

# Search Engine Advertising Trademark Claims

## *Ninth Circuit Addresses Use in Commerce, Likelihood of Confusion Issues*

By Howard S. Hogan and Michael B. Smith

Most search engines offer advertisers the ability to purchase “keywords” — that is, to pay the search engine to display a company’s advertisement on the search results page when a user searches for one of those “keywords.” For example, Google uses keywords to trigger the display of “sponsored links” above or alongside the search results generated by Google’s own search algorithms. Google allows multiple advertisers to bid on the same keyword, and then ranks their placement on the page, in part, based on how much each advertiser is willing to pay Google if an Internet user clicks through the sponsored link to the advertiser’s website.

Allegations that the use of a third-party’s trademark in this context constitutes trademark infringement have been litigated throughout the country. Some district courts have found that this form of advertising is likely to cause consumer confusion, while other district courts have rejected such claims. Compare *Binder v. Disability Group, Inc.*, \_\_\_ F.Supp.2d \_\_\_, 2011 WL 284469 (C.D. Cal. Jan. 25, 2011) (finding “a strong likelihood of confusion” after bench trial) and *Mary Kay, Inc. v. Weber*, 661 F.Supp.2d 632 (N.D. Tex.

2009) (entering judgment after jury verdict of infringement) with *Rosetta Stone Ltd. v. Google Inc.*, 730 F.Supp.2d 531 (E.D. Va. 2010) (finding no likelihood of confusion on summary judgment), *appeal pending*, Case No. 10-2007 (4th Cir.) and *College Network, Inc. v. Moore Educ. Publishers, Inc.*, 2007 cv 615 (W.D. Tex.), *aff’d* \_\_\_ F.3d \_\_\_, 2010 WL 1923763 (5th Cir. May 12, 2010) (affirming jury verdict of no infringement).

In *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, No. 10-55840 (9th Cir. March 8, 2011), the Ninth Circuit: 1) expressly held that the use of a trademark as a search engine keyword for the purpose of triggering advertisements is a “use in commerce” of that trademark under the Lanham Act; but 2) vacated a preliminary injunction, finding that the district court’s analysis of consumer confusion in the Internet context was too narrow.

### DISTRICT COURT RULING

Network Automation (“Network”) and Advanced Systems Concepts (“Systems”) sell competing job scheduling and management software under the marks “AutoMate” and “ActiveBatch,” respectively. Network purchased “ActiveBatch” as a search engine “keyword.” Accordingly, when a consumer searched for “ActiveBatch,” the results page would feature a “sponsored link” to Network’s website. Systems moved for a preliminary injunction, arguing that Network’s use of “ActiveBatch” as a keyword was likely to cause “initial interest confusion” that would divert

consumers looking for System’s “ActiveBatch” software to Network’s website.

The district court first considered whether Network’s use of “ActiveBatch” as a keyword was a “use in commerce” under the Lanham Act. Noting past debate over whether the sale of marks as keywords could give rise to trademark infringement claims, the district court found that System was “likely to succeed on its claim that Plaintiff uses the ActiveBatch mark in commerce.” *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, No. CV 10-0484 CBM (CWx) (C.D. Cal., April 30, 2010) (“PI op.”) at 6-7.

The court then turned to the likelihood of confusion, applying the eight-factor test articulated in *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979). PI op. at 7-12. In particular, the court focused on the so-called “Internet troika” — three factors the Ninth Circuit singled out in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. 1999) as particularly relevant to the issue of Internet confusion: the similarity of the marks, relatedness of goods, and simultaneous use of the Internet as a marketing channel. *Id.* The district court found that these three factors favored Systems, and that the remaining factors either favored Systems or were irrelevant. *Id.*

The court granted the preliminary injunction and Network appealed.

### NINTH CIRCUIT OPINION

The Ninth Circuit affirmed the district court’s conclusion regarding “use

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in commerce,” holding 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.” Op. at 3233.

The court then turned to whether the defendant’s use of the plaintiff’s mark was likely to cause confusion. Admonishing the district court for relying on the *Brookfield Communications* “troika,” the Ninth Circuit noted that “it makes no sense to prioritize the same three factors for every type of potential online commercial activity.” *Id.* at 3240. The court repeated its warning that “[w]e must be acutely aware of excessive rigidity when applying the law in the Internet context; emerging technologies require a flexible approach.” *Id.* at 3235 (quoting 174 F.3d at 1054).

The Ninth Circuit addressed each *Sleekcraft* factor in turn:

1. **Strength of mark:** The court observed that “a consumer searching for a generic term is more likely to be searching for a product category,” and thus “more likely to expect to encounter links and advertisements from a variety of sources.” *Id.* at 3242-43. Accordingly, a consumer searching for a distinctive term “could be more susceptible to confusion when sponsored links appear that advertise a similar product from a different source.” *Id.*
2. **Proximity of goods:** The court agreed the parties’ products were “virtually interchangeable,” but found that the district court erred 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.” *Id.*
3. **Similarity of the marks:** The court found no practical difference between a trademark as it appears on a product and as it is entered into a search engine, but noted that — “depending on the labeling and appearance of the advertisement, including whether it identifies Network’s own

mark” — the relative similarity of the marks “could be helpful in determining initial interest confusion” in the keyword context. *Id.* at 3244.

4. **Evidence of actual confusion:** Because the appeal arose out of a preliminary injunction order, neither side had provided evidence of actual confusion. The court acknowledged that, “while this is a relevant factor ... its importance is diminished at the preliminary injunction stage of the proceedings.” *Id.* at 3245.
5. **Marketing channels:** The court departed from a long line of cases finding this factor weighs in favor of the plaintiff where both parties advertise on the Internet. Instead, the court found that, given the ubiquity of the Internet as a marketing channel, the common use of the Internet as an overall category is “less important.” The Ninth Circuit held that the district court erred in finding that this factor weighed in Systems’ favor, but did not address how the district court should have weighed the parties’ common use of search engine advertising. *Id.*
6. **Type of goods and degree of care:** Finding this factor “highly relevant” in the keyword advertising context, the Ninth Circuit dismissed the district court’s assertion that “there is generally a low degree of care exercised by Internet consumers,” observing that “the default degree of consumer care is becoming more heightened as the novelty of the Internet evaporates and online commerce becomes commonplace.” *Id.* at 3247.
7. **Defendant’s intent:** The Ninth Circuit criticized the district court for considering this factor “in isolation,” without considering whether the defendant’s intent was to deceive consumers or merely to compare its products to ActiveBatch. *Id.* at 3248.
8. **Likelihood of expansion of product line:** The court noted that this factor, which considers

the possibility of direct competition, is “unimportant” where the two companies already are direct competitors. *Id.* at 3249.

The Ninth Circuit also found that, although the ads themselves did not clearly identify their source, in the keyword advertising context “the appearance of the advertisements and their surrounding context on the user’s screen” is important. *Id.* at 3250. Considering the broader context of the search results pages, the Ninth Circuit suggested that the district court should have evaluated more closely whether the placement of sponsored links could contribute to or dispel confusion.

## CONCLUSION

The Ninth Circuit vacated the preliminary injunction and remanded with instructions to weigh the *Sleekcraft* factors “flexibly to match the specific facts of the case.” “Given the nature of the alleged infringement here, the most relevant factors to the analysis of the likelihood of confusion are: 1) the strength of the 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.” Op. at 3250.

It remains to be seen how the district court will perform its *Sleekcraft* analysis on remand, but the Ninth Circuit’s opinion makes clear that it will expect any district court to consider carefully all the *Sleekcraft* factors in any Internet trademark suit, and not just rely on the *Brookfield Communications* “troika.” The issue of the sale of trademarks as keywords, moreover, will continue to be hotly contested, with, for example, the Fourth Circuit expected to weigh in this year in the case of *Rosetta Stone v. Google*.

