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March/April 2011 Issue

Civil Cases

***Citigroup Inc. v. Capital City Bank Group, Inc.*, 2011 WL 1108255 (Fed. Cir. Mar. 28, 2011)**

by Linda K. McLeod and Stephanie H. Bald

Federal Circuit affirms TTAB's finding of no likelihood of confusion between famous CITIBANK marks and CAPITAL CITY BANK marks based on differences between the marks and the absence of actual confusion despite many years of coexistence.

***FTC v. Cantkier*, 2011 WL 742647 (D.D.C. Mar. 3, 2011)**

by David M. Kelly

In what appears to be the first keyword-advertising case decided under the Federal Trade Commission Act, the district court of D.C. finds that there is no per se FTC Act liability for keyword purchases, but that sponsored ads containing deceptive titles and links that are likely to mislead consumers may be actionable.

***InternetShopsInc.com v. Six C Consulting, Inc.*, 2011 WL 1113445 (N.D. Ga. Mar. 24, 2011)**

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***Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 2011 WL 815806 (9th Cir. Mar. 8, 2011)**

by David M. Kelly

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P®omotional Consideration

by Robert D. Litowitz

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Civil Cases

Citigroup Inc. v. Capital City Bank Group, Inc., 2011 WL 1108255 (Fed. Cir. Mar. 28, 2011)

by Linda K. McLeod and Stephanie H. Bald

ABSTRACT

The Federal Circuit affirmed the TTAB's dismissal of Citigroup's opposition to the registration of CAPITAL CITY BANK marks based on a likelihood of confusion with Opposer's CITIBANK marks. The Federal Circuit agreed with the TTAB that Applicant's marks were not similar to Opposer's marks based on the distinctive spellings of the marks, third-party use of the phrase "City Bank" in the financial services industry, and the effect of the word "Capital" in distinguishing the parties' marks. The Federal Circuit also found that the TTAB's finding of no actual confusion was supported by substantial evidence. The court held that the TTAB had properly concluded that no likelihood of confusion existed between the parties' respective marks based on a balancing of the relevant *DuPont* factors.

CASE SUMMARY

FACTS

Applicant Capital City Bank Group, Inc. filed applications for several CAPITAL CITY BANK-formative marks (the "CAPITAL CITY BANK marks") covering various banking and financial services. Opposer Citigroup Inc. opposed registration of the CAPITAL CITY BANK applications on the grounds of likelihood of confusion and dilution based on Opposer's alleged family of CITIBANK marks for financial services. Opposer asserted numerous registrations for its CITIBANK marks for banking and financial services.

The TTAB found that four of the six *DuPont* likelihood-of-confusion factors favored Opposer: (1) the fame of the CITIBANK marks, (2) the similarity between the parties' services, (3) the similarity between Opposer's and Applicant's trade channels, and (4) the similarity of the parties' consumers. The TTAB found that two of the relevant *DuPont* factors favored Applicant: (1) the nature and extent of any actual confusion, and (2) the similarity of the marks. After weighing the factors, the TTAB determined that there was no likelihood of confusion.

On appeal, Opposer challenged only the TTAB's finding on likelihood of confusion and, in particular, its findings on the similarity-of-marks and actual-confusion factors.

ANALYSIS

The Federal Circuit found that all of the TTAB's findings were supported by substantial evidence. First, the court agreed that Applicant's marks were not similar to Opposer's marks based on the distinctive spellings of the marks, third-party usage of the phrase "City Bank" in the financial services industry, and the role of the word "Capital" in distinguishing the parties' marks. Regarding the spelling of the marks, the court found that the marks were not similar because the CAPITAL CITY BANK marks started with the word CAPITAL; "City Bank" is two words, not a compound word; and Applicant's "City" is spelled with a "y," not an "i." The Federal Circuit also noted the 40+ third-party websites whose names contained the term "City Bank" and the registration of the third-party mark SURF CITY BANK. Further, the court agreed that "Capital" was the dominant element of Applicant's mark and that the public would be sensitive to the differences in the first word of the parties' marks, given the extensive third-party use of marks ending in "City Bank."

Opposer argued that the TTAB had not considered as many variations of the CAPITAL CITY BANK marks as it should have in its likelihood-of-confusion analysis. Specifically, Opposer pointed to a footnote in the TTAB's opinion that stated that minimizing "CAPITAL" and emphasizing "CITY BANK" was not a "reasonable manner" of depicting Applicant's marks and, thus, was not considered in the analysis. Because Applicant's applications for the CAPITAL CITY BANK marks had been filed in standard-character format, Opposer argued that the TTAB should have considered *all* manners of depicting the marks (not just "reasonable manners"). The Federal Circuit agreed with Opposer that the TTAB's "reasonable manner" restriction was unduly narrow. The Federal Circuit explained, "[t]he TTAB should not first determine whether certain depictions are 'reasonable' and then apply the *DuPont* analysis to only a subset of variations of a standard character mark. The TTAB should simply use the *DuPont* factors to determine the likelihood of confusion between depictions of standard character marks that vary in font style, size, and color and the other mark." The Federal Circuit added that illustrations of how the mark is actually used may help the TTAB visualize other forms in which the mark might appear. Notwithstanding the TTAB's misapplication of the "reasonable manner" standard, however, the court ultimately held that substantial evidence had supported its finding that the parties' marks were dissimilar in appearance, sound, connotation, and commercial impression.

Additionally, the Federal Circuit found that substantial evidence supported the TTAB's finding of an absence of actual confusion. The Federal Circuit agreed that the concurrent use of the parties' marks in the same geographic markets since 1975 presented a reasonable opportunity for confusion to have occurred, and neither party was aware of any such confusion. Further, the court dismissed Opposer's argument that the lack of any actual confusion was negated because Applicant had not used all of the potential variations of the CAPITAL CITY BANK mark. Although the most potentially confusing form of that mark—a version deemphasizing "Capital" and emphasizing "City Bank"—had not yet been used, the court found that the critical words were all in use and there had been no confusion. Thus, the TTAB's decision was supported by the record.

Finally, the Federal Circuit found that the TTAB did not err in finding no likelihood of confusion based on its weighing of the relevant *DuPont* factors.

CONCLUSION

In cases involving standard-character marks, it is no longer proper for the TTAB to restrict its likelihood-of-confusion analysis only to "reasonable" manners of depicting the mark. The TTAB must use the *DuPont* factors to determine the likelihood of confusion between depictions of standard-character marks that vary in font, style, size, and color, and the other mark.

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Civil Cases

FTC v. Cantkier, **2011 WL 742647 (D.D.C. Mar. 3, 2011)**

by David M. Kelly

ABSTRACT

Defendants purchased the names of various federal homeowner-assistance programs and their associated domain names as search-engine keywords. When consumers clicked on defendants' ads, the resulting websites solicited personal and financial information, which defendants then sold as marketing leads. The FTC sued for "deceptive acts and practices" in violation of § 5(a) of the Federal Trade Commission Act, alleging that defendants' use of the terms in his sponsored ads misrepresented an affiliation with the federal programs. In denying the motion to dismiss filed by one of the defendants, the court rejected the arguments that defendants were not liable because consumers understood that they were clicking on ads and that defendants' advertised websites did not resemble the official government websites.

CASE SUMMARY

FACTS

The federal government provided a number of homeowner-relief and financial-stability programs, which it promoted through websites located at domain names such as financialstability.gov and makinghomeaffordable.gov. Defendant Scot Lady purchased the names of these federal programs and their associated domain names as search-engine keywords so that sponsored ads for his own services appeared on the search-results page when consumers searched for information on the programs. When clicked, Lady's ads directed consumers to websites that solicited their personal and financial information, which Lady then sold as marketing leads to private mortgage-loan-modification or foreclosure-relief services. The FTC sued Lady and others for "deceptive acts and practices" in violation of § 5(a) of the Federal Trade Commission Act (the "FTC Act") and obtained a preliminary injunction enjoining defendants from placing ads using the government's makinghomeaffordable.gov and financialstability.gov domains, or "otherwise misrepresent[ing] an affiliation with a federal homeowner relief or financial stability program." Defendant Lady later moved to dismiss the FTC's complaint.

ANALYSIS

The district court denied Lady's motion to dismiss. To prove a deceptive act or practice in violation of § 5(a) of the FTC Act, the FTC must show (1) a representation, omission, or practice that (2) is likely to mislead consumers acting reasonably under the circumstances, and that (3) the representation, omission, or practice is material. It does not need to show intent to deceive or proof of actual consumer deception. The court first addressed Lady's argument that bidding on search-engine keywords is an insufficient basis for liability under § 5. Although the FTC acknowledged that an allegation of bidding on particular keywords per se would not be a deceptive act or practice, the FTC did not merely allege that Lady bid on keywords. Rather, the FTC also alleged that Lady's sponsored ads triggered by the keywords contained deceptive titles and links that were likely to mislead consumers. Lady also argued that the FTC's complaint should be dismissed because it acknowledged that Lady's sponsored ads were differentiated from the organic results on a search-results page. According to Lady, reasonable consumers would know that they were connecting to the website of a paid advertiser when they clicked on a sponsored ad. The court disagreed, stating that the FTC was not alleging that Lady misled consumers into thinking that his sponsored ads were organic search results. Rather, the court noted that the alleged deception was that Lady's sponsored ads misled consumers into thinking that they were clicking on government-sponsored links. The FTC's designation of Lady's sponsored ads as "advertisements" was thus irrelevant to the issue of whether the *content* of the ads was deceptive.

The court also rejected Lady's argument that the FTC's claims failed because his websites were not designed to look like the official federal-program websites. The court reasoned that

> Internet users may not know what the real federal program website looks like until they successfully navigate to it. If they are diverted by advertisements bearing the name and web address of the federal program before ever reaching the program's actual website, reasonable consumers could assume that they have reached their intended destination when, in fact, they have reached a commercial service.

Finally, based on the same reasoning, the fact that the FTC acknowledged that Lady's services were different from those offered by the federal programs did not bar the FTC's claims. According to the court, "[t]here is no reason to expect a consumer to know the precise services offered by the federal program until he or she actually reaches the program's website and obtains information about those services." In sum, the court held that the issue of whether Lady's ads and websites were likely to mislead reasonable consumers was a factual question that could not be resolved at the motion-to-dismiss stage.

CONCLUSION

This case is of interest because it appears to be the first decision involving claims that keyword purchases and use in sponsored ads may violate the FTC Act. The decision is also notable for the court's statement that the purchase of search-engine keywords alone does not violate the FTC Act. Like many keyword cases based on trademark infringement claims under the Lanham Act, the court held that the content of the corresponding sponsored ads and the associated websites are critical to determining whether consumers are likely to be deceived.

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Civil Cases

***InternetShopsInc.com v. Six C Consulting, Inc.*, 2011 WL 1113445 (N.D. Ga. Mar. 24, 2011)**

by David M. Kelly

ABSTRACT

Plaintiff alleged that defendant used plaintiff's trademark as a search-engine keyword and sued for trademark infringement. Defendant conceded infringement and the court granted plaintiff's motion for summary judgment. Although the court permanently enjoined defendant from infringing plaintiff's mark, it rejected plaintiff's requests for actual damages, defendant's profits, and attorney's fees.

CASE SUMMARY

FACTS

Plaintiff sold golf equipment over the Internet, including a practice golf mat called DURA PRO. Defendant Six C Consulting, Inc. ("Six C") competed with plaintiff in the online sale of golf equipment. In early 2008, Six C began using the DURA PRO mark as a search-engine keyword. It is unclear from the decision whether Six C's sponsored ads contained the DURA PRO keyword, but plaintiff alleged in its complaint that Six C used the DURA PRO mark as a heading in its ads. Plaintiff discovered Six C's keyword use in January 2009 and immediately contacted Six C. Within 48 hours, Six C ordered its marketing company to stop using the DURA PRO keyword. However, the marketing company failed to completely stop use of the keyword, and it remained in use as a keyword until April 2009. Plaintiff sued Six C for trademark infringement in March 2009, and the parties filed cross-motions for summary judgment.

ANALYSIS

Six C conceded infringement, and the court granted plaintiff's motion for summary judgment. Thus, the only dispute concerned plaintiff's relief. The court denied plaintiff's request for $123,785 in actual damages because plaintiff's only evidence was an affidavit from its CEO that calculated damages based on a 140-unit decrease in average monthly sales and the average profit from each sale. The court held that the affidavit neither provided a rational basis for awarding nor a reasonable methodology for calculating actual damages. Plaintiff failed to prove that any declines in sales resulted from Six C's infringement. The court then denied plaintiff's request for an award of Six C's profits, noting that only 35 of 1,319 impressions from searches for DURA PRO resulted in a "click," and *none* of the clicks resulted in a sale for Six C. Because Six C did not make a single sale as a result of its infringement, there was no basis to award its profits. The court granted plaintiff's motion to permanently enjoin Six C from infringing plaintiff's mark. Finally, the court denied plaintiff's motion for attorney's fees, finding that there was no evidence that Six C's infringement was "malicious, fraudulent, deliberate, or willful."

CONCLUSION

This decision is interesting because of the court's methodology in analyzing plaintiff's request for an award of Six C's profits. Not many courts analyze the results of a keyword-advertising campaign in this level of detail to evaluate claims for monetary relief.

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Civil Cases

Network Automation, Inc. v. Advanced Sys. Concepts, Inc., 2011 WL 815806 (9th Cir. Mar. 8, 2011)

by David M. Kelly

ABSTRACT

Plaintiff sought a declaratory judgment that its purchase of defendant's ACTIVEBATCH trademark as a search-engine keyword did not constitute trademark infringement. The district court issued a preliminary injunction against plaintiff's use of defendant's mark as a keyword, emphasizing the "Internet Trinity" likelihood-of-confusion factors (i.e., similarity of marks, relatedness of goods/services, and the simultaneous use of the Internet as a marketing channel). The Ninth Circuit reversed, holding that the district court failed to weigh the likelihood-of-confusion factors flexibly to match the specific facts of this keyword case. The Ninth Circuit set out a new four-factor test for evaluating a likelihood of confusion in keyword-advertising cases, which included a new factor: the labeling and appearance of the sponsored ads and their surrounding context on the search-results page. The court also noted that when examining claims of initial-interest confusion, "the owner of the mark must demonstrate likely confusion, not mere diversion."

CASE SUMMARY

FACTS

Network Automation, Inc. ("Network") sold job-scheduling software under its AUTOMATE mark. Advanced Systems Concepts, Inc. ("Systems") sold competitive job-scheduling software under the federally registered mark ACTIVEBATCH. Network purchased ACTIVEBATCH as a search-engine keyword, which triggered Network's sponsored ads in the search results. Network's sponsored ads did not contain the ACTIVEBATCH mark in their title or text. Network identified itself only with its URL in the fourth line of the ads; neither the ad title nor text identified Network. The titles of the ads included "Batch Job Scheduling" and "Windows Job Scheduling." Systems objected to Network's actions, and Network filed for a declaratory judgment that its actions did not constitute trademark infringement. Systems counterclaimed for trademark infringement and moved for a preliminary injunction.

ANALYSIS

The district court sided with Systems and issued a preliminary injunction against Network's use of ACTIVEBATCH as a search-engine keyword. It initially found that Systems was likely to succeed in proving that Network's actions constituted "use" of the ACTIVEBATCH mark in commerce. Turning to the merits and the likelihood-of-confusion factors, the district court emphasized the importance of the "Internet Trinity" factors: (1) the similarity of the marks, (2) the relatedness of the goods, and (3) use of the Internet as a marketing channel. It found that all three of these factors favored Systems. Regarding the remaining likelihood-of-confusion factors, the district court found that Systems' mark was strong, Internet consumers likely used a low degree of care in purchasing both parties' products, and Network intentionally used Systems' mark to advertise its own product. The district court also noted that Network's sponsored ads described above were not "clearly labeled" and thus "may initially confuse consumers" into clicking on Network's ads.

On appeal, the Ninth Circuit vacated the injunction, holding that Systems did not show a sufficient likelihood of confusion to merit preliminary injunctive relief. As an initial matter, the Ninth Circuit expressly agreed with the Second Circuit's view that the use of a trademark as a search-engine keyword to trigger the display of a competitor's advertisement was a "use in commerce" under the Lanham Act. The case thus turned on whether this activity was likely to cause consumer confusion. Network argued that its use of ACTIVEBATCH was legitimate "comparative, contextual advertising" that presented sophisticated consumers with clear choices. Systems argued that Network's use of ACTIVEBATCH misled consumers by "hijacking their attention with intentionally unclear advertisements."

The Ninth Circuit began its substantive analysis by clarifying that the eight traditional *Sleekcraft* likelihood-of-confusion factors are "not a rote checklist" to be applied rigidly. Rather, they were intended to be an "adaptable proxy for consumer confusion" such that courts have misinterpreted its emphasis of the "Internet Trinity" likelihood-of-confusion factors in its *Brookfield* decision as being the most relevant factors for *all* Internet-related infringement cases. The court noted that "[w]e did not intend *Brookfield* to be read so expansively as to forever enshrine these three factors . . . as the test for trademark infringement on the Internet." According to the court, depending on the facts of each Internet-related case, other factors may be more "illuminating." For example, the Ninth Circuit noted that while it used the "Internet Trinity" factors in *Brookfield* to analyze the likelihood of confusion generated by similar domain names, it did not emphasize these factors in its metatag analysis. The Ninth Circuit agreed with Professor McCarthy's view that the "Internet Trinity" analysis was "appropriate" for domain-name disputes, but concluded that these factors were a "particularly poor fit" for keyword cases.

The Ninth Circuit reviewed all of the *Sleekcraft* likelihood-of-confusion factors and held that the most relevant factors for keyword-advertising cases were (1) strength of the mark, (2) evidence of actual confusion, (3) type of goods and degree of care likely to be exercised by the purchaser, and (4) labeling and appearance of the sponsored ads and the surrounding context on the search-results page. It also stated that when examining initial-interest confusion, the trademark owner "must demonstrate likely confusion, not mere diversion."

Regarding the strength of the mark, the court stated that Internet users searching for a distinctive term are more likely to be looking for a particular product, and may be more susceptible to confusion when exposed to sponsored ads touting a similar product from a different source. It agreed with the district court that this factor favored Systems because ACTIVEBATCH was a suggestive, federally registered mark. The Ninth Circuit then held that the district court emphasized the proximity-of-the-goods factor too heavily simply because the parties were direct competitors. The proximity of the goods becomes less important when advertisements are clearly labeled and/or when consumers exercise a high degree of care, because in those cases, consumers would "merely be confronted with choices among similar products." Accordingly, this factor must be considered in conjunction with an analysis of both the labeling and appearance of the sponsored ads and the degree of care exercised by Systems' customers.

The Ninth Circuit came to the same conclusion for the similarity-of-the-marks factor, because consumers searching for ACTIVEBATCH did not see two distinct trademarks; rather, they saw a competitor's sponsored ad that did not display either company's mark. The labeling and appearance of the ads, including whether they identified Network's own mark, and the sophistication of the consumers must also be examined to assess this factor's weight.

As to marketing channels, the appeals court held that the parties' shared use of a "ubiquitous marketing channel" (i.e., the Internet) did not shed much light on the likelihood of confusion, such that the district court's weighing of this factor in Systems' favor was incorrect. Regarding the type of goods and degree of care exercised by consumers, the Ninth Circuit noted that this factor is "highly relevant" to determining likelihood of confusion in keyword cases. According to the court, a "sophisticated consumer of business software exercising a high degree of care is more likely to understand the mechanics of Internet search engines and the nature of sponsored links, whereas an un-savvy consumer exercising less care is more likely to be confused." The district court found that this factor favored Systems because Internet consumers "generally exercise a low degree of care," but the Ninth Circuit disagreed and held that this proposition was out-of-date in most contexts. According to the Ninth Circuit, most Internet shoppers are now fairly sophisticated about the process, as online commerce is commonplace, and consumers searching for expensive software products online would likely be even more sophisticated. In particular, Internet consumers are accustomed to the "trial and error" nature of online shopping and "skip from site to site, ready to hit the back button whenever they're not satisfied with a site's contents," and "don't form any firm expectations about the sponsorship of a website until they've seen the landing page—if then." It thus held that the district court improperly weighed this factor in favor of Systems.

Finally, the Ninth Circuit examined an additional factor not present in the *Sleekcraft* factors: the labeling and appearance of the sponsored ads and their surrounding context on the search-results page. The district court correctly examined the text of Network's sponsored ads and concluded that the ads did not clearly identify their source, but it did not consider the surrounding context. In this regard, the Ninth Circuit referenced its decision in *Playboy v. Netscape* involving keyword-triggered banner ads, which found it important that (1) "clear labeling" of the banner ads might have eliminated the likelihood of initial-interest confusion, and (2) the search-results page did not "clearly segregate" the banner ads from the organic search results.

The Ninth Circuit contrasted this second point with the present case in which "Google and Bing have partitioned their search results pages so that the advertisements appear in separately labeled sections for 'sponsored' links." The Ninth Circuit concluded that the district court did not weigh the likelihood-of-confusion factors flexibly to match the specific facts of this keyword case, reversed the granting of the preliminary injunction, and remanded the case for further proceedings consistent with its opinion.

CONCLUSION

This decision is important because of the Ninth Circuit's departure from its "Internet Trinity" likelihood-of-confusion test and its creation of a new four-factor test for keyword cases. This decision is also notable for the Ninth Circuit's clarification that trademark owners must demonstrate likely confusion, "not mere diversion," when asserting infringement claims based on initial-interest confusion.

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P®omotional Consideration

by Robert D. Litowitz

Recently and unexpectedly, I found myself home in the heart of the workday. Unaccustomed to any sort of downtime in our peripatetic 24-hour news-cycle world, I resolved to immerse myself in work, relying on the unholy trinity of laptop, iPad®, and BlackBerry® to remain tethered to responsibility. But soon enough, the lure of the television remote became irresistible. After dashing off one last time-sensitive, crucial email that soon will vanish in the ether of legal history, I began scrolling through my cable provider's onscreen program guide. Brief flirtations with Dr. Phil and Rachel Ray proved unsatisfying. So I wandered below the HD network channels, past vintage reruns of *The Rifleman*®, with the pre-"Branded" (and hence undisgraced) Chuck Connors, towards the dicier parts of the digital dial.

When I came to a listing for the incomparable game show *Let's Make A Deal*, I instinctively clicked the OK button and began watching. To my surprise, it wasn't a rerun from the early '70s, but a contemporary version. Of course, I was chagrined not to see the quintessential huckster Monty Hall presiding over the mayhem with his shellacked hair helmet and powder-blue sport coat. But except for an updated host for our postmodern sensibilities, the show's format remained intact. There were hordes of bizarrely costumed contestants shouting at hazardous decibels to "Pick me, Pick me!" There were long, cool women in black dresses gracefully tracing the outlines of the merchandise, as a Don Pardo-esque announcer described the many virtues of a state-of-the-art washer-dryer set, a sleek speedboat, or the Everest of prizes, a new car. There were the dud prizes, although none matches the ultimate sweet sorrow of learning you had just picked a year's supply of Eskimo Pie®. And of course, preserved and carried forward into the new millennium were the sine qua non of *Let's Make A Deal*—fixtures that trace their roots to ancient mythology—Door Number One, Door Number Two, and Door Number Three. The consequences of a modern contestant's choice to wager a bird in the hand against unknown prospects pale in comparison to the choices confronting ancient door pickers. But the angst and tension are no less palpable, and still make for compelling television—although no one's likely to confuse *Deal* with *The Sopranos*, or even *Two and a Half Men*.

Ultimately, the stars of *Let's Make A Deal* are not the host, the contestants, or even those infernal doors. The real stars are the brand names that entice, cajole, and compel otherwise sober-minded men and women to unprecedented spells of consumer lust. Would *Let's Make A Deal* hold even a fraction of its allure if the goods behind the curtains didn't include venerable names like Jeep®, LG®, and even Eskimo Pie®? And for the companies who supply items for "promotional consideration," is there any better mode of advertising than having a frothing studio audience hysterically coveting their products? As the producers learned long ago, it takes more than generic products to capture the hearts and minds of three generations of television audiences—it takes a trademark to "Make A Deal."

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