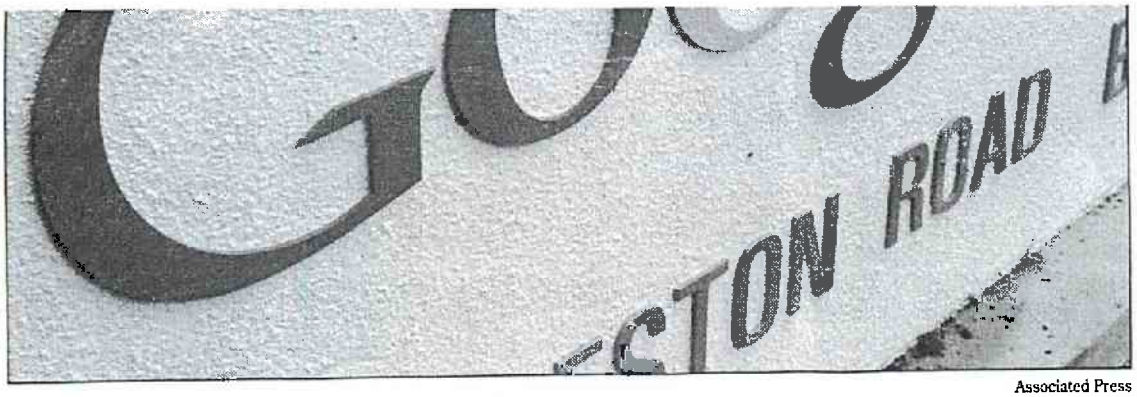

Associated Press

The use of keywords from search engines like Google's were at the center of Tuesday's appellate ruling.

Decision a Game Changer For Internet Commerce

9th Circuit Calls For Flexibility In Applying IP Law to New Technologies

By John Roemer
Daily Journal Staff Writer

Using a competitor's product name as a keyword to trigger your sponsored link on Google isn't necessarily trademark infringement, a 9th U.S. Circuit Court of Appeals panel held for the first time on Tuesday.

Exploring infringement issues for the Internet, the panel voted 3-0 to reverse a Los Angeles trial judge. It warned against excessive rigidity in applying intellectual property law to the online realm.

Emerging technologies require a flexible approach, the panel said. *Network Automation Inc. v. Advanced System Concepts Inc.*, 2011 DJDAR 3579

"It's a very important decision," said trademark guru J. Thomas McCarthy of the University of San Francisco School of Law. "It's one of the first federal appellate decisions to grapple with this keyword issue. It's a breath of fresh air because it's not merely a robotic recital of case law. It's clear that district judges are confused about how to analyze this. The 9th Circuit shows here it has an open mind and can supply hints of guidance that litigators will pick up on."

McCarthy is not involved in the case but the panel quoted the 2010 edition of his "McCarthy on Trademarks & Unfair Competition" in its decision.

He said that many expected a pending 4th Circuit decision in *Rosetta Stone Ltd. v. Google Inc.*, 10-2007 would resolve the keyword issue in deciding how Internet commerce is to be regulated.

"But the 9th Circuit got there first," he said.

The panel held that a California maker of job scheduling and management software did not necessarily infringe on a New Jersey rival by buying a keyword identical to the name of the New Jersey company's product and using it to direct potential customers to the California company's sponsored link.

> 'It will influence how people can conduct commerce and comparative advertising on the Internet. Both sides viewed this as a test, and now we have some guidance from the circuit on how to adapt old rules to fit this era.'
>
> — *Brent H. Blakely*

When searchers use the keyword on the Google and Bing search engines, the sponsored link shows up next to the search result for the New Jersey company.

Senior U.S. District Judge Consuelo B. Marshall came to the opposite conclusion and issued a preliminary injunction against Network Automation Inc. of Los Angeles in favor of New Jersey infringement claimant Advanced System Concepts Inc.

She did so, the panel explained, by confronting the question of whether Network's use of the keyword, ActiveBatch — the name of Advanced System's trademarked software — was a clever and legitimate use of readily available web technology, or a likely violation of the Lanham Act, Congress' 1946 trademark legislation.

A 30-year-old 9th Circuit case that established eight factors for deciding whether a mark caused "initial interest confusion" in consumers guided Marshall to the wrong conclusion, the panel said. That case is *AMF Inc. v. Sleekcraft Boats*, 599 F.2nd 341 (1979).

"Mindful that the *sine qua non* of trademark infringement is consumer confusion," wrote Circuit Judge Kim McLane Wardlaw for colleagues Stephen S. Trott and Michael W. Mosman, an Oregon district judge sitting by designation, "and that the *Sleekcraft* factors are but a nonexhaustive list of factors relevant to determining the likelihood of consumer confusion, we conclude that Systems' showing of a likelihood of confusion was insufficient to support injunctive relief."

The panel vacated the injunction, reversed Marshall and sent the case back to her for further litigation.

In earlier decisions, the circuit assumed, but did not explicitly rule, that employing keywords as Network Automation did was a "use in commerce" under the Lanham Act, leading courts to inquire whether such use of keywords was likely to cause consumer confusion.

Tuesday's opinion extends the 9th Circuit's holdings in *Playboy Enters. Inc. v. Netscape Commc'ns Corp.*, 354 F.3rd 1020 (2004) and *Brookfield Commc'ns Inc. v. West Coast Entm't Corp.*, 174 F.3rd 1036 (1999) by showing courts how to use traditional trademark frameworks to analyze Internet cases.

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and no immediate pay increase.

If ratified, CASE members wouldn't be subject to Brown's proposal to cut their take-home salary by 10 percent. In Brown's proposed state budget, he singled out six unions, including CASE, for the pay reductions because their contracts with the state had expired. On the other hand, the new agreement doesn't provide for pay increases until July 2013. CASE has long argued that state lawyers and administrative law judges are sorely underpaid, even compared to other state employees.

"The reality is that you have a crisis in the state's legal workforce," said CASE General Counsel Patrick Whalen. "We are truly at the bottom. We are not able to recruit top people. But the state's going

Lawyers for Ind Over Past-Due I

By Gabe Friedman
Daily Journal Staff Writer

LOS ANGELES — Diane C. Bass stores hundreds of thousands of documents in her garage, the only storage space she says she can afford, now that she's no longer getting paid. Bass is one of hundreds of criminal defense lawyers in California and thousands around the nation that the federal government regularly hires to represent indigent criminal defendants when the public defender has a conflict.

Now these lawyers are facing what many of them referred to as a dire financial crisis after Congress failed to appropriate funds to pay their bills. The funding shortfall has been felt particularly hard in the Central District of California, where indigent defense lawyers say they've already been pressured by court officials to keep their costs at a minimum.

"I actually went to the cardiologist today for a stress test because I'm having chest pains over this," said Bass, who supports her family, including her 76-year-old mother, on her income.

Some of these panel attorneys, as they are called, have discussed in online forums whether to stop working until they are paid. A work stoppage could effectively shut down many criminal defense cases because the Constitution guarantees defendants the right to a lawyer. Or it could backfire on their clients if judges simply replace them with less-qualified lawyers.

Indigent defense attorneys are called panel attorneys because they

judges. Mallano found that the court followed the proper procedure with regard to all but one of the 13 litigants because the jobs they wanted to be transferred to were represented by the Service Employees International Union. That union had an agreement with the court not to demote employees who had been promoted.

its budget in fiscal 2009-10, Alameda County Superior Court laid off 72 employees, including 28 from the ACMEA bargaining unit.

Arthur Krantz, who represented the employees, said his clients are not only entitled to the lower seniority jobs they should have been offered, but back pay they lost as a result of their layoffs.

wouldn't even return our phone calls," he said. "You can debate whether this is a good deal or a bad deal, but under Schwarzenegger, there was no deal."

Daily Journal reporter Catherine Ho contributed to this report.

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Congress Hasn't Appropriated Funds To Pay Criminal Defense Lawyers

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to e-mails provided to the Daily Journal.

"I think we need to band together and refuse to work until this is resolved," Bass wrote in an e-mail to panel attorneys throughout Southern California on the evening of Feb. 23. "I, for one, can't afford to work for free."

Katherine T. Corrigan of Corrigan Law Corp. APLC in Newport Beach, fired back on the listserv, writing that anyone who takes that position should withdraw from the panel. A work stoppage would cause unconscionable harm to the client, Corrigan wrote. She also argued a work stoppage might cause the judiciary in the 9th Circuit to follow the example set by several Southern states that stopped paying panel attorneys hourly rates and instead offer flat-fee budgets.

"Problem with that is that there is a bunch of hungry crap lawyers who will jump on it," Corrigan wrote.

The next morning, Bass wrote back to the listserv that her earlier statement had been a "knee jerk" reaction born out of "fear and desperation" — she had only $2,000 in her bank account.

"Maybe a 'work stoppage' is a simplistic notion," Martha M. Hall, a sole practitioner in San Diego, e-mailed back to the group. "The bigger point is that if we join forces... we may get further than if we sit silently by hoping that someone will take up our cause."

The timing is poor for panel attorneys in the Central District for another reason. A 9th Circuit committee primarily composed of judges audited panel lawyers in the Central District late last year in what they perceived to be an attempt to crack down on their growing fees. Some attorneys argue the rise in billing corresponds to an increased number of gang-related indictments in Los Angeles in recent years.

The 9th Circuit committee took back hundreds of thousands of dollars in fees it had paid to a half-dozen panel lawyers after the audit revealed they had overbilled or submitted erroneous timecards.

> 'I think we need to band together and refuse to work until this is resolved.'
>
> — *Diane C. Bass*

For now, panel attorneys say they are waiting to see if their February bills are paid in full and are planning how to proceed if they go unpaid.

"Whatever you do, do NOT cut your bills, do NOT stop any funding requests, and do NOT wait to submit vouchers," David J.P. Kaloyanides, the attorneys' representative to the judiciary in the Central District, wrote in an e-mail last week. "Keep doing all you need to do in order to protect our clients."

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Keyword Decision Favors IP Flexibility

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Network attorneys argued that its use of Systems' mark is legitimate "comparative, contextual advertising," which presents sophisticated consumers with clear choices. Systems attorneys accused Network of misleading consumers by hijacking their attention with intentionally unclear advertisements.

"Here," Wardlaw wrote, "even if Network has not clearly identified itself in the text of its ads, Google and Bing have partitioned their search results pages so that the advertisements appear in separately labeled sections for 'sponsored' links. The labeling and appearance of the advertisements as they appear on the results page includes more than the text of the advertisement, and must be considered as a whole."

Looked at that way, the panel concluded, consumers are unlikely to be confused by the side-by-side results.

Brent H. Blakely of Hollywood's Blakely Law Group, the veteran intellectual property rights litigator representing Network Automation, called the decision a "game changer" and predicted it will bring some certainty to an unsettled legal arena. "It will influence how people can conduct commerce and comparative advertising on the Internet," he said. "Both sides viewed this as a test, and now we have some guidance from the circuit on how to adapt old rules to fit this era."

James E. Doroshow of Fox Rothschild LLP in Los Angeles, representing Advanced Systems, did not return a call seeking comment.

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