranceX conceded that "though most courts in other circuits allow a trademark infringement claim based on such use, district courts in this Circuit have not allowed these types of trademark infringement claims to go forward." Id. at 547. The Court cited three other Second Circuit cases that had held that the act of purchasing a trademark as a keyword for a "Sponsored Link" is not a "use" as defined by the Lanham Act. See, e.g., Merck & Co., Inc. v. Mediplan Health Consulting, Inc., 425 F. Supp. 2d 402 (S.D.N.Y. Mar. 30, 2006); Rescuecom Corp. v. Google Inc., 456 F. Supp. 2d 393, 403 (N.D.N.Y. Sept. 28, 2006); Site Pro-1, Inc. v. Better Metal, LLC, 506 F. Supp. 2d 123 (E.D.N.Y. May 9, 2007).

At the time, the Court distinguished the case from other situations where a motion to dismiss would be denied in the Second Circuit, such as where a search of plaintiff's trademark results in plaintiff's trademark appearing next to defendant's name in the search results, and the plaintiff's trademark is being displayed in a way that could indicate an association with the defendant. Hamzik v. Zale Corp./ Delaware, No. 06-CV-1300 (TJM), 2007 US Dist. LEXIS 28981 (N.D.N.Y. Apr. 19, 2007). The Second Circuit held that this type of listing of the search results next to the plaintiff's trademark constituted a "use" under the Lanham Act.

The Split Among the Circuits Is Resolved in Rescue.com

The issue of using trademarked terms in connection with a search engine ad campaign was clarified this past summer when RescueCom Corp. v. Google, Inc., 562 F.3d 123 (2d Cir. 2009) was decided and held that the prior WhenU.com decision was limited to its facts. The Second Circuit noted that the alleged use of a competitor's name as a keyword in connection with an advertising program of an internet search engine constituted a "use" under the Lanham Act. Rescue.com Corp., 414 F.3d at 130 ("We did not imply in 1-800 that an alleged infringer's use of a trademark in an internal software program insulates the alleged infringer from a charge of infringement, no matter how likely the use is to cause confusion in the marketplace."). As a

result, in this case, the district court, citing Rescuecom Corp., held that the motion based on what constituted "use" that had been successful in the prior case was no longer viable in the Second Circuit.

Conclusion

The issue of whether or not a trademark, even a domain name trademark, is generic raises issues of fact. As a result, no motion for dismissal pursuant to Rule 12(b)(6) should be brought unless and until discovery has been undertaken and completed on the issue of whether or not the trademark is generic or not. In addition, because Rescue.com resolved the prior split in the Circuit Courts within the United States, trademark infringement actions against the unauthorized use of keywords are now fair game in the Second Circuit.