

# Ninth Circuit Establishes Factors to Determine Keyword Advertising Infringement

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A recent Ninth Circuit decision concerning keyword advertising may make it more difficult for trademark owners to establish trademark infringement when competitors purchase their trademarks as Internet keywords for online advertising. ***Network Automation, Inc. v. Advanced Systems Concepts, Inc.***, No. 10-55840 (9<sup>th</sup> Cir. March 8, 2011).

## Background – Advertiser Purchases Registered Trademarks of Competitor as Advertising Keywords

Network Automation and Advanced Systems Concepts (“ASCI”) are direct competitors. They both offer job scheduling and management software and both companies advertise on the Internet. Network Automation’s product is sold under the mark AutoMate, while ASCI sells its product under the federally registered trademark ActiveBatch. As part of its online advertising, Network Automation purchased the term “ActiveBatch” as a keyword through the Google and Bing search engines such that when users keyed this term into the search engines, the results pages each showed a sponsored advertisement for Network Automation’s offering.

ASCI objected to Network Automation’s purchase and use of its ActiveBatch trademark as a keyword and sent a cease and desist letter to Network Automation. Network Automation sought declaratory relief in an action in federal court in the Central District of California. In that action, ASCI counterclaimed for trademark infringement and moved for a preliminary injunction against Network Automation’s use of the ActiveBatch mark.

## Prior Holding at the District Court

The district court addressed this as a case of “initial interest confusion.” Initial interest confusion occurs when a consumer is confused by a party’s conduct at the time of interest in a good or service, even if that initial confusion is later corrected at the time of purchase. The district court found a likelihood of initial interest confusion by applying the Ninth Circuit’s eight factor test established in *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9<sup>th</sup> Cir. 1979), and in particular the three

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factors deemed central in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.2d 1036 (9<sup>th</sup> Cir. 1999). These three factors have been referred to as the “Internet trinity” or “Internet troika,” and have been used to assess likelihood of confusion in suits involving websites with similar names or appearances. The “Internet troika” factors are (1) the similarity of the marks, (2) the relatedness of the goods or services, and (3) the simultaneous use of the Internet as a marketing channel.

Finding that these three factors favored ASCI, the district court found a likelihood of initial interest confusion and granted a preliminary injunction prohibiting Network Automation’s use of ASCI’s trademark as an online search keyword.

## **Ninth Circuit (Re)Emphasizes Flexibility over Rigidity**

As a preliminary matter, the Ninth Circuit’s three judge panel held that the use of another party’s trademark as a search engine keyword that triggers the display of a competitor’s advertisement is a “use in commerce” under the Lanham Act. Accordingly, such a use could constitute infringement if it creates a likelihood of confusion.

The Ninth Circuit quoted guidance from its decision in *Brookfield* more than a decade earlier: “We must be acutely aware of excessive rigidity when applying the law in the Internet context; emerging technologies require a flexible approach.”

The Ninth Circuit clarified that it did not intend *Brookfield* to be read so expansively as to forever enshrine the “Internet troika” as the test for trademark infringement on the Internet. Rather, the court reiterated the applicability of the *Sleekcraft* factors and the principle that such factors are non-exhaustive and should be applied flexibly, particularly in the context of Internet commerce. In the context of keyword advertising, the court indicated that the relevant factors to be applied are: (1) the strength of the mark; (2) evidence of actual confusion; (3) the type of goods and degree of care exercised by consumers; and (4) the appearance of the advertisements and their surrounding context on the screen displaying the search results page.

The court noted that in the keyword advertising context the likelihood of confusion will ultimately turn on what the consumer saw on the computer screen and reasonably believed given the context. The court indicated that while Network Automation’s advertising shown in the sponsored listings did not clearly identify the source of the advertisements, the fact that Google and Bing partitioned their search results pages so that the advertisements appeared in sections labeled as “sponsored” links or sites must also be taken into consideration.

The court noted the improved savvy of Internet users in recent years since earlier holdings concerning the applicable tests to determine likelihood of confusion in an online context. In particular, the court indicated that the default degree of care exercised by consumers is “becoming more heightened as the novelty of the Internet evaporates and online commerce becomes commonplace.” *Toyota Motor Sales v. Tabari*, 610 F.3d 1171 (9<sup>th</sup> Cir. 2010). In the context of domain names, the *Tabari* panel determined that “[c]onsumers who use the internet for shopping are generally quite sophisticated about such matters.” The panel explained that “reasonable, prudent and experienced internet consumers are accustomed to such exploration by trial and error. They skip from site to site, ready to hit the back button whenever they’re not satisfied with a site’s contents. They fully expect to find some sites that aren’t what they imagine based on a glance at the domain name or search engine summary. . . . consumers don’t form any firm expectations about the sponsorship of a website until they’ve seen the landing page – if then.”

The court dissolved the preliminary injunction and remanded the case back to the district court.

## Conclusion

The Ninth Circuit's rejection of the rigid application of existing law in favor of a more flexible approach that recognizes the improved savvy of Internet users means that plaintiffs complaining of trademark infringement will face greater difficulty, particularly where keyword purchases of competitors' trademarks trigger results that are segregated and designated as advertisements.

Ads triggered by third party trademark keywords should be written so that consumers will reasonably believe that they originate with the advertiser, and not the owner of the mark corresponding to the keyword. Also, keyword ads should be clearly set apart from search engine results. It may be prudent for search service providers to specifically and conspicuously identify those advertisements as "ads" on the page.

Purchasers of competitors' trademarks as keywords should bear in mind that the Ninth Circuit's view has not yet been adopted throughout the country.

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