Ninth Circuit Emphasizes Flexibility in Assessing Likelihood of Confusion in Keyword Advertising Cases

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I. Introduction: Keyword Advertising Infringement Claims

Many Internet search engines, including Google, Yahoo!, and Bing, generate revenue by selling advertising space on their web pages and charging sponsors based on the number of times users click on an ad and travel from the search results page to the advertiser’s website. Search engines typically allow advertisers to target their advertisements at those users most likely to be interested in their particular goods or services by allowing advertisers to purchase “keywords” or search terms that trigger the display of their advertisements.1 Typically, search engines set apart these “Sponsored Links” from the organic results that are generated based on the search engine’s proprietary algorithms by using headings such as “Ads” or “Sponsored Links,” different colors, fonts, or shading, and by displaying the advertising in a separate section on the top or side of their search results pages.

These keyword advertising programs often allow competitors to purchase each others’ trademarked terms as keywords. Thus, an advertiser can target potential customers by using its competitor’s name as a search engine keyword. Over the last decade, this practice has generated considerable litigation, as companies have sued both search engines and competitors for trademark infringement for the sale/purchase of their trademarks as part of a keyword advertising program, the claim being that such use unfairly trades on the mark’s goodwill.

Typically plaintiffs assert a claim for initial interest confusion rather than source confusion. Initial interest confusion occurs when the infringing party uses the plaintiff’s trademark in a manner calculated to capture initial consumer attention even though no actual sale occurs.2

The Ninth Circuit’s March 8, 2011 decision in Network Automation, Inc. v. Advanced Systems Concepts, Inc. is the latest in a string of important decisions in this field.3 With this ruling, the Ninth Circuit joined a number of courts that have held that keyword advertising constitutes use in commerce of another’s trademark. More notable, however, is that in emphasizing the need for flexibility in analyzing the likelihood of confusion in the keyword advertising context, the court appears to have set a high bar for plaintiffs to seeking to establish infringement in keyword cases.

II. Factual Background

Network Automation (“Network”) and Advanced Systems Concepts (“Systems”) are software companies that sell directly competing job-scheduling products. Network’s product is sold under the name AutoMate, while Systems’ program is sold under the registered mark ActiveBatch. Network purchased the term “ActiveBatch”—Systems’ registered mark—as a keyword from a number of search engines, including Google and Bing. Thus, when a consumer searched for the term “ActiveBatch” with those search engines, he or she was likely to encounter a “Sponsored Link” to Network’s website, on which AutoMate, rather than ActiveBatch, products could be purchased.

After discovering Network’s practice, Systems demanded that Network stop using its mark as a keyword. In response, Network sued Systems in the Central District of California, seeking a declaratory judgment that its use of Systems’ mark was noninfringing. Systems countersued and moved for a preliminary injunction against Network’s use of the mark pending trial.

III. District Court Opinion

In its preliminary injunction ruling, issued on April 30, 2010, the district court found, as an initial matter, that Systems was likely to succeed in showing that Network’s use of its mark as a keyword constituted a “use in commerce” as required by the Lanham Act to establish trademark infringement. The court then analyzed whether Network’s use was likely to cause consumer confusion, the standard for determining trademark infringement under the Act, by applying the eight-factor likelihood of confusion test first stated by the Ninth Circuit in AMF Inc. v. Sleekcraft Boats.4 In doing so, the court gave particular weight to the so-called “Internet Trinity”—the three factors previously highlighted by the Ninth Circuit in Brookfield5 as of primary relevance in trademark infringement cases involving the Internet. The “Internet Trinity” factors (also referred to as the “Internet Troika”) are (1) the similarity of the marks; (2) the type of goods and the degree of care likely to be exercised by the purchaser; and (3) the marketing channels used.6

The district court concluded that all three of these factors favored Systems because Network had (1) used an identical mark; (2) to promote the sale of a directly competing product; (3) while using the same marketing channel, namely, the Internet. As for the remaining five Sleekcraft factors, the district court found that (1) Systems’ mark was presumptively strong based on its federal registration; (2) Internet consumers exercised a low degree of care (which favored a finding of likelihood of confusion); (3) Network had used Systems’ mark intentionally; (4) the likelihood of product expansion was not relevant in
this case, as the products already directly competed with each other; and (5) actual confusion could not be established at this point because neither party had introduced evidence in connection therewith.

Based on this analysis, the court held that Systems had established a strong likelihood of success on the merits of its trademark infringement claim and entered a preliminary injunction against Network. Network appealed.

**IV. Ninth Circuit Decision**

The Ninth Circuit affirmed in part, reversed in part, vacated the preliminary injunction, and remanded the case to the district court for further proceedings. As an initial matter, the court agreed with the district court that purchasing a trademarked word as a keyword constitutes a “use in commerce” under the Lanham Act. In this regard, the court explicitly adopted the Second Circuit’s reasoning in *Rescuecom v. Google* and thereby joined a growing number of courts that have reached a similar result.

Previously the Ninth Circuit had not explicitly adopted this position, although it was implicit in several earlier opinions concerning keyword advertising.10

The court then turned to the central issue—likelihood of confusion—and found that the district court had read *Brookfield’s* holding too broadly and had erred by focusing too rigidly on the “Internet Trinity.” The court expressly limited the applicability of the *Brookfield “Internet Trinity”* test to cases involving domain name disputes and emphasized the necessity for flexibility in applying the likelihood of confusion factors to other trademark infringement cases involving the Internet, stressing that the facts of each case will drive which *Sleekcraft* factors are most relevant. With that approach in mind, the court proceeded to analyze each of the eight *Sleekcraft* factors:

1. **Strength of the mark:** The court of appeals agreed with the district court’s finding that Systems’ mark was presumptively strong based on its federal registration.

2. **Proximity of the marks:** The court found that by analyzing this factor in isolation, the district court had accorded it too much importance and had failed to “consider whether the parties’ status as direct competitors would actually lead to a likelihood of confusion.”11

3. **Similarity of the marks:** The court found that the district court created a false distinction by treating the keyword purchased by Network as “conceptually separate” from Systems’ trademark, despite the fact that both were the same word.12 Yet the court suggested that this factor could be relevant in determining initial interest confusion in keyword cases “depending on the labeling and appearance of the advertisement, including whether it identifies Network’s own mark, and the degree of care and sophistication of the consumer.”13

4. **Evidence of actual confusion:** The court upheld the district court’s finding that this factor “should be afforded no weight” given the case’s procedural posture (i.e., at the preliminary injunction stage), but suggested that it could be relevant for determining likelihood of confusion in keyword cases in other stages of litigation.

5. **Marketing channels:** The court disagreed with the district court’s conclusion that this factor favored Systems. In the appellate court’s view, the fact that both companies advertised on the Internet was entitled to no weight, since in this day and age “it would be the rare commercial retailer that did not advertise online.”14

6. **Types of goods and degree of care:** The court disagreed with the district court’s conclusion that Internet consumers generally exercise a low degree of care. In the court’s view, the district court’s finding was based on cases decided at the inception of the Internet age, before web searching was an everyday phenomenon, and reasoned that “the default degree of consumer care is becoming more heightened as…online commerce becomes commonplace.” The court further observed that “consumers searching for expensive products online” would likely be even more sophisticated and less likely to be confused than inexperienced Internet users.15

7. **Defendant’s intent:** The court held that while the defendant’s intent is relevant 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,” in the instant case the district court had erred in concluding that this factor favored Systems “without first determining that Network intended to deceive consumers.”16

8. **Likelihood of expansion:** The court agreed with the district court’s determination that this factor was unimportant in cases such as this one where the two products at issue already are in direct competition.

9. **Additional relevant factors:** Finally, the court, again emphasizing the need for flexibility in these types of cases, announced an additional factor to be examined in determining likelihood of confusion in keyword cases: the “appearance of the advertisements and their surrounding context on the user’s screen.”17 In the court’s view, the analysis should include not only whether the text of the advertisement identifies its source but whether label-
ing and positioning of the advertising within the results page sets off the advertisement as separate and distinct from the organic results of the search. In the Ninth Circuit view, the district court failed to properly take this into account.

Having analyzed the *Sleekcraft* factors, the court concluded that the most relevant factors in the likelihood-of-confusion analysis, were (1) the strength of the mark; (2) the evidence of actual confusion; (3) the types of good 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. Based on this analysis, the court reversed the grant of the preliminary injunction.

V. Practical Implications

Although the *Network Automation* decision makes clear that defendants in the Ninth Circuit will not be able to obtain dismissal of keyword advertising infringement actions on the ground that the use is not a use in commerce under the Lanham Act, it also sets the bar higher for trademark owners asserting keyword advertising infringement claims. It is no longer enough for a plaintiff asserting a keyword advertising infringement claim to rely upon the Internet Trinity factors—the similarity of the mark; the type of goods and the degree of care likely to be exercised by the purchaser; and the marketing channels used. Rather, all eight *Sleekcraft* factors will have to be considered, as well as a ninth factor: what consumers saw on the computer screen when they ran their search and what they reasonably believed about the defendant’s advertisement given the context of the search and the advertisement.

Indeed, the Ninth Circuit cited its dicta in *Playboy* that clear labeling by the defendant of its keyword-triggered advertising could eliminate the likelihood of initial interest confusion. Thus, for an advertiser looking to use its competitor’s mark in a keyword advertising program, the prudent course going forward is to label its advertisement in a way that makes clear that it is an ad for its product and not for that of the competitor whose mark was purchased in connection with the keyword advertising program.

For trademark holders whose marks are being used in keyword advertising programs, in the absence of evidence that an appreciable number of consumers were actually confused, commissioning a survey to establish a likelihood of initial interest confusion, even in the preliminary injunction stage, could help combat an argument by the defendant that its ad is not labeled confusingly.

With the Fourth Circuit expected to issue a key opinion on keyword advertising in *Rosetta Stone v. Google* later this year, keyword advertising is likely to remain a hot topic for intellectual property law practitioners and their clients throughout the year.

**Endnotes**

1. For example, a hardware store may purchase the phrase “DIY renovations” so that its advertising will be shown to users likely to be interested in the store’s products.


3. *Id.*

4. 599 F.2d 341 (9th Cir. 1979).

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

6. *Id.*


8. 562 F.3d 123 (2d Cir. 2009) (finding sale of a keyword as part of Google’s AdWords program constitutes use in commerce under the Lanham Act).


10. See, e.g., *Playboy Enters., Inc. v. Netscape Commc’n’s Corp.*, 354 F.3d 1020 (9th Cir. 2004); *Brookfield*, 174 F.3d 1036.


12. *Id.* at *10.

13. *Id.*

14. *Id.* at *11.

15. *Id.*

16. *Id.* at *12.

17. *Id.* at *13.

18. *Id.*

19. *Id.* (citing *Playboy*, 354 F.3d at 1030 n.43).

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