



Ninth Circuit Becomes First Appeals Court to Address If Google and Bing Advertising Programs Likely to Cause Confusion

By: Thomas L. Casagrande and Paul C. Van Slyke

The U.S. Court of Appeals for the Ninth Circuit recently held that buying a trademark keyword ad on search engines such as Google and Bing is a “use in commerce” potentially subjecting the purchaser to liability for trademark infringement under the Lanham Act. The decision in *Network Automation, Inc. v. Advanced Sys. Corp.*, No. 10-55840 (9th Cir. Mar. 8, 2011) also clarified how courts should apply the multi-factor likelihood of confusion test in this specific Internet setting. Becoming the first federal appeals court to address whether a keyword purchase and resulting advertisement under these programs constitutes infringement, the Court held that there was insufficient evidence of likely confusion to support the preliminary injunction that the district court had entered, and remanded the case.

Google’s AdWords and Bing’s Search Advertising Programs

Google’s AdWords and Bing’s search advertising programs sell space for advertising triggered by selected “keywords” in an Internet user’s search. This advertising appears above or alongside the first page of normal search results whenever the keyword appears in a search. The keywords selected for the advertising can be generic words (like “training shoes”) or trademark (like “SHAPE UPS”). Often purchasers of keyword advertising select competitors’ trademarks. The search engines typically display the resulting ads and links in a list separate from the normal search result list, under a heading such as “Sponsored Links” or “Ads.” The keyword purchaser provides the text for the advertisement. Trademark owners have sued the keyword advertising purchasers (and, on occasion, the search engine) alleging that this practice constitutes trademark infringement under the Lanham Act.

The Facts in the Network Automation Case

Advanced Systems owns the trademark ACTIVEBATCH for job-scheduling/event-monitoring software and services sold to businesses. Network Automation offers competing software and services under its AUTOMATE mark. After discovering that Network had purchased Advanced’s ACTIVEBATCH trademark as a keyword for Network’s advertisements, Advanced objected. Network sued for a declaration that its actions were lawful, and Advanced counterclaimed against Network for trademark infringement. No search engines are parties in the lawsuit. The district court found Network’s keyword purchase and resulting advertising was likely to confuse Internet searchers and preliminarily enjoined Network.

The Ninth Circuit’s Analysis

Use of a trademark in keyword advertising is a “use in commerce”

On appeal, the Ninth Circuit first agreed with the Second Circuit’s prior decision in *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. 2009) that use of another’s trademark as a keyword—an act invisible to Internet users—constitutes a “use in commerce,” thus potentially implicating the infringement provisions of the Lanham Trademark Act, 15 U.S.C. §§ 1114(1) & 1125(a).



Determining “likelihood of confusion” when trademarks are used for keyword advertising

The Ninth Circuit then assessed whether Network’s use of ACTIVEBATCH as a keyword to bring consumers to the Network ad and the Network ad content were likely to confuse people searching for Advanced’s software and services. The Court rejected the suggestion that only three of the traditional eight likelihood of confusion factors set forth in *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979)—similarity of the marks, relatedness of the goods and services, and the common use of the web—apply in Internet trademark disputes. Instead, the Court specifically analyzed all eight *Sleekcraft* factors, taking particular care to emphasize that each must be flexibly applied to the specific circumstances at hand: here, search engine keyword advertising.

Some of the Court’s specific observations are illuminating. For example, the Ninth Circuit deemed it relevant whether the keyword is generic, descriptive, or distinctive. An Internet searcher’s susceptibility to confusion may hinge on the purpose of the search, which in turn depends on whether the search term is a distinctive trademark or whether it also has a common generic or descriptive meaning. The Ninth Circuit repeatedly emphasized the degree of care exercised by typical searchers for the goods or services in question.

The Ninth Circuit also highlighted the “labeling and appearance” of the advertisement, including whether and how clearly it identifies the alleged infringer’s business. The graphics and text used to distinguish the purchased ads from the search results also are significant. The Court noted that both Google and Bing had “partitioned their search results pages so that the advertisements appear in separately labeled sections for ‘sponsored’ links.”

Ultimately, the Court determined that, “given the nature of the alleged infringement here, the most relevant factors are: (1) the strength of the mark; (2) the evidence of actual confusion; (3) the type of goods and the 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.”

Implications of the Decision

With the Ninth Circuit joining the Second Circuit in holding that a purchase of a trademark as an ad-triggering keyword is a “use in commerce,” it appears that courts are trending away from what some thought to be a threshold defense that could stop a keyword trademark suit at the pleading stage, before any costly and revealing discovery had begun.

In becoming the first federal appeals court to squarely confront the issue of whether trademark keyword advertising on Google and Bing is likely to confuse ordinary purchasers, however, the Ninth Circuit’s detailed analysis provides a solid analytical roadmap for future cases. But this fact-sensitive analysis will likely come at a cost: it encourages discovery of not only the ad purchaser, but also of the search engine’s advertising and revenue information concerning keyword advertising, as well as any internal documents more directly addressing the likelihood of confusion inherent in such advertising. It may also result in more parties undertaking costly surveys to bolster their respective positions on confusion.

For more information on the matters discussed in *Locke Lord's QuickStudy*, please contact the authors:

Thomas L. Casagrande | T: 713-226-1571 | tcasagrande@lockelord.com

Paul C. Van Slyke | T: 713-226-1406 | pvenslyke@lockelord.com