

THE SOUND OF
CLARITY: NINTH
CIRCUIT'S "INTERNET
QUARTET" TEST
DETERMINES
LIKELIHOOD OF
CONFUSION IN
KEYWORD
ADVERTISING CASES

(Part One)

By

Scott J. Slavick*

FOUR SPECIFIC CRITERIA

What are the most important factors for determining whether keyword advertising constitutes trademark infringement? Four specific criteria should be considered, according to the Ninth Circuit U.S. Court of Appeals' recent ruling in Network Automation Inc. v. Advanced Sys. Concepts Inc., 638 F.3d 1137 (9th Cir. 2011). This "Internet Quartet" and the reasoning behind it have far-reaching implications not only for keyword advertising practices, but also for all online trademark infringement cases.

This ruling is a nuanced iteration of preceding rulings involving keyword confusion. The four criteria are:

- (1) the strength of the plaintiff's mark;
- (2) evidence of actual confusion;
- (3) the type of goods and degree of care likely to be exercised by the purchaser; and
- (4) the labeling and appearance of the defendant's advertisements and the surrounding context on the screen displaying the search results page.

USE OF SPONSORED KEYWORDS IN SEARCH ENGINE ADVERTISING

The case concerned the use of sponsored keywords used in search engine advertising.¹ Network Automation ("NA") and Advanced Systems Concepts ("ASC") are direct competitors that sell job scheduling and management software. NA sells its software under the AUTOMATE mark, while ASC sells its software under the ACTIVEBATCH mark.

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1 Google AdWords and similar programs sell "keywords," or search terms that trigger the display of a sponsor's advertisement. When a user enters a keyword for a search, Google displays the links generated by Google's own algorithm in the main part of the results page, along with the advertisements in a separate "sponsored links" section next to or above the objective results. Under this system, multiple advertisers can purchase the same keyword, and Google charges sponsors per user click-through (when a Google user clicks on a sponsored keyword to reach the sponsor's website).

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GOOGLE ADWORDS AND MICROSOFT'S BING SEARCH ENGINE

NA purchased ASC's ACTIVEBATCH trademark as a keyword from Google AdWords and a comparable advertising program on Microsoft's Bing search engine. When consumers entered ACTIVEBATCH as a search term, the top objective (non-sponsored) search results were links to ASC's website and ASC's ACTIVEBATCH content. The sponsored links section of the results page displayed ASC's sponsored ACTIVEBATCH link-but it also displayed NA's.

ACTION FOR DECLARATORY JUDGMENT OF NON-INFRINGEMENT

*Three Most Important Factors in Cases
Involving Keyword Advertising*

After ASC objected to NA's purchase of the ACTIVEBATCH trademark as a keyword, NA filed an action for a declaratory judgment of non-infringement. ASC counterclaimed, alleging trademark infringement, and moved for a preliminary injunction against NA's use of the ACTIVEBATCH mark. The district court found a likelihood of initial interest confusion by applying the eight factors the Ninth Circuit previously announced in AMF Inc. v. Sleekcraft Boats, 599 F.2d 341 (9th Cir. 1979), and held that the three most important factors in cases involving keyword advertising are the:

- (1) similarity of the parties' marks;
- (2) relatedness of the parties' goods; and
- (3) marketing channels used by the parties.

District Court Issued Preliminary Injunction

The district court therefore issued a preliminary injunction against NA's use of the mark ACTIVEBATCH.

NINTH CIRCUIT: ASC'S SHOWING OF LIKELIHOOD OF CONFUSION INSUFFICIENT TO SUPPORT INJUNCTIVE RELIEF

The Ninth Circuit, on appeal, concluded that ASC's showing of a likelihood of confusion was insufficient to support injunctive relief. Therefore, the Ninth Circuit vacated the district court's injunction and reversed and remanded the case.

The Ninth Circuit began its analysis by repeating the often-explained requirement that, to prevail on a claim of trademark infringement, a party must prove that:

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- (1) it has a protectible ownership interest in the asserted mark; and
- (2) the defendant's use of the mark is likely to cause consumer confusion.

NINTH CIRCUIT AGREED WITH SECOND CIRCUIT

Because NA did not contest the ownership or its use of the ACTIVEBATCH mark, the Ninth Circuit agreed that the district court correctly found the prerequisite "use in commerce" in NA's use of the ACTIVEBATCH mark to purchase keywords to advertise its products for sale on the Internet. The Ninth Circuit agreed with the Second Circuit that the use of a trademark as a search engine keyword that triggers the display of a competitor's advertisement is a "use in commerce" under the Lanham Act. This alone could be an important holding by the Ninth Circuit for future keyword advertising cases.

NINTH CIRCUIT TURNED AGAIN TO SLEEKCRAFT TEST

*Court Emphasized How in Internet Context Test
Must Only Be Applied in Flexible Manner*

Further, the Ninth Circuit stated that the present case would therefore turn on whether NA's use of the ACTIVEBATCH trademark is likely to cause consumer confusion. To resolve this dispute the Ninth Circuit turned again to the Sleekcraft test, but emphasized how, in the Internet context, this test must only be applied in a flexible manner.

*Sleekcraft Test Identified Eight-Factor Test
To Determine Likelihood of Confusion*

The Sleekcraft test identified an eight-factor test for determining likelihood of confusion (i.e., the "Sleekcraft Factors"):

- (1) strength of the plaintiff's mark;
- (2) proximity of the parties' goods;
- (3) similarity of the parties' marks;
- (4) evidence of actual confusion;
- (5) marketing channels used by the parties;
- (6) type of goods and the degree of care likely to be exercised by the purchaser;
- (7) defendant's intent in selecting its mark; and
- (8) likelihood of expansion of the parties' product lines.

The Ninth Circuit in essence, limited its holding in the famous Brookfield Communications case. See Brookfield Commc'ns Inc. v. West Coast Entm't Corp., 174 F.3d 1036 (9th Cir. 1999). The Ninth Circuit explained that the

court was acutely aware of excessive rigidity when applying the law and that emerging technologies require a flexible approach. See id. 174 F.3d at 1054.

"Internet Trinity" or "Internet Troika"

In that case, Brookfield, a software company, marketed an entertainment database program under the mark MOVIEBUFF. It sold the software, and access to the database on its website, moviebuffonline.com. Id. at 1041-42. West Coast, a video retailer, had registered the mark THE MOVIE BUFF'S MOVIE STORE. West Coast operated a website using the domain name moviebuff.com, which included a film database that competed with Brookfield's product. Id. at 1043. The Ninth Circuit held that Brookfield was likely to succeed in its claim to be the senior user of MOVIEBUFF, and that source confusion was likely to stem from West Coast's use of the mark in its domain name, on the basis of three of the Sleekcraft Factors:

- (1) the similarity of the marks;
- (2) the relatedness of the goods and services offered; and
- (3) the simultaneous use of the Internet as a marketing channel. Id. at 1054 n.16.

Subsequent commentators dubbed these three factors the "Internet Trinity" or the "Internet Troika" and attempted to apply them in a number of subsequent Internet cases.

NINTH CIRCUIT APPARENTLY DIDN'T MEAN FOR INTERNET TRINITY TO BE READ SO EXPANSIVELY

The Ninth Circuit, however, apparently did not mean for the Internet Trinity to be read so expansively as to "forever enshrine" these three factors as the test for trademark infringement on the Internet. See Network, 638 F.3d at 1148. Instead, the holding appears to limit the Internet Trinity's application to domain name cases. For example, the Ninth Circuit pointed out that, in the same Brookfield case, the Ninth Circuit decided the metatag issue differently and that the Internet Trinity should not rigidly apply to metatag cases. Id. at 1146.

NEXT ISSUE

Part Two of our two-part article continues the examination of this important topic, including the case of Playboy Enters. Inc. v. Netscape Commc'ns Corp. where the Ninth Circuit analyzed the keying issue. The Lawyer's Reference Service appears at the end of this second part.

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(Part Two)

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(Ed.'s Note: Part One of this two-part article appears in Advertising Compliance Service at Tab #12, Trademark, Copyright, Article #52.)

LATER CASE CONSIDERED PRACTICE OF "KEYING"

Subsequent to Brookfield, in Playboy Enters. Inc. v. Netscape Commc'ns Corp., 354 F.3d 1020 (9th Cir. 2004), the Ninth Circuit considered the practice of "keying," an early version of a keyword advertising program. At that time, Netscape sold lists of terms to sponsors and the sponsors' advertisements were displayed when users searched for the keywords on the list. Netscape required its advertisers from the adult entertainment industry to link their ads to one such list that contained more than 400 terms, including trademarks held by Playboy. Id. at 1023. Playboy sued, contending that this practice infringed its trademarks. The district court entered summary judgment in favor of Netscape and the Ninth Circuit reversed, holding that summary judgment was inappropriate because of genuine issues of material fact as to whether Netscape's keying practices constituted actionable infringement. Id. at 1031.

Following Brookfield, the Ninth Circuit analyzed the keying issue in terms of initial interest confusion. Id. at 1024 n.13. In Playboy, as in Brookfield, the Ninth Circuit applied the Sleekcraft Factors flexibly, determining that evidence of actual confusion was most important, but also giving weight to the strength of Playboy's mark and analyzing the nature of the parties' goods and consumers. In Network Automation, rather than rigidly applying the Internet Trinity, the Ninth Circuit explained that it wanted courts, depending on the facts of each specific case, to consider other factors that may emerge as more illuminating on the question of consumer confusion on the Internet. Id. at 1148. In fact, the Ninth Circuit went so far as to hold that the Internet Trinity was a "particularly poor fit" for the question presented in Network Automation; namely, whether the use of another's trademark as a search engine keyword to trigger one's own product advertisement is trademark infringement. Id.

NINTH CIRCUIT EXHAUSTIVELY ANALYZED ALL EIGHT SLEEKCRAFT FACTORS

Whether Plaintiff Demonstrated Likelihood of Confusion and Not Mere Diversion

The Ninth Circuit then exhaustively analyzed all eight of the Sleekcraft Factors to determine, with regard to initial interest confusion, whether the plaintiff demonstrated a likelihood of confusion and not mere diversion.

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First Sleekcraft Factor

In its analysis of the strength of the plaintiff's mark, the first Sleekcraft Factor, the Ninth Circuit made the interesting statement that this factor is probative of confusion in this context because a consumer searching for a generic term is more likely to be searching for a product category and will expect to encounter links and advertisements from a variety of sources.

By contrast, according to the Ninth Circuit, a user searching for a distinctive term is more likely to be looking for a particular product and therefore could be more susceptible to confusion when sponsored links appear that advertise a similar product from a different source. *Id.* at 1149. The Ninth Circuit, however, was quick to point out that, on the other hand, if the ordinary consumers of this particular product are particularly sophisticated and knowledgeable, they might also be aware that ASC is the source of ACTIVEBATCH software and not be confused at all. *Id.* at 1150.

Ninth Circuit: District Court Allowed This Factor to Weigh Too Heavily in the Analysis

In analyzing the proximity of the parties' goods, the Ninth Circuit made an interesting point that, because the products at issue are virtually interchangeable, this factor may be relevant, but it must be considered in conjunction with the labeling and appearance of the advertisements and the degree of care exercised by the consumers of the ACTIVEBATCH software. *Id.* By weighing this factor in isolation and failing to consider whether the parties' status as direct competitors would actually lead to a likelihood of confusion, the Ninth Circuit concluded that the district court allowed this factor to weigh too heavily in the analysis. *Id.*

Third Sleekcraft Factor

In analyzing the similarity of the parties' marks, the third Sleekcraft Factor, the Ninth Circuit noted that, in the keyword advertising context, such an inquiry is impossible because the consumer does not confront two distinct trademarks. *Id.* at 1150-51. Rather, after entering one company's mark as a search term, the consumer sees a competitor's sponsored link that displays neither company's trademarks. The district court, according to the Ninth Circuit, erroneously treated ACTIVEBATCH, the keyword purchased by NA, as conceptually separate from ACTIVEBATCH, the trademark owned by ASC. The Ninth Circuit held that this artificial

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distinction did not reflect what consumers "encountered in the marketplace." Id.

Similarity-of-Marks Factor Could Be Helpful

The Ninth Circuit did concede that the similarity-of-marks factor could be helpful in determining initial interest confusion in the keyword context because the consumer types in the ASC trademark that results in NA's sponsored link, depending on the labeling and appearance of the advertisement, including whether it identifies NA's own mark, and the degree of care and sophistication of the consumer, Id.

Neither Party Provided Evidence of Actual Confusion

With regard to actual confusion evidence, the Ninth Circuit agreed that it was not surprising that neither party provided evidence of actual confusion, given the procedural posture of the case. Id. But the Ninth Circuit clarified that actual confusion still remains highly relevant in determining a likelihood of confusion in keyword advertising cases.

Fifth Sleekcraft Factor

Interestingly, in analyzing the parties' marketing channels, the fifth Sleekcraft Factor, the Ninth Circuit noted that it would be the rare commercial retailer today that did not advertise online, and the shared use of a ubiquitous marketing channel should not and does not shed much light on the likelihood of consumer confusion. Id.

NINTH CIRCUIT SPECIFICALLY HELD THAT NATURE OF GOODS AND TYPE OF CONSUMER IS HIGHLY RELEVANT

The Ninth Circuit specifically held that the nature of the goods and the type of consumer is highly relevant to determining the likelihood of confusion in the keyword advertising context. The Ninth Circuit explained that a sophisticated consumer of business software exercising a high degree of care is more likely to understand the mechanics of Internet search engines and the nature of sponsored links, whereas an un-savvy consumer exercising less care is more likely to be confused. Id. at 1152.

DEGREE OF CARE ANALYSIS CANNOT BEGIN AND END AT MARKETING CHANNEL

In addition, the Ninth Circuit explained that the degree of care analysis cannot begin and end at the marketing channel. Instead, courts should still

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consider the nature and cost of the goods, and whether the products being sold are marketed primarily to expert buyers. *Id.* The Ninth Circuit suggested that courts need to look beyond the medium itself and to the nature of the particular goods and the relevant consumers in order to conduct a relevant analysis of this factor.

The Ninth Circuit went even further to state that the default degree of consumer care is becoming "more heightened as the novelty of the Internet evaporates and online commerce becomes commonplace." *Id.* In fact, the Ninth Circuit explained that in the "age of FIOS, cable modems, DSL and T1 lines," reasonable, prudent and experienced Internet consumers are accustomed to such exploration by trial and error. *Id.* Users go from site to site, ready to hit the back button whenever they are not satisfied with a site's contents.

In fact, the Ninth Circuit said it believes that users fully expect to find sites that are not what they imagine from a glance at the domain name or search engine summary. The Ninth Circuit further explained that it expects consumers searching for expensive products online to be even more sophisticated. *Id.*

SEVENTH SLEEKCRAFT FACTOR

As for NA's intent, the seventh Sleekcraft Factor, the Ninth Circuit held that it may be relevant here, but only insofar as it bolsters a finding that the use of the trademark serves to mislead consumers rather than truthfully inform them of their choice of products. *Id.* at 1153.

The Ninth Circuit explicitly held that when two companies are direct competitors, the likelihood of expansion of the parties' product line-the eighth Sleekcraft Factor-becomes unimportant. *Id.*

The Ninth Circuit, however, did not want to limit its analysis of this case to only the eight Sleekcraft Factors. Instead, it said it felt that in the keyword advertising context the "likelihood of confusion will ultimately turn on what the consumer saw on the screen and reasonably believed, given the context." In keyword advertising cases, the Ninth Circuit felt that the appearance of the advertisements and their surrounding context on the user's screen were additional factors that should be analyzed fully before a proper decision could be rendered.

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LABELING AND APPEARANCE OF ADVERTISEMENTS ON RESULTS PAGE

In this case, even if NA has not clearly identified itself in the text of its ads, Google and Bing have partitioned their search results pages so that the advertisements appear in separately labeled sections for "sponsored" links. The labeling and appearance of the advertisements as they appear on the results page includes more than the text of the advertisement, and must be considered as a whole, according to the Ninth Circuit.

FACTORS MOST RELEVANT TO ANALYSIS OF LIKELIHOOD OF CONFUSION IN KEYWORD ADVERTISING CASES

Therefore, the Ninth Circuit held that in keyword advertising cases the factors most relevant to the analysis of the likelihood of confusion are:

- (1) the strength of the plaintiff's mark;
- (2) the evidence of actual confusion;
- (3) the type of goods and degree of care likely to be exercised by the purchaser; and
- (4) the labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page.

NINTH CIRCUIT HAS CREATED NEW "INTERNET QUARTET" FOR KEYWORD ADVERTISING CASES

Thus, the Ninth Circuit has created a new "Internet Quartet" for keyword advertising cases to play alongside the Internet Trinity in domain name cases. By doing so, one can legitimately question whether bidding on a competitor's trademark as a keyword will ever violate the Ninth Circuit's Internet Quartet. The Internet Quartet therefore could play sweet music for all of those companies interested in taking full advantage of the keyword advertising opportunity.

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AMF Inc. v. Sleekcraft Boats, 599 F.2d 341 (9th Cir. 1979).

Brookfield Commc'ns Inc. v. West Coast Entm't Corp., 174 F.3d 1036 (9th Cir. 1999).

Network Automation Inc. v. Advanced Sys. Concepts Inc., 638 F.3d 1137 (9th Cir. 2011).

Playboy Enters. Inc. v. Netscape Commc'ns Corp., 354 F.3d 1020 (9th Cir. 2004),

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