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R. Gregory Israelsen

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Searching for a Trademarks Test: The Ninth Circuit's Query in *Network Automation*

I. INTRODUCTION

In *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*,¹ the Ninth Circuit changed the direction of its internet trademark law when it declined to apply the “troika” factors² to determine whether one’s use of another’s trademark as a search-engine keyword violates the Lanham Act.³ The court established the internet troika test in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*⁴ and consistently applied it to the internet context for more than a decade.⁵ But the Ninth Circuit in *Network Automation* instead favored a flexible application of an eight-factor test from its earlier decision in *AMF Inc. v. Sleekcraft Boats*.⁶ The court used this flexible application to produce a new test made up of three *Sleekcraft* factors distinct from the troika combined with a fourth new factor.⁷

The Ninth Circuit’s holdings in *Network Automation* are flawed for two reasons. First, because the district court properly applied Ninth Circuit precedent, the Ninth Circuit erred in holding that the district court applied an erroneous legal standard. Second, the Ninth Circuit failed to limit clearly the troika test and to define the appropriate contexts for its future use. These flaws create confusion about which test applies in trademark infringement cases for emerging technologies. This Note examines the Ninth Circuit’s method of crafting new tests for cases involving new internet

1. 638 F.3d 1137, 1149 (9th Cir. 2011).

2. The troika test consists of the following three factors: “(1) the similarity of the marks, (2) the relatedness of the goods or services, and (3) the simultaneous use of the Web as a marketing channel.” *Id.* at 1148. The three troika factors are a subset of the eight factors established in *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348–49 (9th Cir. 1979).

3. 15 U.S.C. § 1114 (2006).

4. 174 F.3d 1036, 1054 n.16 (9th Cir. 1999).

5. *See, e.g.*, *Perfumebay.com v. eBay*, 506 F.3d 1165 (9th Cir. 2007); *Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020 (9th Cir. 2004).

6. 599 F.2d at 348–49.

7. *Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137, 1154 (9th Cir. 2011). None of the *Sleekcraft* factors in the new test are a part of the troika. *Id.*

technologies and offers a model that judges can follow in future emerging-technology cases.

This Note proceeds as follows. Part II details trademark case law from the online keyword search context. Part III contains the relevant facts and procedural history of *Network Automation*. Part IV describes the Ninth Circuit's reasoning and holding. Finally, Part V analyzes *Network Automation*, explains the difficulties caused by the Ninth Circuit's opinion, and proposes a clear method for judges to determine which factors are relevant in future internet trademark cases.

II. SIGNIFICANT LEGAL BACKGROUND

To demonstrate infringement of a registered trademark under the Lanham Act,⁸ a party “must prove (1) that it has a protectable ownership interest in the mark; and (2) that the defendant's use of the mark is likely to cause consumer confusion.”⁹ While trademark law prohibits multiple types of confusion, two types are relevant in the online keyword context: source confusion and initial interest confusion.¹⁰ Source confusion occurs when a consumer is confused about the source or origin of a product.¹¹ Initial interest confusion occurs when a consumer initially becomes interested in a product based on confusion about the product's origin, even if the misunderstanding is resolved before the consumer's purchase.¹²

In *AMF Inc. v. Sleekcraft Boats*,¹³ the Ninth Circuit established a test that considers eight relevant factors for determining likelihood of confusion for purposes of trademark infringement. The relevant factors are: “(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

8. 15 U.S.C. § 1114.

9. *Network Automation*, 638 F.3d at 1144 (quoting *Dep't of Parks & Recreation v. Bazaar Del Mundo Inc.*, 448 F.3d 1118, 1124 (9th Cir. 2006)).

10. *See Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1062 (9th Cir. 1999).

11. *See id.*

12. *See Dr. Seuss Enters., L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1405 (9th Cir. 1997).

13. 599 F.2d 341, 348–49 (9th Cir. 1979).

lines.”¹⁴ Courts consider these factors in light of “all the relevant circumstances in assessing the likelihood of confusion.”¹⁵ This test has become foundational in assessing the likelihood of confusion in all trademark cases in the Ninth Circuit.

In *Brookfield Communications v. West Coast Entertainment*,¹⁶ the Ninth Circuit “first confronted issues of trademark infringement and consumer confusion in the Internet context.”¹⁷ In *Brookfield*, a provider of entertainment-industry information sued a video-rental store for its internet-related use of the term “MovieBuff,” including “moviebuff.com.”¹⁸ The Ninth Circuit applied the *Sleekcraft* test, noting that it is “pliant,” that “the relative importance of each individual factor will be case-specific,” and that it may be possible to use “only a subset of the factors” or use “non-listed variables.”¹⁹ However, the Ninth Circuit also acknowledged that “some factors—such as the similarity of the marks and whether the two companies are direct competitors—will always be important.”²⁰

Of the eight factors in *Sleekcraft*, the Ninth Circuit primarily relied on three factors, which would come to be known as the internet “troika,” in holding that there was a likelihood of confusion.²¹ The first factor is the similarity of the marks: “[T]he more similar the marks in terms of appearance, sound, and meaning, the greater the likelihood of confusion.”²² The second factor is the relatedness of the goods or services. This factor examines whether the two parties are competitors as well as “the competitive proximity of their products.”²³ The third factor is simultaneous use of the web as a marketing channel.²⁴ In addition to these three factors, the

14. *Id.*

15. *Id.* at 348 (citing *Durox Co. v. Durox Paint Mfg. Co.*, 320 F.2d 882, 885 (4th Cir. 1963)).

16. 174 F.3d 1036 (9th Cir. 1999).

17. *Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137, 1145 (9th Cir. 2011).

18. *Brookfield Commc'ns*, 174 F.3d at 1041.

19. *Id.* at 1054.

20. *Id.*

21. *Id.* at 1058.

22. *Id.* at 1054 (citing *Dreamwerks Prod. Grp., Inc. v. SKG Studio*, 142 F.3d 1127, 1131 (9th Cir. 1998); *Official Airline Guides, Inc. v. Goss*, 6 F.3d 1385, 1392 (9th Cir. 1993)).

23. *Brookfield Commc'ns*, 174 F.3d at 1056.

24. *Id.* at 1057.

Ninth Circuit offered the following guidance: “We must be acutely aware of excessive rigidity when applying the law in the Internet context; emerging technologies require a flexible approach.”²⁵ The Ninth Circuit applied these factors to the domain name context, holding that “moviebuff.com” was confusingly similar to “MovieBuff,” and accordingly enjoined West Coast’s use of “moviebuff.com.”²⁶

The *Brookfield* court also considered a different but related question: Is it permissible for one to use another’s trademark in a website’s metatags?²⁷ Metatags, hidden from a typical viewer, are keywords buried in the HTML code of a website that assist search engines in indexing website content.²⁸ While acknowledging that source confusion was unlikely to result from one’s use of another’s trademark in metatags to affect search engine results, the Ninth Circuit noted that initial interest confusion may nevertheless exist.²⁹ The court clarified its reasoning regarding metatags in the trademark context with this hypothetical:

Suppose West Coast’s competitor (let’s call it “Blockbuster”) puts up a billboard on a highway reading—“West Coast Video: 2 miles ahead at Exit 7”—where West Coast is really located at Exit 8 but Blockbuster is located at Exit 7. Customers looking for West Coast’s store will pull off at Exit 7 and drive around looking for it. Unable to locate West Coast, but seeing the Blockbuster store right by the highway entrance, they may simply rent there.³⁰

Even though consumers “are fully aware” in the end that they are renting from Blockbuster and not West Coast, “the fact that there is only initial consumer confusion does not alter the fact that Blockbuster would be misappropriating West Coast’s acquired goodwill.”³¹ This initial interest confusion alone was sufficient for the *Brookfield* court to bar the use of trademarked terms in metatags

25. *Id.* at 1054.

26. *Id.* at 1061.

27. *Id.*

28. See Jonathan Moskin, *Virtual Trademark Use—The Parallel World of Keyword Ads*, 98 TRADEMARK REP. 873, 887 (2008). Google and other modern search engines rarely still use metatags in their search engine algorithms. *Id.*

29. *Brookfield Commc’ns*, 174 F.3d at 1062.

30. *Id.* at 1064.

31. *Id.*

in addition to domain names.³² However, the court did not completely bar the use of a competitor's trademarked terms in the internet context.³³ A trademarked term can still be used to describe a competitor's product.³⁴ For example, it would be acceptable for West Coast to display a web advertisement stating, "Why pay for MovieBuff when you can get the same thing here for FREE?"³⁵

Five years later, the Ninth Circuit considered a new search advertising technology involving the use of trademarked terms in *Playboy Enterprises, Inc. v. Netscape Communications Corp.*³⁶ In this case, Netscape required adult-oriented advertisers to link their banner ads to a list of over 400 adult and sexually oriented terms, including two terms trademarked by Playboy, "playboy" and "playmate."³⁷ The Ninth Circuit, relying on *Brookfield*, found that Netscape's use of trademarked terms created initial interest confusion and therefore was actionable.³⁸ The court reasoned that "actual confusion is at the heart of the likelihood of confusion analysis,"³⁹ but still applied the eight-factor *Sleekcraft* test.⁴⁰ It held that the strength of the mark, proximity of the goods, similarity of the marks, type of goods and degree of consumer care expected, and defendant's intent all favored a holding of likelihood of infringement.⁴¹

In *Perfumebay.com v. eBay*, the Ninth Circuit made clear that the troika factors are the most important for determining likelihood of confusion "[i]n the internet context."⁴² Perfumebay.com sought a declaratory judgment that "Perfumebay" did not infringe on the

32. *Id.*

33. *Id.* at 1066.

34. *See id.* (Use of a trademarked term for comparative advertising is considered fair use.).

35. *Id.*

36. 354 F.3d 1020 (9th Cir. 2004). Playboy's suit was based on Netscape's practice of "keying." Keying was a practice used by advertisers to display banner ads that were linked to internet searches by "keying" their ads to certain lists of words. When a search engine user entered a term from a list, the banner ads keyed to that list would be displayed. *Id.* at 1022.

37. *Id.* at 1023.

38. *Id.* at 1025.

39. *Id.* at 1027.

40. *Id.* at 1026–29.

41. *Id.* at 1027–29.

42. 506 F.3d 1165, 1173 (9th Cir. 2007).

“eBay” mark.⁴³ One eBay employee testified that searches for the keywords “perfume eBay” elicited sponsored ads for Perfumebay’s website.⁴⁴ The Ninth Circuit stated that “[i]n the internet context, ‘the three most important *Sleek craft* factors in evaluating a likelihood of confusion are’” the troika factors.⁴⁵ The court also noted that the eight-factor *Sleekcraft* test, which “guides the assessment of whether a likelihood of confusion exists,”⁴⁶ should be fluid.⁴⁷ The court held that because these “three most important” factors—the “internet trilogy”—weighed against Perfumebay, there was a valid basis for initial interest confusion.⁴⁸ As a result, the Ninth Circuit upheld the district court’s permanent injunction against using perfumebay.com and perfume-bay.com.⁴⁹

III. FACTS AND PROCEDURAL HISTORY

A. Facts of the Case

Advanced Systems Concepts (“Systems”) is a software development and consulting firm that developed the ActiveBatch software, an enterprise software product that assists businesses with centralized task management.⁵⁰ Systems began using the ActiveBatch trademark in 2000 and registered the mark with the U.S. Patent and Trademark Office in 2001.⁵¹ Network Automation (“Network”), also a software development firm, is a direct competitor of Systems.⁵² Network developed the AutoMate software, which is also an enterprise software program for integrating and automating various

43. *Id.* at 1168.

44. *Id.* at 1170.

45. *Id.* at 1173 (quoting *Interstellar Starship Servs., Ltd. v. Epix, Inc.*, 304 F.3d 936, 942 (9th Cir. 2002)). The troika factors are “(1) the similarity of the marks, (2) the relatedness of the goods and services, and (3) the parties’ simultaneous use of the web as a marketing channel.” *Id.*

46. *Id.* (citing *Reno Air Racing Ass’n. v. McCord*, 452 F.3d 1126, 1135 (9th Cir. 2006)).

47. *Id.* (citing *Survivor Media, Inc. v. Survivor Prods.*, 406 F.3d 625, 631 (9th Cir. 2005)).

48. *Id.* at 1173–74.

49. *Id.* at 1176–77.

50. *Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137, 1142 (9th Cir. 2011).

51. *Id.*

52. *Id.*

business tasks, applications, and technologies.⁵³ AutoMate directly competes with ActiveBatch.⁵⁴

Network used Google AdWords and Microsoft adCenter to display ads each time a user searched for the keyword “ActiveBatch.”⁵⁵ Google AdWords⁵⁶ is a program that allows a website owner to create ads and choose the “keywords,” or search terms, that trigger the display of those ads.⁵⁷ Keyword-specific advertising allows advertisers to target their ads based on users’ search terms. Google pitches the program as a way to “advertis[e] to an audience that’s already interested.”⁵⁸ When a user clicks on an ad, the user is redirected to a website pre-designated by the advertiser, and Google charges the advertiser for the click.⁵⁹ Microsoft’s Bing search engine offers a similar service called adCenter.⁶⁰ Google or Bing⁶¹ users who searched for the keyword “ActiveBatch,”⁶² a trademark owned by Systems, were shown Network’s ad in a “Sponsored Links” or “Sponsored Sites” section of the search results page.⁶³ Network’s advertisements included text such as “Job Scheduler” or “Batch Job Scheduling,” and also included the company’s website, NetworkAutomation.com.⁶⁴

In November 2009, Systems demanded that Network stop using the ActiveBatch mark in search engine advertising because Network was “not ‘authorized to use’” the ActiveBatch mark in commerce.⁶⁵

53. *Id.*; see also NETWORK AUTOMATION, <http://www.networkautomation.com> (last visited Mar. 9, 2011).

54. *Network Automation*, 638 F.3d at 1142.

55. *Id.*

56. Google’s market share of the desktop search engine was 78% as of Mar. 9, 2012. *Search Engine Market Share*, NETMARKETSHARE, <http://www.netmarketshare.com/search-engine-market-share.aspx?qprid=4> (last visited Mar. 9, 2012).

57. *Network Automation*, 638 F.3d at 1142.

58. GOOGLE ADWORDS, <https://adwords.google.com> (last visited Mar. 9, 2012).

59. *Id.*

60. MICROSOFT ADVERTISING ADCENTER, <https://adcenter.microsoft.com/> (last visited Mar. 9, 2012).

61. While the case made no mention of other search engines, the Ninth Circuit has previously recognized that Yahoo!, Altavista, and Lycos are examples of other internet search engines. See, e.g., *Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1045 (9th Cir. 1999).

62. *Network Automation*, 638 F.3d at 1143.

63. *Id.*

64. *Id.*

65. *Id.*

Systems argued that Network's keyword advertising infringed on its mark.⁶⁶ In response, Network filed a lawsuit seeking a declaratory judgment of non infringement.⁶⁷ Systems counterclaimed, alleging trademark infringement and moving for a preliminary injunction against Network.⁶⁸

B. Procedural History

The district court granted System's injunction against Network, holding that Network infringed on System's trademark because Network used the mark in commerce.⁶⁹ While the district court considered all eight factors of the *Sleekcraft* test, it followed Ninth Circuit precedent regarding internet cases and focused on the three troika factors: "(1) the similarity of the marks, (2) the relatedness of the goods or services, and (3) the simultaneous use of the web as a marketing channel."⁷⁰ The district court found that all three factors weighed in favor of Systems.⁷¹ It also concluded that three other *Sleekcraft* factors weighed in favor of Systems and that the remaining two did not apply.⁷² The district court found that Network's keyword advertising was impermissible because it created "initial interest confusion."⁷³ Because of these findings, the district court concluded that Systems was likely to prevail on its trademark infringement claim, that Systems would suffer irreparable harm, and that the public interest favored Systems.⁷⁴ The district court granted a preliminary injunction based on these findings.⁷⁵ Network then appealed to the Ninth Circuit.⁷⁶

66. *Id.*

67. *Id.*

68. *Id.*

69. *Id.*

70. *Id.* These three factors are known as the "troika" test or the "internet trilogy."

71. *Id.* at 1143-44.

72. *Id.* at 1149-54. The others factors that weighed in favor of Systems were (1) the strength of the mark, (2) type of goods and degree of care, and (3) defendant's intent. *Id.* The factors that did not apply were (1) evidence of actual confusion, and (2) likelihood of expansion of the product lines. *Id.*

73. *Id.* at 1144. Note that the district court found "initial interest confusion" instead of finding "source confusion."

74. *Id.*

75. *Id.*

76. *Id.*

IV. THE COURT'S DECISION

The Ninth Circuit reversed the district court's finding that there was a likelihood of confusion.⁷⁷ The district court abused its discretion by erroneously relying on the troika factors when it should have been more flexible and applied all of the *Sleekcraft* factors.⁷⁸ The Ninth Circuit combined its own step-by-step analysis of all eight *Sleekcraft* factors with its consideration of other relevant factors to articulate a new test for search-keyword cases.⁷⁹ Applying this new test, the court held that there was no likelihood of confusion in this case.⁸⁰

A. What Test to Apply

The Ninth Circuit rejected the district court's application of the troika factors as overly rigid. It noted, "We must be acutely aware of excessive rigidity when applying the law in the Internet context; emerging technologies require a flexible approach."⁸¹ Explaining that "it makes no sense to prioritize the same three factors for every type of potential online commercial activity," the court rejected the troika factors for application in this context.⁸² The Ninth Circuit held that the appropriate analysis instead includes a flexible application of all the *Sleekcraft* factors, as well as an examination of the surrounding circumstances.⁸³ The court declared that this test should be applied with an eye to the "*sine qua non*"⁸⁴ of trademark infringement—"consumer confusion."⁸⁵

After analyzing all eight *Sleekcraft* factors,⁸⁶ the court concluded that a new test was more relevant for this context. The factors in the Ninth Circuit's new test included three *Sleekcraft* factors, all distinct from the troika factors: (1) the strength of the mark; (2) the

77. *Id.* at 1154.

78. *Id.*

79. *Id.* at 1149–54.

80. *Id.* at 1154.

81. *Id.* at 1141–42 (quoting *Brookfield Comme'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1054 (9th Cir. 1999)).

82. *Id.* at 1148.

83. *Id.* at 1149.

84. *Sine qua non* means an essential element or condition. BLACK'S LAW DICTIONARY 1418 (8th ed. 2004).

85. *Network Automation*, 638 F.3d at 1149.

86. *Id.* at 1149–54.

evidence of actual confusion; and (3) the type of goods and degree of care likely to be exercised by the purchaser.⁸⁷ Additionally, the court added a fourth, new factor, (4) the labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page.⁸⁸

B. The Application of the Test

After evaluating the significance of each *Sleekcraft* factor, the Ninth Circuit determined whether each factor favored a finding of likelihood of confusion.⁸⁹ While the court did not explicitly conclude whether there was a likelihood of confusion, its step-by-step analysis of the *Sleekcraft* factors suggests that the balance of the factors weighed against holding that confusion was likely.⁹⁰ The Ninth Circuit's reversal of the district court's grant of the injunction⁹¹ also indicates that the court felt confusion was unlikely.⁹²

V. ANALYSIS

In *Network Automation*, the Ninth Circuit made a distinct shift in its approach to trademark law on the internet. This shift is problematic because rather than acknowledging and explaining its break with precedent, the Ninth Circuit merely redefined prior case law, which changed the direction of the law without actually overturning cases. The result is an unclear standard that will leave judges and practitioners confused and unsure about the correct approach to trademark law and emerging technologies.

A. The District Court's Approach Was Not Clearly Erroneous

The district court's approach, which the Ninth Circuit overturned under the abuse of discretion standard, was not unreasonable in light of case law and Ninth Circuit precedent. The

87. *Id.* at 1154.

88. *Id.*

89. *Id.* at 1149–54.

90. *Id.*

91. *Id.* at 1154.

92. One of the factors that must be established in order for a court to grant a preliminary injunction is the plaintiff's likelihood of success on the merits. *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 20 (2008). Thus the Ninth Circuit's reversal of the injunction implies that the Ninth Circuit did not agree that Systems was likely to prevail.

district court analyzed each of the *Sleekcraft* factors, but identified *Brookfield's* troika as the most important because this was an “Internet” case.⁹³ The Ninth Circuit claimed that this was an erroneous legal standard, pointing to *Brookfield's* single use of the word “flexible” as evidence that the troika test was not meant to apply to all internet-related cases.⁹⁴ Determining whether *Brookfield* applies to *all* internet cases is unnecessary because in *this* case, the facts are quite analogous to those of *Brookfield*. The *Brookfield* court, in analyzing the use of trademark terms in metatags, specifically noted that if an infringer’s use of a competitor’s trademark affects search engine results, thereby attracting additional website visitors, the infringer’s actions create initial interest confusion.⁹⁵

Moreover, there seems to be little difference between the technologies at issue in *Playboy Enterprises, Inc. v. Netscape Communications Corp.*⁹⁶ and *Network Automation*,⁹⁷ which suggests that there should be little difference in the legal outcomes. In *Playboy*, Netscape’s search-engine results displayed banner ads that had been linked to lists of words.⁹⁸ Because those lists included trademarked terms, the Ninth Circuit concluded that there was “strong support” for “a high likelihood of initial interest confusion.”⁹⁹ The Ninth Circuit analyzed all eight *Sleekcraft* factors, but found “evidence of actual confusion” to be the most important.¹⁰⁰ In *Network Automation*, although the underlying technology was slightly different,¹⁰¹ the search engine results still displayed ads in response to trademarked search terms. Because trademark law is focused on what the consumer experiences or

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

94. *Id.* at 1145–46.

95. *Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1062 (9th Cir. 1999).

96. 354 F.3d 1020 (9th Cir. 2004).

97. In *Network Automation*, an advertiser paid to display a text ad in response to a search for a trademarked term (the keyword). 638 F.3d at 1143. In *Playboy*, an advertiser paid to display a banner ad in response to a search for one of a list of words, at least one of which was a trademarked term. 354 F.3d at 1023.

98. *Playboy*, 354 F.3d at 1023.

99. *Id.* at 1026–27.

100. *Id.* at 1026–29.

101. In *Playboy*, the trademarked term was part of a list of words “keyed” to display banner ads in response to a search including a word on a list. In *Network Automation*, the ad corresponded directly to an individual term.

believes,¹⁰² and in both cases the consumer experiences a similar result, it hardly seems erroneous for the district court in *Network Automation* to come to a similar conclusion as *Playboy*. Indeed, the Ninth Circuit even recognized that there was “similarity” between *Network Automation*, *Playboy*, and *Brookfield*.¹⁰³ Therefore, the Ninth Circuit’s reversal of the district court under the abuse of discretion standard was inappropriate.

Given how similar the facts of *Perfumebay* were to those of *Network Automation*, it hardly seems erroneous for the district court, in each case, to apply a similar standard and reach a similar outcome. In both cases, a search that included one party’s trademarked term resulted in the display of a competitor’s paid advertisements for their competing product alongside the search results.¹⁰⁴ Examining these facts in *Perfumebay*, the Ninth Circuit stated that “[i]n the internet context, ‘the three most important *Sleekcraft* factors in evaluating a likelihood of confusion’” are the troika factors from *Brookfield*.¹⁰⁵ A mere four years later, the district court in *Network Automation* followed the Ninth Circuit’s approach and applied the troika factors “in the internet context”¹⁰⁶—a statement that hardly seems ambiguous at all.

Because the district court’s decision was in line with Ninth Circuit precedent, it is difficult to understand how the Ninth Circuit could hold that the district court’s approach was based on “an erroneous legal standard”¹⁰⁷ without overturning the case law on which the district court’s decision was based. The abuse of discretion standard does give some deference to lower court judges. Indeed, the Ninth Circuit in *Network Automation* had to find “an erroneous legal standard or . . . clearly erroneous findings of fact” in order to reverse the district court on abuse of discretion grounds.¹⁰⁸ The district court could not have abused its discretion in this case since its

102. James Gibson, *Risk Aversion and Rights Accretion in Intellectual Property Law*, 116 Yale L.J. 882, 908 (2007) (“Consumer perception is trademark law’s touchstone.”).

103. *Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137, 1147 (9th Cir. 2011).

104. *Perfumebay.com, Inc. v. eBay, Inc.*, 506 F.3d 1165, 1170 (9th Cir. 2004).

105. *Id.* at 1173–74 (emphasis added) (citing *Interstellar Starship Servs., Ltd. v. Epix, Inc.*, 304 F.3d 936, 942 (9th Cir. 2002)).

106. *Id.* at 1173.

107. *Network Automation*, 633 F.3d at 1144.

108. *Id.*

decision was in line with the Ninth Circuit's long history of applying the troika factors in a variety of internet cases—including search engine cases.¹⁰⁹ Because the district court's approach was the one favored by precedent, in reversing the district court's approach under the abuse of discretion standard, it seems that the mistake was not actually on the part of the district court, but was in fact a result of the Ninth Circuit's own misstep in establishing an "erroneous legal standard" for internet trademark law to begin with.

B. The New Rule: Wait, Which Rule Applies?

In reversing the district court, the Ninth Circuit muddied the water regarding the appropriate standard that should be applied going forward. While the court explicitly rejected the troika approach for keyword cases,¹¹⁰ it failed to limit the troika test's application in general. This failure to clearly define when the troika test applies—and when it does not apply—will likely cause confusion among practitioners and judges in future cases when they must decide what test is proper. Furthermore, the Ninth Circuit failed to clearly establish a test for district courts to apply when faced with new emerging technologies in the context of trademark infringement.

1. When troika applies

In *Network Automation*, the Ninth Circuit explicitly rejected the troika factors for "search engine keyword advertising."¹¹¹ Although the court clearly approved the test for "analyz[ing] the risk of source confusion generated by similar domain names" and "disputes involving websites with similar names or appearances,"¹¹² the court did not *limit* the test to these situations.

The court's rationale for rejecting the troika factors in keyword-advertising cases is flawed. To support its proposition that "the 'troika' is a particularly poor fit for the question presented" in *Network Automation*, the court cited a single journal article.¹¹³ The

109. For example, the district court referenced *Brookfield* and *Playboy* in its decision to apply the troika standard in *Network Automation*. *Id.* at 1148.

110. *Id.* at 1148–49.

111. *Id.* at 1149.

112. *Id.* at 1148.

113. *Id.* at 1148–49. The referenced article is Jonathan Moskin, *Virtual Trademark*

court characterized the article as “arguing that the ‘troika’ is inadequate for . . . search engine keyword advertising because it *omits* important factors.”¹¹⁴ But the court’s reliance on this article is curious. If a test is inadequate, the logical fix is to add whatever is missing so that the test becomes adequate.¹¹⁵ Instead, the court completely rejected—rather than supplemented—the troika factors, then replaced them with three different *Sleekcraft* factors¹¹⁶ and a fourth factor never before seen¹¹⁷ in the Ninth Circuit.¹¹⁸ The court’s grasping citation to authority confused—rather than clarified—its decision. Instead, the court should have clearly stated the logical reasons that made the troika test inapposite, not merely inadequate. Because the Ninth Circuit did not overturn precedent, yet still broke with it, the court’s reasoning is confusing and offers little assistance to those wishing to apply *Network Automation* to future cases.

Flexibility would not have changed the district court’s outcome, despite the Ninth Circuit’s conclusion that the district court applied the wrong legal standard because it failed to be flexible in weighing the *Sleekcraft* factors.¹¹⁹ In determining whether the troika was applicable to this case, the district court *did* examine all of the

Use—The Parallel World of Keyword Ads, 98 TRADEMARK REP. 873, 892–93 (2008).

114. *Network Automation*, 638 F.3d at 1149 (emphasis added).

115. Adding additional factors to the troika, instead of selecting new ones, would be more logical because the article cited by the Ninth Circuit characterized the troika as “inadequate . . . because it omits important factors,” not because it is wholly inapplicable. *See supra* note 113 and accompanying text.

116. *Network Automation*, 638 F.3d at 1154. The *Sleekcraft* factors that the Ninth Circuit deemed to be most relevant to the facts of this case were (1) the strength of the mark; (2) the evidence of actual confusion; and (3) the type of goods and degree of care likely to be exercised by the purchaser. *Id.* Note that the fourth factor that the court considered relevant in *Network Automation*, the labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page, was not an original *Sleekcraft* factor. *See supra* note 7 and accompanying text.

117. It is common for appellate courts to develop case law. The bigger problem here is the rejection of all three troika factors without sufficient support.

118. The Ninth Circuit cited the nonbinding *Hearts on Fire Co. v. Blue Nile, Inc.*, 603 F. Supp. 2d 274, 289 (D. Mass. 2009) as the basis for its fourth factor: “the labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page.” *Network Automation*, 638 F.3d at 1154. The court noted one fact from its own case, *Playboy*, which was consistent with the new factor: “Netscape’s search engine did not clearly segregate the sponsored advertisements from the objective results.” *Id.* However, the Ninth Circuit did not use that factor to decide *Playboy*. *See Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020,1020 (9th Cir. 2004).

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

Sleekcraft factors.¹²⁰ *Brookfield*, which established the troika test, allowed for “the remaining factors” outside of the troika to “tip the scale back the other way.”¹²¹ The district court considered troika’s built-in flexibility when applying it, but the Ninth Circuit still rejected the district court’s findings, implying that the district court simply “count[ed] beans.”¹²² This rejection seems to indicate that what the Ninth Circuit really wished for in its call for “flexibility” was for *different* factors to be considered so as to reach a different outcome.

The safest approach for practitioners and judges going forward is to apply the troika test only when a case’s fact patterns match *exactly* with prior case law, and to tread carefully otherwise.¹²³ It ought to be clear that in any case, “flexibility” should carry the day. But the best alternative is simply to undertake a complete *Sleekcraft* analysis, considering both the applicability of individual factors and the total number of factors weighing for or against a holding of likelihood of confusion. Keeping the flexible approach bounded within *Sleekcraft* would provide adaptability for future technologies as well as guidance for those seeking to apply the law.

2. *Determining the law for future technologies*

Flexibility sounds nice, particularly when the legal standard will be applied to as yet unknown future contexts. But in reality flexibility is unworkable.¹²⁴ For example, when the district court in *Network Automation* applied the test the Ninth Circuit had previously used in the “internet context,”¹²⁵ its decision was overturned because it was

120. *Id.* at 1149–53.

121. *Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1058 (9th Cir. 1999).

122. *Network Automation*, 638 F.3d at 1145 (citing *Dreamwerks Prod. Grp., Inc. v. SKG Studio*, 142 F.3d 1127, 1129 (9th Cir. 1998)).

123. This Note argues that the district court’s decision to apply the troika in *Network* was in line with precedent, yet the Ninth Circuit still rejected the district court’s reasoning. This should cause alarm to those who wish to similarly apply the troika in future Ninth Circuit cases.

124. Practitioners and courts operate in the real world, where objective standards must be available to measure actual fact patterns against. For example, in *Network Automation*, the Ninth Circuit’s “flexibility” resulted in the creation of an entirely new test, which included a new, never before applied (in the Ninth Circuit) factor. 638 F.3d at 1154. This is difficult for practitioners and judges because before the test is created, they have no guidance as to how to apply the law.

125. *See supra* note 45 and accompanying text.

not “flexible” in applying the *Sleekcraft* factors. What the Ninth Circuit then did was weigh the *Sleekcraft* factors in a totally new way—and additionally invent a completely new factor—all in the name of “flexibility”. To expect a district court to do the same when faced with some future, novel application is simply asking too much. If flexibility is to include modifying or expanding current tests, the Ninth Circuit should have definitively established a method for district courts to follow in the future.¹²⁶

Even though the Ninth Circuit failed to explicitly outline an approach for what standard applies when district courts are faced with questions involving new technology, the method that the court used to develop the four factor standard for keyword advertising is illustrative.¹²⁷ First, the court undertook a step-by-step analysis of the eight *Sleekcraft* factors, determining one-by-one which factors would be most relevant for the issue at hand.¹²⁸ This analysis of the *Sleekcraft* factors is to be done “flexibly,” remaining “acutely aware of excessive rigidity.”¹²⁹ Second, the court examined “other relevant factors.”¹³⁰ The court focused on the circumstances—considering both “what the consumer saw on the screen” and what “[the consumer] reasonably believed.”¹³¹ By considering whether equity, common sense, or the surrounding circumstances might prompt a different outcome than the one that the *Sleekcraft* factors might otherwise offer, one may discover those additional relevant factors.¹³²

126. When a new technology emerges that has never been dealt with in the case law, the normal approach is for district courts to examine how the law has dealt with similar technologies in the past. The Ninth Circuit completely rejected the district court’s test in *Network Automation*, saying that it should have known to use a different test. This section discusses the approach the Ninth Circuit implied district courts should take to know how to determine or develop the appropriate test in the future.

127. In *Network Automation*, the Ninth Circuit applied a brand new factor, never before used in the Ninth Circuit. See *supra* note 116 and accompanying text. In order for district courts to create new factors in the name of “flexibility,” they need some kind of standard approach to follow in doing so.

128. *Network Automation*, 638 F.3d at 1149.

129. *Id.* at 1141, 1145 (quoting *Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1054 (9th Cir. 1999)).

130. *Id.* at 1153–54.

131. *Id.*

132. Ideally, a court should devise a test and apply it consistently no matter the outcome. If the court decides the test based on the outcome, outcomes will constantly be unpredictable and ever changing. However, when a test is not a rigid one, the test will necessarily be more pliable. In internet trademark cases like *Network Automation*, the Ninth Circuit called for flexibility in applying the *Sleekcraft* factors. With flexibility as a high priority, it seems as

The court's statement that "the linchpin of trademark infringement is consumer confusion"¹³³ should prove helpful in considering what the outcome of a given case should be, and what factors to apply to achieve that equitable outcome.

VI. CONCLUSION

The Ninth Circuit erred in reversing the district court, as the district court correctly relied on analogous precedent to find that a likelihood of initial interest confusion existed in the context of search-engine keyword advertising. The Ninth Circuit's holding is troubling not because of the court's new approach to internet trademark law, but rather because in failing to explicitly reject the precedents that the district court followed to reach its conclusion, the Ninth Circuit left unanswered the question of when to use the troika test going forward. While the new test is clearly to be used to determine outcomes for trademark issues in the context of internet search-engine keywords, the troika test still stands as good law that could potentially be applied in future, yet to be determined "internet context[s]."¹³⁴

Furthermore, even though the Ninth Circuit rejected the lower court's approach, it failed to explicitly provide a method to use when developing new legal standards for emerging technologies. Despite neglecting to define a methodology for determining which factors to consider in trademark cases involving new technology, the court's reasoning suggests one possibility: (1) examine all eight *Sleekcraft* factors using a flexible approach; and (2) examine the surrounding circumstances, context, and consumers' actual beliefs to determine what, if any, additional factors ought to be considered. A clearly defined approach would give needed guidance to practitioners and

though equity, common sense, or surrounding circumstances must dictate, at least in part, what additional factors ought to be considered in any particular case, particularly one involving new technology.

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

134. *Perfumebay.com, Inc. v. eBay, Inc.*, 506 F.3d 1165, 1173–74 (9th Cir. 2007).

judges who must apply the Ninth Circuit's "flexibility" standard to real-world situations.

*R. Gregory Israelsen**

* J.D. candidate, April 2013, J. Reuben Clark Law School, Brigham Young University.