

## Internet Advertising: Two Competitors, One Trademark

Here's the scenario: Your telephone rings, and your client is hopping mad. Her marketing team has just informed her that when they ran a Google™ search on the trademarked name of her principal product, the first results were “sponsored link” advertisements for her main competitor’s similar product. “I want to file a lawsuit,” she insists. “They’re using *my* trademark to advertise my competition!” Is the competitor’s behavior a clear violation of the federal Lanham Act, which offers legal protection against trademark infringement? Not according to a 2011 case from the Ninth Circuit Court of Appeals.



In *Network Automation v. Advanced System Concepts*, No. 10-55840, 2011 WL 815806 (9th Cir. Mar. 8, 2011), the Ninth Circuit examined facts similar to those behind the hypothetical telephone call described above and reversed a preliminary injunction in favor of the trademark holder. In the case of advertising on the Internet, the law has been fairly slow

to develop; however, given that the Ninth Circuit is the home of Google and Microsoft®, this particular appellate court has generated much of whatever law exists. The decision in *Network Automation v. Advanced System Concepts* will be an important guidepost going forward. With this new precedent, the Ninth Circuit reminded the parties and the district court that the Internet is no different from other commercial contexts: “the *sine qua non* of trademark infringement is consumer confusion.” *Id.* at \*1.

### Initial Interest Confusion

The plaintiff in this case, Network Automation, argued that using its trademark as a sponsored link Advanced Systems’ advertisement engendered “initial interest confusion,” prompting consumers to visit the defendant’s website instead of Network Automation’s own site. The plaintiff contended that, even though customers would be aware that they were not buying the Network Automation product by the time they actually made their purchases, the diversion of these customers away from Network Automation’s product they were

searching for to begin with was sufficient to constitute trademark infringement.

The Ninth Circuit disagreed with the lower court’s ruling. Initial interest confusion is a recognized form of trademark infringement, and the Ninth Circuit pointed to several prior opinions in which the court found initial interest confusion arising from Internet advertising. But the standard for initial interest confusion is not merely diversion of consumers from one product to another. The standard is *likely confusion* by those consumers about which product they are buying. *Id.* at \*8.

As consumers become more sophisticated online shoppers, the court noted, they have come to expect their Internet searches to involve trial and error. People understand that some of the links provided as search results that they click on will not be what they expected, and the users will not assume that the links are all affiliated with the trademark holder until they have seen the landing page—if then. *Id.* at \*12.

The sponsored link advertisements in question in this case made no pretense of offering the trademarked product; they merely described a similar product available elsewhere. Moreover, both Google and Bing™ partition the pages that list their search results so that the paid advertisements appear on a separately labeled section. Accordingly, the Ninth Circuit found the sponsored link usage to be a form of comparative advertising.

### Comparative Advertising

It would be wrong, said the Ninth Circuit, “to expand the initial interest confusion theory of trademark infringement beyond the realm of the misleading and deceptive to the context of legitimate comparative and contextual advertising.” *Id.* at \*7. Although the Lanham Act serves a purpose in protecting the intellectual property investment of trademark owners, the fundamental objective of the act is to protect the interests of the consuming public. In fact, the public also has a strong interest in comparative advertising. If there is a better or cheaper alternative to the product for which consumers are searching, they want to know about it.

When advertising links are clearly labeled and there is no pretense of affiliation between the advertiser and the trademark holder, the Ninth Circuit concluded, consumers are not misled; they are merely “confronted with choices among similar



products.” *Id.* at \*9. And providing consumers with accurate information about available choices is what trademark law is all about.

### What Does It All Mean?

The law will continue to evolve and develop with respect to trademark rights when it comes to advertising on the Internet. But preventing all competitors from using one’s trademark in online ads has clearly become more difficult.

In addition to sponsored link advertising, the legal principles hashed out in *Network Automation* often are at issue in metatag disputes—that is, cases in which one party uses another’s trademark in its website’s internal code. Because search engines use metatags to compile lists of search results, there is a possibility that the first party’s website will appear when the user is searching for the second party’s trademark. There have been plenty of disputes over whether this metatag usage of a trademark constitutes infringement. Although metatag usage alone will not result in a segregated sponsored link result, it will be interesting to see how the courts apply the reasoning of *Network Automation* in this context.

If your client is the competitor rather than the trademark holder, the important thing to remember is that the nondeceptive nature of the sponsored link advertisement is what saved the defendant in *Network Automation*. Clearly labeling the source of the competing product in Internet advertising will go a long way toward protecting the advertiser from a claim of trademark infringement. **TFL**

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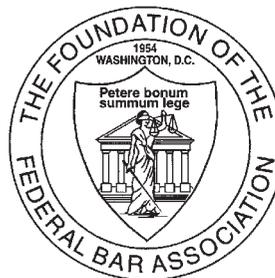
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