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Marketing

Ninth Circuit Explores Likelihood of Confusion Involving Keyword Ads, Adopts New Standard

■ **Case Summary:** *The Ninth Circuit vacates an injunction barring a company from purchasing a competitor's marks as invisible ad keywords on search engines like Google and Microsoft Bing.*

■ **Key Takeaway:** *Ninth Circuit rulings on initial interest confusion doctrine, many of which arose in context of objectionable domain names, have only limited applicability to cases involving comparative advertising and search engine keyword purchases.*

■ **Expert Insight:** *Along with emphasizing the flexibility of the likelihood of confusion analysis, the court held that the purchase of a mark as an ad keyword is a use in commerce. That holding is significant because the standard precludes a defendant's ability to dispose of an infringement lawsuit early in the case, given the fact-intensive nature of the likelihood of confusion analysis.*

A court's evaluation of initial interest confusion should be flexible and fact-specific: the eight *Sleekcraft* factors, including the "internet trio," are non-exclusive and should not be rigidly applied in every trademark infringement lawsuit involving internet activities, the U.S. Court of Appeals for the Ninth Circuit ruled March 8 (*Network Automation Inc. v. Advanced Systems Concepts Inc.*, 9th Cir., No. 10-55840, 3/8/11).

With that view of the law in mind, Judge Kim M. Wardlaw, writing for the court, concluded that the U.S. District Court for the Central District of California erred in enjoining a corporate software company from purchasing a competitor's mark as an invisible ad keyword, *Network Automation Inc. v. Advanced Systems Concepts Inc.*, No. 10-484 (C.D. Cal. injunction issued 4/30/10).

The lower court should have considered the overall context of the ads—including their design and labeling—rather than sticking to a rigid formula gleaned from opinions involving circumstances distinct from these facts, the court held.

The likelihood of confusion factors from *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979), are certainly instructive and should play a key role in courts' analysis of a likelihood of confusion, the court remarked. But other factors are potentially relevant, too, the court added.

In the context of keyword advertising, the court said that the potential for consumer confusion would depend on what the ads said.

"The potential infringement in this context arises from the risk that while using Systems' mark to search for information about its product, a consumer might be confused by a results page that shows a competitor's advertisement on the same screen, when that advertisement does not clearly identify the source or its product."

Along the way, the court made several other pronouncements that could have a lasting impact on litigation involving keyword advertising, according to several trademark attorneys contacted by BNA.

Among other things, the court said that:

■ Consumers' degree of care in searching for brands online is growing, the court noted, particularly when they are searching for expensive products;

■ The "internet trio" emphasized in *Brookfield Communications Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. 1999), should not be applied to keyword advertising; and

■ The purchase of a mark as an ad keyword is a use in commerce.

Practitioners Praise Ruling. The court's decision seems to refocus the likelihood of confusion analysis on its proper purpose: determining whether consumers are likely to be confused by the use of a mark in commerce, several attorneys—all of whom have litigated search keyword cases—told BNA.

“This thoughtful decision from such a respected appellate court properly refocuses the legal analysis on the fact that ‘the sine qua non of trademark infringement is consumer confusion,’” Shawn Regan, a partner with Hunton & Williams in New York, said.

“Insofar as some cases have found that the back-office use of trademarked information as an advertising trigger can constitute an infringing trademark-use, those decisions seem to have overlooked that such back-office uses are ubiquitous and universally accepted by our society in non-internet contexts,” Regan added. “Indeed, most sophisticated advertising and the entire industry known as affinity marketing is built on the practice. One searches in vain for a compelling reason why internet advertising should be treated more harshly.”

Jonathan Frieden, a principal in Odin Feldman Pittleman PC’s litigation practice group, expressed a similar view.

“The decision is highly beneficial as it makes clear that a rigid application of three of the eight *Sleekcraft* factors (the so-called ‘internet trinity’ or ‘internet troika’), in isolation, will often lead trial courts to the wrong result,” Frieden said.

“The *Sleekcraft* factors were never intended to represent an exhaustive list of considerations to be inflexibly applied to every situation in which Internet-based trademark infringement is alleged, Frieden added.

The ruling could clarify the standard for judging likelihood of confusion arising from keyword advertising, and facilitate more uniform rulings from district courts on the matter, Terence Ross, a partner with Crowell & Moring in Washington, D.C., said. “It’s nice to have this standard,” Ross said. “There has been a lot of confusion among lower courts, so this clarity is good.”

The court’s framing of the test seems to be a shift from rulings past, Ross added. “I find it very interesting. I think beyond the context of keyword advertising, the court has morphed *Sleekcraft* so that sophistication may be the most important of the factors,” Ross said.

Court Highlights Flexibility of Confusion Analysis. The court looked to *Sleekcraft* and *Brookfield* in exploring the appropriate standard for measuring the likelihood of initial interest confusion arising from a business software company’s purchase of a competitor’s marks as invisible ad keywords on search engines including Google and Bing.

In *Sleekcraft*, the court identified eight relevant factors for determining whether consumers would likely be confused by related goods:

- the strength of the mark,
- proximity of the goods,
- similarity of the marks,
- evidence of actual confusion,
- marketing channels used,
- the type of goods and degree of care likely to be exercised by the purchaser,
- the defendant’s intent in selecting the mark, and
- likelihood of expansion of the product lines.

Brookfield, a lawsuit involving a competitor’s use of a mark in its domain name, held that the first three *Sleekcraft* factors were the most important for the source confusion analysis.

Brookfield also considered possible initial interest confusion arising from the use of a mark in website meta tags, but did not apply the same factors.

Nonetheless, *Brookfield* concluded that the use of the mark in meta tags was likely to cause initial interest confusion because it directed consumers to the defendant’s website, and thus improperly benefitted from the plaintiff’s goodwill.

That test, however, was not intended to be rigidly applied to all internet infringement lawsuits, the court said here. “However, we did not intend *Brookfield* to be read so expansively as to forever enshrine these three factors—now often referred to as the ‘Internet trinity’ or ‘Internet troika’—as the test for trademark infringement on the Internet[.]” the court held.

Four Factor Test for Keyword Advertising. “Depending on the facts of each specific case arising on the Internet, other factors may emerge as more illuminating on the question of consumer confusion[.]” the court remarked.

The court concluded that the following factors are the most relevant to this use in commerce, which involved relatively sophisticated consumers:

- strength of the mark,
- evidence of actual confusion,
- the type of goods and degree of care likely to be exercised by the purchaser, and
- the labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page.

The court lifted the first three factors from the *Sleekcraft* test.

Noting that the *Sleekcraft* factors are nonexclusive, the court concluded that the appearance, labeling, and context of the ads was also relevant to the likelihood of initial interest confusion involving keyword advertising.

Consumers’ Degree of Care Growing Online. The court agreed with its recent decision in *Toyota Motor Sales v. Tabari*, 610 F.3d 1171 (9th Cir. 2010)(15 ECLR 1073, 7/14/10). In that case, the court vacated a preliminary injunction that prohibited automobile brokers from using Toyota’s “Lexus” mark in their domain names.

“We recently acknowledged that the default degree of consumer care is becoming more heightened as the novelty of the Internet evaporates and online commerce becomes commonplace.”

That degree of care is further heightened, *Tabari* held, when consumers are searching for expensive items.

The court compared invisible AdWords’ ability to lead consumers to products beyond an initial search to a customer being distracted or diverted by clearly labeled alternatives in stores.

“Therefore, it would be wrong to expand the initial interest confusion theory of infringement beyond the realm of the misleading and deceptive to the context of legitimate comparative and contextual advertising[.]” the court remarked.

The court was correct in noting that consumers searching for brands online are growing increasingly sophisticated, Frieden remarked.

“The court correctly acknowledged that its conclusion more than a decade ago (in *Brookfield* and *GoTo.com*) that internet users generally exercise a low degree of care in making such decisions no longer holds true,” he said.

Erroneous Application of ‘Internet Trio.’ The district court erred in its rigid approach to the likelihood of confusion analysis, though which it decided to issue the injunction, the court held.

It should have explored which *Sleekcraft* factors—and other factors—best fit the specific facts of this lawsuit, the court added.

The district court “relied on the Internet “troika,” which is highly illuminating in the context of domain names, but which fails to discern whether there is a likelihood of confusion in a keywords case.”

On that basis, the court found no need to reach the remaining preliminary injunction elements, and reversed.

The plaintiff in this declaratory judgment lawsuit, Network Automation Inc., was represented by Courtney L. Stuart-Alban, of Blakeley Law Group, in Hollywood, Calif. The defendant, Advanced Systems Concepts Inc., was represented by James E. Doroshov, of Fox Rothschild LLP, in Los Angeles.

By AMY E. BIVINS

Full text at http://pub.bna.com/eclr/10cv55840_3811.pdf.