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January 2012: Trademark and Copyright Litigation Update

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Ninth Circuit Abandons “Internet Troika” For Assessing Trademark Infringement: In *Network Automation v. Advanced Systems Concepts*, 638 F.3d 1137 (9th Cir. 2011), the Ninth Circuit clarified that analysis of trademark infringement claims in the Internet context, as with other trademark infringement cases, must be tailored to fit the specific facts of each case. In so doing, the Ninth Circuit rejected the so-called “Internet troika” analysis, which focused on three and only three factors for Internet-related trademark infringement. In place of this abbreviated, plaintiff-friendly standard, *Networks Automation* requires a “flexible” approach when applying the traditional multi-factor *Sleekcraft* test for assessing likelihood of confusion – a far more defendant-friendly standard.

In *Networks Automation*, Advanced Systems Concepts, which sells software under the trademark ActiveBatch, sought an injunction against Network Automation, one of its competitors. Network Automation was bidding on keywords such as “ActiveBatch” in connection with advertising on search engines, including Google and Bing. A search for these keywords would deliver search results that included links to web pages for plaintiff’s ActiveBatch products, as well as defendant’s ads, which could also appear above or to the right of the search results.

The district court found that Advanced System Concepts proved a likelihood of confusion under the “Internet troika” factors: (1) the similarity of the marks; (2) the relatedness of the goods; and (3) the marketing channel used. The Ninth Circuit reversed. In so doing, it distinguished keyword advertising from the meta-tagging and banner advertising scenarios of *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1054 (9th Cir. 1999), and *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1024 (9th Cir. 2004). The Ninth Circuit held that its analysis in *Brookfield* and *Playboy* was both due to the increasing “degree of consumer care” of online consumers since its earlier decisions, as well as the different appearance of the ads at issue in the present case. Network Automation’s advertisements were labeled as separate and distinct from natural search results; for example, they were delivered to different regions of the search results webpage and clearly identified the defendant in the advertised link. Squarely rejecting the “Internet troika” analysis, the Ninth Circuit found two of the three “troika” factors were particularly *unlikely* to favor a finding of confusion in the keyword advertising context. First, the “appearance of the advertisements and their surrounding context” on the screen did not support a confusion finding, given the nature of the search results page. Likewise, the “similarity of the marks” factor did not favor a confusion finding where the consumer was not confronted with two distinct trademarks, and instead received advertisements that clearly identified the defendant using the defendant’s own name. 638 F.3d at 1150-51, 1154. Additionally, it reasoned that “the shared use of a ubiquitous marketing channel does not shed much light on the likelihood of consumer confusion” given that “[t]oday, it would be the rare commercial retailer that did not advertise online.” *Id.* at 1151.

Other circuit courts also have rejected the “Internet troika” in the sponsored link context. *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010); *College Network, Inc., v. Moore Educational Publishers, Inc.*, 378 Fed.Appx. 403, 2010 WL 1923763 (5th Cir. 2010).

Logos, Emblems, and Characters Given Trademark Protection Reprieve as Ninth Circuit Withdraws and Supersedes Earlier Controversial Aesthetic Functionality Decision: In our July 2011 Newsletter, we reported on an important and controversial trademark decision from the Ninth Circuit, *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, 636 F.3d 1115 (9th Cir. 2011), which affirmed the dismissal of copyright and trademark infringement claims related to the defendant’s licensing of the Betty Boop image on various products. As we reported in July, the Ninth Circuit reasoned that the defendant’s use of the Betty Boop image – “never designat[ing] the merchandise as ‘official’ [Fleischer] merchandise or otherwise affirmatively indicat[ing] sponsorship [by Fleischer]” 636 F.3d at 1124 – was not the kind of source-designating use as a trademark forbidden by the Lanham Trademark Act. Rather, the Ninth Circuit reasoned, the defendants merely employed the Betty Boop image as a “functional and aesthetic” characteristic of their licensed products: “Even a cursory examination, let alone a close one, of ‘the

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articles themselves, the defendant's merchandising practices, and any evidence that consumers have actually inferred a connection between the defendant's product and the trademark owner,' reveal that A.V.E.L.A. is not using Betty Boop as a trademark, but instead as a functional product." 636 F.3d at 1123.

On August 19th, the Ninth Circuit responded to the controversy its opinion created by taking the unusual step of simply withdrawing its February opinion and superseding it with a new opinion: *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, 654 F.3d 958 (9th Cir. 2011). The new opinion remands part of the plaintiff's trademark cause of action, but abandons the prior analysis that the use of the Betty Boop image was aesthetically functional and that the Supreme Court's decision in *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003) required dismissal under the Copyright Act. Indeed, the August opinion is entirely silent on the issue of aesthetic functionality.

The August opinion continues to express skepticism about Fleisher's claims, finding again that it failed to present timely evidence of its trademark registration in the image of Betty Boop and refusing to take judicial notice of the registration. *Fleischer*, 654 F.3d at 966. It also reiterates that the "uncorroborated, and clearly self-interested testimony" of Fleischer's CEO is insufficient to establish a triable issue regarding secondary meaning. *Id.* However, the new opinion held that remand was necessary because the previously dispositive fact that other entities held valid copyrights in Betty Boop is insufficient in and of itself to support a determination that Fleischer could not prove secondary meaning in the Betty Boop word trademark. *Id.* at 968.