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Trademarks as Keywords: For Sale or for Infringement?

BY OLGA VODOLAZSCHI

I. INTRODUCTION

Over the last decade, the Internet has slowly been replacing the traditional way of a customer-salesperson shopping experience. Not long ago, computers were luxury items. But today, a computer or any electronic device is part of our daily routine. With just a few “searches” one can order online a hamburger delivery or buy a car.

But along with technological advances, legal concerns arise as well. A recent phenomenon that raises some legal questions is the keyword advertising, which is a way for companies to advertise with search engines.¹ Advertisers purchase “keywords” so that ads appear next to search results after a consumer has typed these particular keywords. The legal question arises when for instance, Company A buys Company B’s (that is the direct competitor) trademark as a keyword. Is Company B entitled to sue Company A for trademark infringement? Is the claim actionable under the Lanham Act?

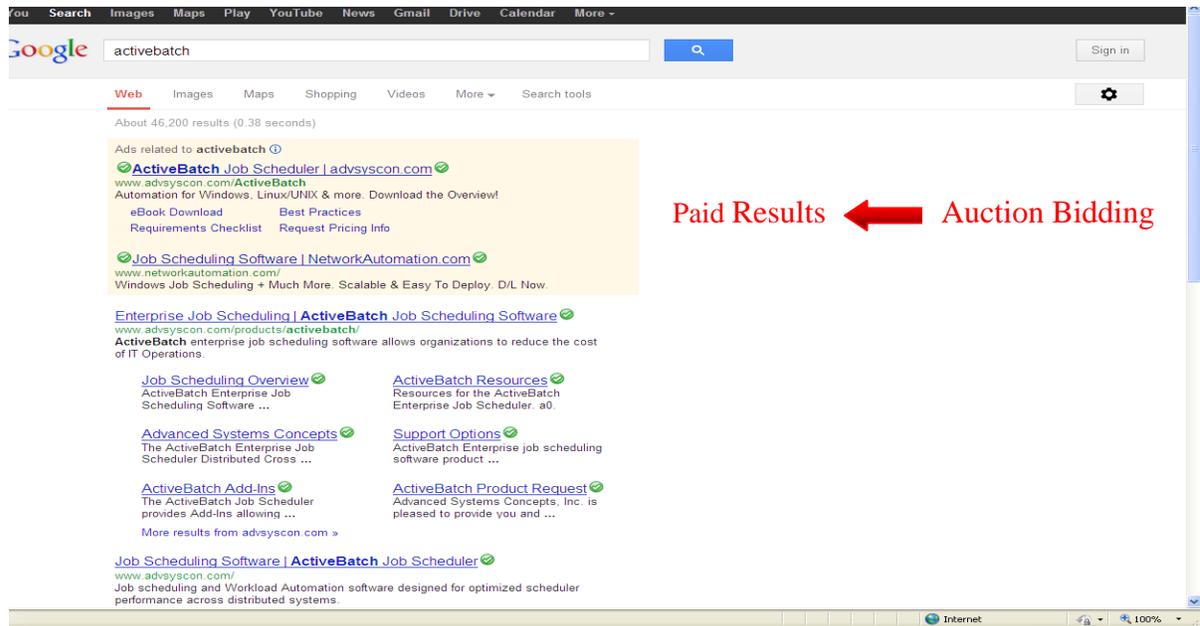
This paper will start with an outline of the traditional framework of a trademark infringement claim, followed by the latest legal developments in light of the Internet phenomenon. Next, the article will focus on the seminal decisions from the Ninth Circuit that shed new light on the Internet trademark infringement analysis. The paper will also address the potential implications of the recent Ninth Circuit decisions on future Internet-related trademark claims.

¹ *How Keywords Work*, GOOGLE, <http://support.google.com/adwords/bin/answer.py?hl=en&answer=1704371> (last visited Nov. 28, 2012).

II. TRADEMARK LAW IN THE INTERNET WORLD

Google, Bing and Yahoo are the three search engine pioneers of online commerce.² Google, and more specifically its online advertising program AdWords, plays the main part in the Internet-related trademark infringement saga. It is a very popular tool that in 2011 brought over \$36 billion in revenue.³ Google began its advertising tool based on keywords in 2000. The program started including trademarks as keywords in 2004.⁴ The architecture of a Google results page is of a particular interest for the discussion in this paper. Figure 1 is a screenshot of results when “ActiveBatch” trademark was used as a search term.

Figure 1: Google Search for “ActiveBatch”



² David J. Franklyn & David A. Hyman, *Trademarks as Keywords: Much Ado About Something?* (Univ. of S.F., Law Research Paper No. 2012-20, 2012), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2110364.

³ 2012 *Financial Tables*, GOOGLE, <http://investor.google.com/financial/tables.html> (last visited Nov. 28, 2012).

⁴ Franklyn & Hyman, *supra* note 2, at 10.

The screenshot above represents the disputed use of “ActiveBatch” trademark as a keyword in *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*,⁵ the seminal Ninth Circuit case discussed herein.⁶ As a prelude to the discussion of the case, the screenshot above illustrates the display of Network Automation’s website in the “Ads” section after searching for “ActiveBatch,” the trademark owned by Advanced Systems Concepts, Network Automation’s competitor.⁷ The links in the slightly shaded area above the natural results list are the paid results. Each of these links is there because the website won its position on Google search results page in an auction bidding.

While AdWords tool is quite fruitful for Google, it might also be quite lucrative for lawyers in terms of legal ramifications. A client’s trademark, that is diligently guarded and policed, when used as a Google “keyword” helps competitors to divert the consumers from the client’s products. In response to searches of these keywords, Google provides “Sponsored Links” – competitors’ products ads.⁸ A question arises – is there enough legal ground to bring a claim for trademark infringement?

But before jumping to the legal discussion, there are some real-world points worth mentioning. First, some trademark owners would not even bring a claim against their competitors, since probably most of the trademark owners are using the same strategy.⁹ Priority for a company’s marketing team is revenue, rather than mark policing. This is the essence of the daily battle between marketing and legal teams within a company.

⁵ 638 F.3d 1137, 1143 (9th Cir. 2011).

⁶ See discussion *infra* Section III.

⁷ See *supra* Figure 1.

⁸ *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 125 (2d Cir. 2009) (“Advertisers pay Google based on the number of times Internet users “click” on the advertisement, so as to link to the advertiser’s website.”).

⁹ Uli Widmaier, *From Metatags to Sponsored Ads: The Evolution of the Internet-Related Trademark Infringement Doctrine*, 4 LANDSLIDE 3 (2012).

Second, AdWords is such an important advertising tool for many trademark owners that a claim for trademark infringement becomes of secondary importance.¹⁰ While these two points might seem as an oversimplification of the matters, there is a need to bring more factors into the picture, such as the size of the potentially liable company, its recognition on the market and its litigation resources. What about a scenario where Company A brings a claim against Company B for trademark infringement, and at the same time engages itself in the same practice? The following example helps to illustrate the dilemma.

In *Rescuecom*,¹¹ a computer repair company brought a claim against Google for recommending the Rescuecom mark to its competitors as a search term for purchase. After the Second Circuit found “use in commerce,” and the case went back to trial court, Rescuecom abandoned its litigation.¹² While fighting with Google over the use of Rescuecom mark, Rescuecom seemed to fight the opposite battle with Best Buy, which demanded Rescuecom to stop using “Geek Squad” as a keyword.¹³ Best Buy held “Geek Squad” mark for use in connection with computer repair services.¹⁴ Best Buy maintained a toll-free telephone number, 1-800-GEEK-SQU, which consumers could call for computer repair services.¹⁵ At the same time, Rescuecom also maintained a toll-free number, 1-800-GEEK-SQA, a misspelling of Best Buy’s trademark.¹⁶ In addition,

¹⁰ Widmaier, *supra* note 9.

¹¹ 562 F.3d at 126.

¹² Eric Goldman, *Rescuecom Abandons Its Litigation Against Google*, Tech. & Mktg. L. Blog (Mar. 5, 2010, 10:45 AM), http://blog.ericgoldman.org/archives/2010/03/rescuecom_aband.htm.

¹³ *Rescuecom Corp. v. BBY Solutions, Inc.*, No. 5:09-cv-01149-FJS-DEP (N.D.N.Y. filed Oct. 14, 2009).

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

Rescuecom used the keyword phrase “geek squad” to display an advertisement for its computer repair services.¹⁷

According to Eric Goldman, law professor and director of the High Tech Law Institute at Santa Clara University, “Rescuecom’s position in the lawsuit against Google is “intrinsically inconsistent” with its stance in the Best Buy litigation.”¹⁸ Gaming the issue on both sides would most probably not play well with the judges. Thus, companies should choose their battles and weigh the litigation costs and the probability of favorable outcome against the opponent.

Internet trademark infringement issues surfaced only about a decade ago. To demonstrate infringement of a registered mark under the Lanham Act, which governs federal trademark infringement claims, a party must prove (1) that the alleged infringer “uses [the mark] in commerce”, and (2) such action or the use of such or some other subject “is likely to cause confusion” in the marketplace.¹⁹ Thus the question is whether use of a trademark as a keyword rises to the level of “use in commerce.”²⁰

The Second Circuit was the first to answer this question in the affirmative.²¹ In *Rescuecom*, a computer repair company alleged that “Google has recommended the Rescuecom trademark to its competitors as a search term to be purchased.”²² The court

¹⁷ *Id.*

¹⁸ Wendy Davis, *Rescuecom Geeks Out In Court After Victory Over Google*, Media Post News (Jan. 20, 2010, 6:54 PM), <http://www.mediapost.com/publications/article/121008/#axzz2DG3jKP85>.

¹⁹ 15 U.S.C. § 1125(a)(1)(A) (2006) (“Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person . . .”).

²⁰ *Id.*

²¹ *Rescuecom*, 562 F.3d at 127.

²² *Id.* at 126.

noted “Google displays, offers, and sells Rescuecom’s mark to Google’s advertising customers when selling its advertising services.”²³

Thus “Google’s utilization of Rescuecom’s mark fits literally within” Lanham Act’s definition of “use of commerce.”²⁴ The court concluded that Google “used [Rescuecom’s mark] in the sale or advertising of services and the services . . . rendered in commerce.”²⁵

“Use in commerce” is not enough though. The crux of a trademark infringement claim is proving the second prong, likelihood of confusion. On one hand, the technology is advancing on the sophistication ladder: from metatags to domain names to keyword advertising. On the other hand, the question is whether it is even worth for trademark owners to engage in a long battle against Google or its competitors.

III. THE NINTH CIRCUIT – THE “HOMELAND” OF LEGAL BREAKTHROUGHS

(a) *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*²⁶

The *Brookfield* case is the Ninth Circuit decision that laid the foundation for the Internet trademark law, specifically domain names and metatags.²⁷

The plaintiff ran a “computer software featuring a searchable database containing entertainment-industry related information marketed under the “MovieBuff” mark.”²⁸ The

²³ *Id.* at 129.

²⁴ *Id.* at 129; 15 U.S.C. § 1127 (2006).

²⁵ *Id.*

²⁶ 174 F.3d 1036 (9th Cir. 1999).

²⁷ Widmaier, *supra* note 9; *Brookfield*, 174 F.3d at 1045 (“Metatags are HTML code intended to describe the contents of the web site. There are different types of metatags, but those of principal concern to us are the “description” and “keyword” metatags. . . . The more often a term appears in the metatags and in the text of the web page, the more likely it is that the web page will be “hit” in a search for that keyword and the higher of the list of “hits” the web page will appear.”).

²⁸ *Brookfield*, 174 F.3d at 1041.

defendant registered a domain name “moviebuff.com”, allegedly plaintiff’s registered mark.²⁹

When it comes to the second element of a trademark infringement claim, there is little uniformity among circuits on the analysis of likelihood of confusion. Even though the actual factors for likelihood of confusion are mainly the same, each circuit has its own version.

The Ninth Circuit follows the *Sleekcraft* test.³⁰ When first facing questions of trademark infringement in the Internet context, the *Brookfield* court noted that the “eight-factor test for likelihood of confusion is pliant.”³¹ Even over a decade ago, the court believed that there is need for an “acute aware[ness] of excessive rigidity when applying the law in the Internet context; emerging technologies required a flexible approach.”³² The court warned against “simply launching into a mechanical application of the eight-factor *Sleekcraft* test.”³³

To establish whether the defendant used plaintiff’s trademark in the domain name, the *Brookfield* court simplified the analysis of likelihood of confusion using only three out of the traditional eight *Sleekcraft* factors: “(1) the virtual identity of marks, (2) the relatedness of plaintiff’s and defendant’s goods, and (3) the simultaneous use of the Web

²⁹ *Id.* at 1042.

³⁰ *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979). The Ninth Circuit test for likelihood of confusion consists of eight factors: (1) strength of the mark; (2) proximity of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) type of goods and the degree of care likely to be exercised by the purchaser; (7) defendant’s intent in selecting the mark; and (8) likelihood of expansion of the product lines.

³¹ *Brookfield*, 174 F.3d at 1054.

³² *Id.*

³³ *Network Automation*, 638 F.3d at 1146.

as a marketing channel.”³⁴ With fewer factors, it seemed easier to prove trademark infringement.

In addition to presenting a new standard in Internet-related cases, “*Brookfield* was the first to present a claim of initial interest confusion on the Internet.”³⁵ In addition to using plaintiff’s mark in defendant’s domain name, plaintiff alleged use of its mark in the HTML code of defendant’s site.³⁶

The court noted that “[u]sing another’s trademark in one’s metatags is much like posting a sign with another’s trademark in front of one’s store. . . . Customers are not confused in the narrow sense: they are fully aware that they are purchasing from [a competitor of a trademark owner] and they have no reason to believe that [the competitor] is related to, or in any way sponsored by, [the trademark owner].”³⁷ Under this scenario, the competitor is still acquiring the goodwill of the trademark owner.³⁸

The court concluded “that consumer confusion was likely, particularly given the nature of consumers at issue, who included casual movie watchers unlikely to realize that they had mistakenly clicked on to West Coast’s site when they had intended to reach Brookfield’s” site.³⁹ In *Brookfield*, the initial interest confusion replaced the traditional likelihood of confusion analysis that did not hold in that case.

³⁴ *Brookfield*, 174 F.3d at 1054 n.16.

³⁵ *Network Automation*, 638 F.3d at 1148; *Grottrian, Helfferich, Schulz, Th. Steinweg Nachf v. Steinway and Sons*, 523 F.2d 1331, 1341-42 (2d Cir. 1975). Steinweg and Steinway were competitors in the pianos business. *Id.* Potential customers could rely on the reputation acquired by Steinway and “think that there is some connection between the Grottrian-Steinweg and Steinway pianos.” *Id.* at 1342.

³⁶ 174 F.3d at 1061.

³⁷ *Id.* at 1064.

³⁸ *Id.*

³⁹ *Network Automation*, 638 F.3d at 1146.

In metatags analysis, the court also found initial interest confusion in using MovieBuff in the HTML code of the defendant’s website.⁴⁰ The consumers were directed to the defendant’s website through an invisible to them use of the plaintiff’s mark, thus leading to initial interest confusion. When a consumer searched for “MovieBuff” the list would include both MovieBuff and West Coast websites.⁴¹ Since they were prominently displayed, when a consumer clicked on West Coast (that used MoviedBuff in its metatags) she was aware of the page she was visiting.

There was initial interest confusion in metatags analysis “by using Brookfield’s mark MovieBuff to direct persons searching for Brookfield’s product to the West Coast site [that] derived an improper benefit from the goodwill Brookfield developed.”⁴²

(b) *Playboy Enterprises, Inc. v. Netscape Communications Corp.*⁴³

While the role of metatags faded away, the *Brookfield* analysis held up in another Ninth Circuit case dealing with keywords.⁴⁴ In dispute were the banner ads (not clearly labeled) linked to consumers’ search of plaintiff’s marks such as “playboy” and “playmate”.⁴⁵ Defendant Netscape offered a version of a keyword advertising program and sold lists of terms to sponsors that if searched would display the sponsor’s advertisement on the result page.⁴⁶ “Playboy” was among more than 400 terms on one of

⁴⁰ *Brookfield*, 174 F.3d at 1061.

⁴¹ *Id.*

⁴² *Network Automation*, 638 F.3d at 1146.

⁴³ 354 F.3d 1020 (9th Cir. 2004).

⁴⁴ *Id.*

⁴⁵ *Id.* at 1022.

⁴⁶ *Id.*

such lists.⁴⁷ The court reasoned that such practice was quite similar to the use of metatags in the *Brookfield* case and found initial interest confusion.

Applying the *Brookfield* three-part test, plaintiff's mark was strong, the parties' services were both in the adult entertainment business, and both parties used Internet as their marketing channel. The court analyzed the nature of goods and consumers and concluded that "the average searcher seeking adult-oriented materials on the Internet is easily diverted from a specific product he or she is seeking if other options, particularly graphic ones, appear more quickly."⁴⁸ Consumers were easily diverted to other competitors' websites following the linked banner advertisements that were "unlabeled" and thus misled them into believing a Playboy affiliation.⁴⁹

Of particular importance was the concurrence of Judge Marsha Berzon who raised a question of whether the consumer was confused by the practices applied in *Brookfield* and *Playboy*, or rather presented with a clear choice.⁵⁰ In *Brookfield*, even though the defendant used the plaintiff's mark of MovieBuff as a metatag for its website westcoastvideo.com, "[c]onsumers were free to choose the official moviebuff.com website [among all other search results] and were not hijacked or misdirected elsewhere."⁵¹ In contrast, the *Playboy* decision applied to "situations in which the banner advertisements are not labeled or identified."⁵²

⁴⁷ *Id.* at 1023.

⁴⁸ *Id.* at 1031.

⁴⁹ *Id.* at 1025.

⁵⁰ *Playboy*, 354 F.3d at 1034 (Berzon, J., concurring).

⁵¹ *Id.* at 1036.

⁵² *Id.*

If there is a cheaper and more accessible or desirable product, why not “suggest” it to consumers? After all, the Lanham Act protects not only intellectual property but also consumers who should be offered options and be allowed to choose. As long as consumers are faced with clear choices, rather than being diverted from one website to another using a competitor’s trademark, there should be no legal concerns.

(c) *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*⁵³

With Internet entering more and more households and with consumers getting rather sophisticated, the recent Ninth Circuit decision came just in time to announce a new standard for the analysis of Internet-related trademark infringement claims.⁵⁴

The court noted that it “did not intend *Brookfield* to be read so expansively as to forever enshrine these three factors – now often referred to as the “Internet trinity” or “Internet troika” – as the test for trademark infringement on the Internet.”⁵⁵ In *Network Automation*, the two parties were direct competitors in the job scheduling software market.⁵⁶ Network advertised its software by purchasing such keyword as “ActiveBatch” which was the other party’s registered trademark.⁵⁷ A consumer, entering such a keyword, would “produce a results page showing “www.NetworkAutomation.com” as a sponsored link, above the natural results list.⁵⁸

The Internet scene has changed significantly since 1999, the year of the *Brookfield* decision. Thus, “it makes no sense to prioritize the same three factors for

⁵³ 638 F.3d 1137 (9th Cir. 2011).

⁵⁴ *Id.* at 1154.

⁵⁵ *Id.* at 1148.

⁵⁶ *Id.* at 1142.

⁵⁷ *Id.*

⁵⁸ *Id.*

every type of potential online commercial activity.”⁵⁹ The court stated that “[d]epending on the facts of each specific case arising on the Internet, other factors may emerge as more illuminating on the question of consumer confusion.”⁶⁰ Taking into account the technological breakthroughs in the Internet arena since the *Brookfield* decision, “[t]he “troika” is a particularly poor fit for the question presented here.”⁶¹

For instance, *Brookfield* third factor, simultaneous use of the Web as a marketing channel, is quite irrelevant today.⁶² Every company seems to turn to the services of the Web for its business promotion and customer expansion. In the era of Internet, “it would be the rare commercial retailer that did not advertise online, and the shared use of a ubiquitous marketing channel does not shed much light on the likelihood of consumer confusion.”⁶³

The Ninth Circuit turned to the *Sleekcraft* factors, its version of likelihood of confusion analysis.⁶⁴ Ultimately, in the analysis of the keyword advertising trademark infringement, the Ninth Circuit stated that “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.”⁶⁵

Of particular interest is the new fourth factor that the court brought into the analysis of Internet-related trademark infringement claims. The proper partition of

⁵⁹ *Id.* at 1148.

⁶⁰ *Id.*

⁶¹ *Id.*

⁶² *Id.* at 1151; *Brookfield*, 174 F.3d at 1054 n.16.

⁶³ *Network Automation*, 638 F.3d at 1151.

⁶⁴ *Id.* at 1149.

⁶⁵ *Id.* at 1154.

“search results pages so that the advertisements appear in separately labeled sections for “sponsored” links” seemed to be the deciding factor in the court’s decision.

The change of heart in the analysis of Internet-related cases has to do a lot with the way consumers started treating and perceiving the Internet. Today Internet is part of our daily routine. If before, consumers could be confused between who is the owner of a website and of a banner ad, today “the court assumes that Internet users are thoroughly experienced using search engines, including distinguishing between natural and sponsored search results.”⁶⁶

Going forward “[t]he appearance of the advertisements and their surrounding context on the user’s screen” are factors to take into account when analyzing keyword advertising cases.⁶⁷ Thus, “Google and Bing have partitioned their search results pages so that the advertisements appear in separately labeled sections for “sponsored” links.”⁶⁸ In other words, the court believed that a consumer searching for “ActiveBatch” would first be looking within the primary natural search results and not within “sponsored links,” secondary search results that would display Network’s website.

Prominent display and assumption of consumer sophistication is what saved the defendant from the trademark infringement claim. It would seem then that today’s technologically savvy and Internet dependent consumer would always be capable of avoiding confusion in the courts’ eyes since “[c]learly labeling the source of the

⁶⁶ Widmaier, *supra* note 9.

⁶⁷ *Network Automation*, 638 F.3d at 1154.

⁶⁸ *Id.*

competing product in Internet advertising will go a long way toward protecting the advertiser from a claim of trademark infringement.”⁶⁹

With the Ninth Circuit being the homeland of the Silicon Valley and therefore of the majority of technological breakthroughs, no wonder that it provides other circuits with revised analyses in Internet-related issues.

The Ninth Circuit seems to stand for “flexibility” in the analysis of Internet-related trademark infringement claims. While *Network Automation* is a reformist decision, it is nevertheless troubling. The court claimed that *Brookfield* analysis should not be “forever enshrine[d]” and that “[d]epending on the facts of each specific case arising on the Internet, other factors may emerge as more illuminating on the question of consumer confusion.”⁷⁰ Though the court moved away from the *Brookfield* test, it did not discard it completely. Therefore, the troubling question is what test should the courts use in future Internet-related cases?

While the Ninth Circuit did not openly overrule the *Brookfield* analysis, the decision seems obsolete enough for our century. First, the *Network Automation* court discussed today’s irrelevance of the third element of the test, the simultaneous use of the Web as a marketing channel.⁷¹ Second, the *Brookfield* element of relatedness of plaintiff’s and defendant’s goods seems quite irrelevant as well. A company would be interested in buying another trademark as a keyword only if the services or products are related enough for the consumers to be easily tempted to make the switch. Relatedness of

⁶⁹ Lisa Dejaco, *Internet Advertising: Two Competitors, One Trademark*, THE FEDERAL LAWYER, IP Insight, May 2011.

⁷⁰ *Network Automation*, 638 F.3d at 1148.

⁷¹ See *supra* p. 7.

goods would facilitate consumers to be “likely confused” or “initial interest confused” to prefer a competing product.

Going forward, the best approach seems to examine the *Sleekcraft* factors (or the equivalent in the appropriate circuit) and whatever “other factors may emerge as more illuminating on the question of consumer confusion.”⁷² For instance, *Network Automation* introduced a novel fourth factor discussed above, “the labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page.”⁷³ Overall, the Ninth Circuit opened the door to “flexibility” in future case-by-case analyses of Internet-related trademark infringement claims.

(d) *Toyota Motor Sales, U.S.A., Inc. v. Tabari*⁷⁴

The Ninth Circuit has also recently addressed the question of using competitor’s trademark in domain names.⁷⁵ In *Tabari*, the defendant operated an online dealership through “buy-a-lexus.com” and “buyorleaselexus.com.”⁷⁶ The question was whether the use of “lexus” in the domain name would cause confusion as to the source of the defendant’s website.⁷⁷

Once again, the refinement of consumers came to the defendant’s rescue since “[c]onsumers who use the internet for shopping are generally quite sophisticated . . . and won’t be fooled into thinking that the prestigious German car manufacturer sells boots at mercedesboots.com, or homes at mercedeshomes.com”⁷⁸ Usually, “[w]hen a domain

⁷² *Network Automation*, 638 F.3d at 1148.

⁷³ *Id.* at 1154.

⁷⁴ 610 F.3d 1171 (2010).

⁷⁵ *Id.*

⁷⁶ *Id.* at 1174.

⁷⁷ *Id.*

⁷⁸ *Id.* at 1178.

name consists *only* of the trademark followed by .com, or some other suffix like .org or .net, it will typically suggest sponsorship or endorsement by the trademark holder.”⁷⁹

Under *Tabari*, a defendant’s use of a trademark combined with other words in the domain name constitutes nominative fair use and does not rise to infringement.⁸⁰ The traditional Sleekcraft analysis does not apply in cases “where a defendant uses the mark to refer to the trademarked good itself.”⁸¹ Here, the Tabaris were “using the term Lexus to describe their business of brokering Lexus automobiles.”⁸² Since the Tabaris needed to make their business known to the consumers it was “nearly impossible to do without mentioning Lexus, be it via domain name, metatag, radio jingle, telephone solicitation or blimp.”⁸³

In *Tabari*, as well as in the subsequent *Network Automation* case, the Ninth Circuit put the decision-making in the hands of consumers, believing that “prudent and experienced internet consumers are accustomed to such exploration by trial and error” and therefore “don’t form any firm expectations about the sponsorship of a website until they’ve seen the landing page – if then.”⁸⁴

Both Ninth Circuit seminal cases, *Network Automation* and *Tabari* are premised on today’s understanding that consumers are highly sophisticated to be “fooled” by

⁷⁹ *Id.* at 1177.

⁸⁰ *Id.* at 1175-76. (“In cases where a nominative fair use defense is raised, we ask whether (1) the product was “readily identifiable” without use of the mark; (2) defendant used more of the mark than necessary; or (3) defendant falsely suggested he was sponsored or endorsed by the trademark holder This test [is] designed to address the risk that nominative use of the mark will inspire a mistaken belief on the part of consumers that the speaker is sponsored or endorsed by the trademark holder. The third factor speaks directly to the risk of such confusion and the others do so indirectly: Consumers may reasonably infer sponsorship or endorsement if a company uses an unnecessary trademark or “more” of a mark than necessary.”) (citing *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 308-309 (9th Cir. 1992)).

⁸¹ *Id.* at 1175.

⁸² *Id.* at 1175.

⁸³ *Id.* at 1181.

⁸⁴ *Id.* at 1179.

domain names, sponsored links or any other marketing tricks companies might have. The idea that the Internet is innovative is long gone.

A recent case from the Third Circuit has already followed in the footsteps of the Ninth Circuit analysis.⁸⁵ The case involved two companies that provided web research services to college students who consider transferring.⁸⁶ The plaintiff, AcademyOne, purchased the defendant's trademark in Google AdWords.⁸⁷ Though the Third Circuit has its own version of the likelihood of confusion factors, known as the *Lapp* factors,⁸⁸ the *CollegeSource* court decided to "place emphasis on the four factors noted in *Network Automation*"⁸⁹ in addition to the traditional analysis.

In *CollegeSource*, the defendant offered evidence of actual confusion factor. It was sparse since "there have only been 65 instances [over one month] in which Internet users searched for CollegeSource, [and] were presented with AcademyOne's advertisements, and clicked to AcademyOne's website."⁹⁰ The court also analyzed the labeling ad appearance of the advertisements *Network Automation* factor.⁹¹ The court emphasized the display of AcademyOne's advertisements "presented in separate sections of the search results [and] especially the clearly differentiated text boxes and the fact that CollegeSource's name does not appear within the language of the advertisement."⁹²

Again, the court relied heavily on the sophistication of consumers. The *CollegeSource* court reasoned that "consumers seeking to obtain transfer information are

⁸⁵ *CollegeSource, Inc. v. AcademyOne, Inc.*, No. 10-3542, 2012 WL 5269213 (E.D. Pa. Oct. 25, 2012).

⁸⁶ *Id.* at *1.

⁸⁷ *Id.* at *5.

⁸⁸ *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460 (3rd Cir. 1983).

⁸⁹ *CollegeSource*, 2012 WL 5269213 at *16.

⁹⁰ *Id.* at *17.

⁹¹ *Id.* at *18.

⁹² *Id.*

likely to practice diligence in their research” and thus “are not likely to be confused by Internet advertising.”⁹³

The Third Circuit did not just take for granted the sophistication of the 21st century consumer proclaimed by the Ninth Circuit. Rather, while emphasizing the four *Network Automation* factors, the *CollegeSource* court took into account the nature of the market (i.e. decision-making resources for college transfers) and the type of consumer (i.e. college students diligent in their research).

IV. THE NINTH CIRCUIT JUDICIAL ASSUMPTIONS

Analyzing the above Ninth Circuit decisions, it seems that there are a series of assumptions standing behind the judicial reasoning. As already discussed, the crucial assumption in *Network Automation* and *Tabari* cases is the sophistication of today’s consumer. While I would like to believe that all of the technological advances caught up with each consumer, there is a degree of skepticism as to consumers’ sophistication across the board. Are we all able to distinguish the “paid ads” from the organic search results on Google page? The *Tabari* court pointed out that there should be no trouble for a consumer to differentiate among *lexus.com*, a Lexus sponsored website, and *mercedesboots.com*, a website clearly not affiliated with the German manufacturer Mercedes.⁹⁴

⁹³ *Id.* at *18-19.

⁹⁴ *Tabari*, 610 F.3d at 1178 (“Consumers who use the internet for shopping ... won’t be fooled into thinking that the prestigious German car manufacturer sells boots at *mercedesboots.com*, or homes at *mercedeshomes.com*, or that *comcastsucks.org* is sponsored or endorsed by the TV cable company just because the string of letters making up its trademark appears in the domain.”).

Another question that the Ninth Circuit does not seem to ponder over is consumer goals and expectations. It does not take into account that consumers could have different expectations when typing in a trademark as a keyword. Is the consumer typing “Nike” in Google search box with a purpose to specifically find Nike sports apparel, or is the search a proxy for sports attire and the consumer is potentially interested in such brands as Puma, Adidas or New Balance? It seems logical that in the case of a consumer with a focused search (i.e. looking specifically for “Nike” sports apparel) she would be more prone to likelihood of confusion, rather than a consumer having an expansive goal of simply exploring sports apparel under a chosen proxy brand such as “Nike.”

In order for the courts to have reached the decisions discussed above, the Ninth Circuit had to assume that if a consumer is typing trademark A, she is only looking for products or services under mark A. This is quite a sweeping assumption, assuming that courts are dealing with the sophisticated consumer that the Ninth Circuit proclaimed is able to explore by “trial and error.”⁹⁵

Thus, the consumer in the *Playboy* case, searching for “playmate” or “playboy” might as well be using these marks as search words for a generalization of adult-oriented content, rather than for specifically Playboy sponsored materials. Under such circumstances, there could hardly be any initial interest confusion. Often, consumers are typing a trademark as a search word because that particular mark is a famous one that comes first to mind and could lead to similar products and services.

According to a survey led by two law professors, “consumers may use trademarks as a generic reference for some categories of goods and services (i.e. Hertz = rental cars),

⁹⁵ *Id.* at 1179.

and use trademarks to search for specific products for other categories of goods and services (i.e. Macbook = Apple computers).”⁹⁶ A simple blanket assumption of consumers’ goals and expectations seems too broad of a generalization. Again, it is quite troubling taking into account that the Ninth Circuit is elevating the consumer to a high level of sophistication and technological familiarity.

V. THE 21ST CENTURY SOPHISTICATED CONSUMER

The Ninth Circuit is making a generalization in terms “that the default degree of consumer care is becoming more heightened as the novelty of the Internet evaporates and online commerce becomes commonplace.”⁹⁷ Today’s modern consumer is used to “exploration by trail and error” and is ready to “skip from site to site, ready to hit the back button whenever they’re not satisfied with a site’s contents.”⁹⁸

Drawing a parallel across the four Ninth Circuit cases discussed above, it seems that the important factor is not the increasing sophistication of an Internet browser, but rather the nature of the business and of the consumer searching for products within the particular niche of the online marketplace.

In *Brookfield*, the court dealt with “casual movie watchers unlikely to realize that they had mistakenly clicked on to [a competitor’s] site when they had intended to reach [plaintiff’s]” site.⁹⁹

⁹⁶ Franklyn & Hyman, *supra* note 2, at 19.

⁹⁷ *Network Automation*, 638 F.3d at 1152.

⁹⁸ *Id.* at 1179.

⁹⁹ 174 F.3d at 1146.

In *Playboy*, the court was looking at a “searcher seeking adult-oriented materials on the Internet” who would be “easily diverted [...] if other products, particularly graphic ones, appear more quickly.”¹⁰⁰

In *Tabari*, the consumer was “a reasonably prudent consumer [...] shopping for an expensive product like a luxury car.”¹⁰¹ In terms of the nature of goods, a consumer searching for a Lexus would probably never be subjected to initial interest confusion visiting any site other than lexus.com [such as buy-a-lexus.com or buyorleaselexus.com] and believe that it is a Lexus-sponsored site. “Because the official Lexus site is almost certain to be found at lexus.com, it’s far less likely to be found at other sites containing the word Lexus.”¹⁰²

Network Automation is the case where the Ninth Circuit gave unlimited decision-making power to the consumers and simply stated that “[t]hey fully expect to find some sites that aren’t what they imagine based on a glance at the domain name or search engine summary.”¹⁰³ The consumers of the 21st century “don’t form any firm expectations about the sponsorship of a website until they’ve seen the landing page – if then.”¹⁰⁴

On the other hand, initial confusion is highly probable to affect particular consumers looking for certain types of products and services, such as movie watchers looking for Hollywood gossip and movie reviews¹⁰⁵ and adult entertainment consumers looking for graphic materials.¹⁰⁶ If similar products are offered somewhere else, diversion towards competitors’ sites can occur.

¹⁰⁰ 354 F.3d at 1028.

¹⁰¹ 610 F.3d at 1176.

¹⁰² *Id.* at 1178.

¹⁰³ 638 F.3d at 1152-53.

¹⁰⁴ *Id.* at 1153.

¹⁰⁵ See *Brookfield*, 174 F.2d at 1036.

¹⁰⁶ See *Playboy*, 354 F.3d at 1020.

For instance, in *Geico*, a Fourth Circuit case, the plaintiff GEICO pointed to “the unique nature of the car insurance business [and] contend[ed] that because customers seek an average of fewer than two quotes before purchasing car insurance, even in the Internet context the company loses significant business from the alleged initial confusion that misdirects potential customers who originally searched on “GEICO” to sites where they can obtain other companies' quotes but not GEICO's.”¹⁰⁷ Depending on the consumer and the product searched for, the question of consumer diversion should be treated differently.

Instead of trusting the consumer to make the choice only because she is a sophisticated 21st century browser, I believe the crucial inquiry should take into account the nature of the products and goods that are the subject of an alleged trademark infringement claim, the goals and expectations of the consumer, the specificity of market in discussion and the ultimate goal that the consumer wishes to attain, whether it is buying a luxury good or accessing some routine product or service.

VI. ADWORDS – BENEFICIAL TOOL FOR INTERNATIONAL TRADE?

Technology travels across country borders and oceans. While trademark owners are policing their marks, and courts are implementing new tests for the Internet-related trademark infringement claims, AdWords tool can potentially benefit international trade.¹⁰⁸ Firms with limited capabilities can forego direct marketing (i.e. TV commercials, ad campaigns, etc.) in targeted countries and simply resort to AdWords tool that will provide worldwide coverage as long as there is access to computers.

¹⁰⁷ *Gov't Employees Ins. Co. v. Google, Inc.*, 1:04CV507, 2005 WL 1903128 (E.D. Va. Aug. 8, 2005).

¹⁰⁸ Ashley Tan, *Google AdWords: Trademark Infringer or Trade Liberalizer?*, 16 MICH. TELECOMM & TECH L. REV. 473, 502 (2010).

It seems that “AdWords facilitates the free flow of international trade and commerce in a way that a state-based trade policy cannot.”¹⁰⁹ Among the advantages of such strategy are low costs to AdWords account holders, access to an expansive audience and little intervention from national governments.¹¹⁰

This scheme that is beneficial to certain companies and to a large number of consumers goes against the interests of the holders of those trademarks that are being used as keywords. Trademark owners are making the same assumption as the courts did in the Ninth Circuit,¹¹¹ specifically dismissing the fact that “consumers entering a search query containing a trademarked term are often not looking for the exact match to, for example, the trademark holder’s website. Instead they not only expect to see, but also want to see search results that include links to competitors’ websites.”¹¹²

Assuming consumers are looking for one specific product bearing the trademark used as a keyword, consumers would have to undergo extensive on-line searches in order to gather an extensive survey of competitors. Otherwise, their search results will not contain the trademark holder’s ads. “If they never view the competitor’s ads, they will have much less awareness that such competitors exist.”¹¹³ Restriction on use of keywords would constrain freedom of choice and trade. Consumers would be limited to local and recognized marks and not allow competitors of the trademark owners to market themselves.

¹⁰⁹ *Id.*

¹¹⁰ *Id.* at 503.

¹¹¹ See *supra* Section IV.

¹¹² Tan, *supra* note 98, at 505.

¹¹³ *Id.*

AdWords seems to encourage competition by allowing the consumer to be the decision-maker. The ability to pick and choose by “trial and error”¹¹⁴ is within the capabilities of the 21st century sophisticated consumer.

The reality of today’s economy is that competitors have to battle for their market share and for their consumers. How is Google AdWords tool different from the traditional advertising campaigns? Companies resort to marketing to come up with the “winner” strategy to stand out among competitors and also protect their marks from becoming generic and unprotected.¹¹⁵ In Google’s world, trademark owners can stand out by buying their own trademarks, “an equivalent effort to ensure continued association with their marks in the eyes of consumers.”¹¹⁶ Looking at this issue from a purely economic standpoint, AdWords is an advantage for international trade.

Trademark owners though are looking at the issue from a purely trademark infringement angle and overlook the potential benefit of AdWords for the market competition. AdWords can potentially help small companies achieve some recognition and break into the market. At the same time, the established market participants worry that the new entrants might get a free-ride on their reputation by diverting consumers through the AdWords tool.

This is a battle that will be a recurring issue in a world driven by technology. Acknowledging that Internet-related trademark analysis had to move forward, the Ninth Circuit stated that the *Brookfield* decision became obsolete.¹¹⁷ While not openly

¹¹⁴ *Tabari*, 610 F.3d at 1179.

¹¹⁵ Tan, *supra* note 98, at 506.

¹¹⁶ *Id.*

¹¹⁷ *Network Automation*, 638 F.3d at 1148.

overruling the *Brookfield* court, the Ninth Circuit advocated for flexibility and for taking into account relevant factors to each case.

Therefore, as the sophisticated consumer becomes more knowledgeable and the technology more evolved, courts should include new factors in the trademark infringement analysis. In addition, courts should always consider the nature of products or services in dispute, the goals and expectations of consumers and the reputation and market share of competitors.