

# Reverse Confusion Suit Not Ironclad, but SmartSync Lives On

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In a split decision, the US Court of Appeals for the Ninth Circuit vacated a district court's summary judgment and remanded the case for trial in an action brought under the Lanham Act in order to resolve material issues of fact on likelihood of confusion/reverse confusion factors that remain in dispute. *Ironhawk Technologies, Inc. v. Dropbox, Inc.*, Case No. 19-56347 (9th Cir. Apr. 20, 2021) (Smith, J.) (Tashima, J., dissenting)

Ironhawk developed computer software designed to transfer data efficiently in "bandwidth-challenged environments" and has marketed the software since 2004 using the name "SmartSync." Ironhawk registered the SmartSync mark in 2007. In 2017, Dropbox launched a feature entitled "Smart Sync," which allowed users to see and access files in their Dropbox cloud storage accounts without taking up space on their hard drive. Ironhawk sued Dropbox for trademark infringement and unfair competition in 2018, alleging that that Smart Sync intentionally infringed upon Ironhawk's SmartSync trademark and was likely to cause confusion among consumers. The district court granted summary judgment in favor of Dropbox, concluding that "a reasonable trier of fact could not conclude that Dropbox's use of Smart Sync is likely to cause consumer confusion."

Ironhawk appealed, focusing primarily on its reverse confusion theory of infringement. Reverse confusion occurs where consumers dealing with the holder of the senior mark (Ironhawk) believe they are dealing with the junior (Dropbox). This occurs when someone who is only aware of the well-known junior (Dropbox) comes into contact with the lesser-known senior (Ironhawk) and incorrectly believes the senior is the same as, or affiliated with, the junior user because of the similarity of the two marks.

The Ninth Circuit first defined the relevant consumer market. This issue revolved around whether the relevant market should be limited to Ironhawk's only active customer, the US Navy, or whether it should include commercial customers. Dropbox argued that the market should be limited to the Navy and that consequently the relevant consumer would be less likely to be confused as to the source or affiliation of SmartSync. In terms of procurement, it was undisputed that the Navy exercised significant care and effort. However, Ironhawk argued that it previously had a commercial customer, and that it actively markets and pursues business with other commercial businesses. The Court held that because Ironhawk had a previous commercial customer and had made recent attempts to acquire more commercial accounts, a reasonable jury could include the potential commercial

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customers in the relevant market.

The Ninth Circuit next turned to the “highly factual inquiry” of the eight *Sleekcraft* factors:

- Strength of the mark
- Proximity of the goods
- Similarity of the marks
- Evidence of actual confusion
- Marketing channels used
- Type of goods and likely level of care exercised by purchaser
- Defendant’s intent in selecting the mark
- Likelihood of expansion of the product lines.

For the first three factors, the Ninth Circuit found that a reasonable jury could find that:

- Dropbox’s mark was commercially strong and would be able to swamp Ironhawk’s reputation.
- The Smart Sync and SmartSync products were proximately related, sold to the same class of purchasers, or were similar in use and function.
- The two marks were similar, and the use of Dropbox’s house mark with Smart Sync could exacerbate the likelihood of confusion.

Ironhawk offered some evidence of confusion among customers. The Ninth Circuit stated that while it doubted that the actual confusion factor would weigh in Ironhawk’s favor, a jury could use the evidence when determining the likelihood of confusion. Similarly, in terms of the marketing channels factor, while it likely goes against a finding of likelihood of confusion, the trier of fact should determine the weight to afford it under the totality of the circumstances. The Court instructed that the sophisticated buyer argument should be determined on remand.

As to intent, Dropbox argued that it was not aware of Ironhawk when it chose Smart Sync in 2015; however, Dropbox was clearly aware of Ironhawk before launching the name. Therefore, the Ninth Circuit concluded that a reasonable jury could find that Dropbox chose to disregard the risk of reverse infringement. Finally, the Court found the expansion factor to be neutral, noting the lack of evidence supporting Ironhawk’s alleged expansion attempts. However, Ironhawk had shown that it had marketed to commercial customers that could be included in a relevant customer base.

Finding unresolved genuine issues of material fact, and viewing the evidence in the light most favorable to Ironhawk, the Ninth Circuit reversed the summary judgment and remanded the case.

In dissent, Judge A. Wallace Tashima, viewing the same record, concluded that no reasonable jury could find a likelihood of confusion. In Judge Tashima's view, even if the relevant consumer class included commercial customers, all of the potential commercial opportunities pursued by Ironhawk were large, sophisticated buyers using experts in information technology. Judge Tashima noted that Ironhawk's product was enterprise software, for which it offered annual licenses at \$20,000 per server, and that its marketing involved "countless face-to-face meetings" with customers. "There is no 'add to cart' or 'buy now' button on Ironhawk's website," he stated.

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