

STANDING THE TEST OF TIME: LIKELIHOOD OF CONFUSION IN *MULTI TIME MACHINE V. AMAZON*

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In *Multi Time Machine v. Amazon*,¹ a three-judge panel from the Ninth Circuit struggled once again to apply the brick-and-mortar doctrines of trademark law to an online context.² This time, the court's *bête noire* reappeared in questions about the multifactor, so-called *Sleekcraft* test.³ Amazon displayed watches with a similar trade dress in response to a search for the trademarked brand of military watches not sold on the site.⁴ First, the Ninth Circuit reversed the district court's holding that none of the four relevant factors from the *Sleekcraft* test suggested that Amazon's search results page was likely to confuse a reasonably prudent consumer.⁵ A few months later, in an unusual move, the same three-judge panel withdrew its opinion in response to Amazon's petition for rehearing and affirmed the lower court.⁶ In a rejoinder to its previous opinion and the inclusion of intent among the *Sleekcraft* factors, the Ninth Circuit found that the multifactor test was "not particularly apt" to assess consumer confusion that was not between two competing brands.⁷ Instead, all that mattered was what a reasonably prudent consumer would believe based on Amazon's search

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1. *Multi Time Mach., Inc. v. Amazon.com, Inc. (MTM III)*, 804 F.3d 930 (9th Cir. 2015).

2. Confusion on the Internet is a perennially popular law and technology topic. Six of the last seven Berkeley Technology Law Journal Annual Reviews have addressed how courts assess likelihood of confusion on the Internet. See *Annual Review*, BERKELEY TECH. L.J., <http://btlj.org/category/annual-review> [<https://perma.cc/ED33-VWQR>].

3. See *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348815–49 (9th Cir. 1979).

4. *MTM III*, 804 F.3d at 935.

5. *Multi Time Mach., Inc. v. Amazon.com, Inc. (MTM I)*, 926 F. Supp. 2d 1130, 1132 (C.D. Cal. 2013), *rev'd and remanded sub nom. Multi Time Mach., Inc. v. Amazon.com, Inc. (MTM II)*, 792 F.3d 1070 (9th Cir. 2015), *opinion withdrawn and superseded on reh'g*, 804 F.3d 930 (9th Cir. 2015), and *aff'd sub nom. Multi Time Mach., Inc. v. Amazon.com, Inc. (MTM III)*, 804 F.3d 930 (9th Cir. 2015).

6. *MTM III*, 804 F.3d at 933.

7. *Id.* at 936.

results.⁸ To assess those beliefs, the court turned to a prior application of the *Sleekcraft* factors to search results.⁹

The court's desire to revise the likelihood of confusion analysis for Internet commerce and shifting consumer expectations in its second opinion is understandable. Buying a watch on Amazon in 2015 resembles buying a speedboat in the 1970s,¹⁰ the context in which the circuit originally fashioned its test, in that it requires an exchange of money for goods. However, the way consumers learn about, pay for, and even physically receive goods has changed dramatically.¹¹ Marketing channels, for instance, assume much less importance in the analysis of consumer confusion on the Internet.¹² Although replacing the long-standing *Sleekcraft* test with the fast and frugal heuristic of a reasonable consumer might serve the aims of judicial economy,¹³ it does not necessarily better serve the aims of trademark law, which are the avoidance of consumer confusion and enforcement of market morality.

Part I of this Note tracks the development of intent and the tort of palming off in trademark law and judicial rhetoric. Part II explains how Amazon's business model creates negative externalities for competitors and consumers akin to those that trademark law traditionally aims to deter. Part III discusses the Ninth Circuit's analysis, using the *Sleekcraft* factors and the court's more recent, reasonably-prudent-consumer formulation. Part IV argues that a multifactor likelihood of confusion test preserves deliberation and the historical construct of trademark infringement as a tort. Using the early-twentieth-century trade morals that motivated the Lanham Act, courts can craft the correct incentives for new technologies.

8. *Id.* at 937.

9. The court's use of the same four factors is somewhat strange considering that in the prior paragraph the court claimed that those factors were not particularly apt. *Id.* (citing *Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137, 1152 (9th Cir. 2011) (using four of the *Sleekcraft* factors as a proxy for what a reasonably prudent consumer believes)).

10. The Ninth Circuit developed its *Sleekcraft* test for confusion in this context. *See Sleekcraft*, 599 F.2d at 346.

11. On the growth of Internet commerce, see Brief for Google, Inc. et al. as Amici Curiae Supporting Defendant-Appellee Amazon.com at 6–7, *MTM III*, 804 F.3d 930 (9th Cir. 2015) (No. 13-55575).

12. *See Network Automation*, 638 F.3d at 1151 (“[T]he shared use of a ubiquitous marketing channel does not shed much light on the likelihood of consumer confusion.”).

13. Some studies suggest that heuristics of two or three elements produce more accurate decisions than those that attempt to consider a situation more comprehensively. On “stampeding” factors in the analysis of trademark infringement, see Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CALIF. L. REV. 1581, 1586 n.25 (2006).

I. TRADEMARK LAW

To understand why the factors encompassed by the *Sleekcraft* likelihood of confusion test should continue to matter in analyzing trademark infringement on the Internet, it is important to understand why they ever mattered at all.

A. THE COMMON LAW OF PALMING OFF

The origins of and justifications for trademark law are murky. The first action for a fraudulent use of another's mark occurred in the sixteenth century.¹⁴ Yet scholars of trademark law still debate why laws should limit competition and speech to protect signs, which have no intrinsic value.¹⁵

One justification is that trademarks are not empty signs.¹⁶ Instead, they are potent symbols that perform the valuable work of identification in the market.¹⁷ Trademarks allow consumers to locate goods and services that they prefer, based on their past experiences or on advertising.¹⁸ Because of trademarks, once consumers have decided that they prefer goods from one mark, they can be confident that the product sold under that mark comes from the same source every time.¹⁹ Trademarks also assure their owners that their investments in the quality and consistency of their products will not go unnoticed by consumers.²⁰ Consumers will reward trademark owners for their efforts with continued business.²¹ According to this economic view,

14. *J.G. v. Samford (Samford's Case)*, (1584) (unpublished case), in *SOURCES OF ENGLISH LEGAL HISTORY—PRIVATE LAW TO 1750* 615 (J.H. Baker & S.F.C. Milsom eds., 1986). Frank Schechter, the pioneering trademark scholar who first formulated the concept of trademark dilution, however, dismissed the case because of its varied reporting history. See, e.g., FRANK I. SCHECHTER, *THE HISTORICAL FOUNDATIONS OF THE LAW RELATING TO TRADE-MARKS* 6 (1925); Keith M. Stolte, *How Early Did Anglo-American Trademark Law Begin? An Answer to Schechter's Conundrum*, 88 *TRADEMARK REP.* 564 (1998).

15. Robert G. Bone, *Taking the Confusion out of Likelihood of Confusion*, 106 *NW. U. L. REV.* 1307, 1320 n.83 (2012) (describing how trademark doctrines can limit competition and free speech, especially as commerce has moved onto the Internet). On the value or lack thereof of signs, see Barton Beebe, *The Semiotic Analysis of Trademark Law*, 51 *UCLA L. REV.* 621, 638 (2004).

16. See Beebe, *supra* note 14, at 624.

17. *Id.* at 657.

18. 1 J. THOMAS MCCARTHY, *MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION* § 2:3 (4th ed. 2009).

19. See *id.* at § 2.5.

20. See *id.* at § 2.4.

21. See *id.*

trademark law “can best be explained on the hypothesis that the law is trying to promote economic efficiency.”²²

Others argue that trademark law originally enforced an honor code of market morality among merchants.²³ While courts in early trademark cases balanced the competing interests of merchants and consumers, merchants invariably brought their claims as torts for fraud that hindered fair competition.²⁴ In one early case in which the defendant had applied the plaintiff’s label to bolts of competing ticking, the court emphasized that trademark law should not restrain free trade. Rather, trademark law’s “direct tendency is to produce and encourage a competition, by which the interests of the public are sure to be promoted; a competition that stimulates effort and leads to excellence, from the certainty of an adequate reward.”²⁵ Like any other tort, early trademark law sought not only to make injured parties whole but also to penalize the tortfeasors who used fraud to injure the public’s interest in free, informed competition.²⁶

In *William R. Warner v. Eli Lilly*, the Supreme Court identified palming off as a species of the tort of unfair competition.²⁷ It held that Warner, who made a cheaper, chocolate-flavored quinine solution with a similar name and appearance to Eli Lilly’s quinine solution, was liable for encouraging retail druggists to palm it off in place of the plaintiff’s product.²⁸ The similar name and appearance of the defendant’s product did not in themselves infringe the plaintiff’s trademark. The small, individual retailers ultimately deceived consumers when they presented the defendant’s product in response to requests for the plaintiff’s mark.²⁹ Nevertheless, the Court reasoned that “[o]ne who induces another to commit a fraud and furnishes

22. William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 266 (1987). This economic explanation of trademark’s purpose has gained ground as a correction to dilution laws that seem to grant pseudo-property rights to trademark owners without regard to their effects on consumers or competition. See Stacey L. Dogan & Mark A. Lemley, *Search-Costs Theory of Limiting Doctrines in Trademark Law*, 97 TRADEMARK REP. 1223, 1251 (2007).

23. See, e.g., Jeremy N. Sheff, *Marks, Morals, and Markets*, 65 STAN. L. REV. 761, 787 (2013).

24. César Ramirez-Montes, *Re-examination of the Original Foundations of Anglo-American Trademark Law*, 14 MARQ. INTELL. PROP. L. REV. 91, 135 (2010).

25. *Amoskeag Mfg. Co. v. Spear*, 2 Sand. Ch. 599, 605 (N.Y. 1849).

26. Ramirez-Montes, *supra* note 24, at 135.

27. 265 U.S. 526, 532 (1924).

28. *Id.*

29. *Id.* (“The legal wrong does not consist in the mere use of chocolate as an ingredient, but in the unfair and fraudulent advantage which is taken of such use to pass off the product as that of respondent.”).

the means of consummating it is equally guilty and liable for the injury.”³⁰ While there is some question over whether this holding survived the passage of the Lanham Act (“Act”),³¹ federal courts continued to hear claims for contributory trademark infringement before Congress passed the Act in 1946.³²

B. LANHAM ACT

The Lanham Act provides for the registration of trademarks and creates a federal cause of action for their infringement. Tort law once sufficed to ensure fair competition, protect merchants and consumers, and punish fraud from both direct and contributory infringers. However, by 1900, the risk of fraudulent, unfair competition to a producer’s investment in their brand appeared greater than before.³³ Technology and advertising allowed a mark to reach distant consumers more quickly and to build its reputation even among those who never bought the product.³⁴ The expanded reach of brands made their protection by state laws impractical, so Congress enacted the first federal trademark registration statute in 1905.³⁵

30. *Id.* at 530–31.

31. *Erie R.R. v. Tompkins*, 304 U.S. 64, 78 (1938), famously held that there is no general federal common law. On its implications for trademark law, see John T. Cross, *Contributory Infringement and Related Theories of Secondary Liability for Trademark Infringement*, 80 IOWA L. REV. 101, 121–25 (1994); Note, *Central Bank and Intellectual Property*, 123 HARV. L. REV. 730, 746–50 (2010) (discussing the Lanham Act’s vague incorporation of previous common law doctrines, such as a contributory infringement, into its statutory scheme).

32. See Sarah Wells Orrick, Note, *Deciphering Rosetta Stone*, 28 BERKELEY TECH. L.J. 805, 808 n.26 (2013).

33. On the history of trademark law as trade morals, see Louis D. Brandeis, *Cuttthroat Prices: Competition that Kills*, HARPER’S WEEKLY, Nov. 15, 1913, at 10.

34. On the relationship between investment in advertising and moves to protect it through trademark law, see Mark Bartholomew, *Advertising and the Transformation of Trademark Law*, 38 N.M. L. REV. 1 (2008).

35. On the history of federal trademark protection before the Lanham Act, see Virginia E. Scholtes, Note, *The Lexmark Test for False Advertising: When Two Prongs Don’t Make a Right*, 30 BERKELEY TECH. L.J. 1023, 1029 (2015).

When this original statute proved inadequate to protect trademark owners,³⁶ Congress passed the Lanham Act on July 5, 1946.³⁷ It created a cause of action against “[a]ny person who shall, without the consent of the registrant, use in commerce any reproduction . . . of a registered mark in connection with the sale . . . of any goods or services on or in connection with which such use is likely to cause confusion.”³⁸ The law never mentions those who merely facilitate the use in commerce of a mark, nor how a court might determine if a defendant has facilitated a use.³⁹ The bill, nevertheless, “preserves the things which have demonstrated their usefulness.”⁴⁰ Courts have looked to federal common law that preceded the Lanham Act to interpret its terms.⁴¹

The Supreme Court affirmed the continued existence of the tort of palming off for trademarks in *Inwood Laboratories v. Ives Laboratories* in 1982.⁴² There, Inwood made a generic version of an expensive pill from Ives.⁴³ The two versions of the pill appeared identical, and pharmacists substituted the cheaper Inwood version for Ives’s.⁴⁴ Rather than hold the individual pharmacists accountable for palming off the cheap pill, Ives sued Inwood for both direct and contributory infringement.⁴⁵ Inwood, Ives

36. In 1938, *Erie* threw the validity of federal common laws, such as trademark doctrines that held both retailer and manufacturer accountable for palming off, into question. See Cross, *supra* note 31, at 121; see also S. REP. NO. 1333, 79th Cong., 2d Sess. 3 (1946), reprinted in 1946 U.S. Code Cong. Serv. 1274, 1275. The Senate Report stated:

The theory once prevailed that protection of trademarks was entirely a State matter and that the right to a mark was a common law right. This theory was the basis of previous national trademark statutes. Many years ago the Supreme Court held and has recently repeated that there is no Federal common law. It is obvious that the States can change the common law with respect to trademarks and many of them have, with the possible result that there may be as many different varieties of common law as there are States. A man’s rights in his trademark in one State may differ widely from the rights which he enjoys in another.

37. MCCARTHY, *supra* note 17, at § 5:4.

38. 15 U.S.C. § 1114.

39. These omissions, coupled with the increased rights and remedies available to trademark holders under the Act, make its relationship to previous common-law rules problematic. See Cross, *supra* note 31, at 111 n.35.

40. See S. REP. 1333, *supra* note 36, at 1275.

41. See Stacey L. Dogan & Mark A. Lemley, *Grounding Trademark Law Through Trademark Use*, 92 IOWA L. REV. 1669, 1686 n.69 (2007); Orrick, *supra* note 32, at 810 n.33.

42. 456 U.S. 844, 861 (1982).

43. *Id.* at 846.

44. *Id.* at 850.

45. *Id.* at 846.

argued, directly infringed its trade dress when it copied the appearance of the pill.⁴⁶ It contributed to the pharmacists' infringement by creating an opportunity for them to mislabel its identical pill with Ives's mark.⁴⁷

The Court confirmed the tort of palming off survived the Lanham Act's federalization of trademark law.⁴⁸ It reiterated the holding from *Warner* that a distributor who knowingly continues to supply a product that a retailer uses to confuse consumers is likewise responsible for the retailer's palming off.⁴⁹ Because Inwood imitated the color and size of Ives's pills, it had reason to know that pharmacists could mislabel the products and infringe Ives's mark, even if the color and size had a functional basis that prevented Inwood from directly infringing Ives's trade dress.⁵⁰

The Court's analysis of Inwood's behavior was simple: Inwood continued making a cheaper, identical-looking pill, even as it knew pharmacists would palm the pill off as a genuine Ives product and even as a lengthy supply chain stood between the drug maker and retailer.⁵¹ The emergence of the Internet in that supply chain, however, has complicated courts' more recent decisions about palming off.

C. THE INTERNET AS BILLBOARD: ADAPTING BRICK-AND-MORTAR DOCTRINES TO THE INTERNET

Over the last twenty years, courts have grappled with how to apply these trademark doctrines, designed to punish the fraudulent and confusing application of marks to inferior bolts of ticking or vials of quinine, to the more complex commercial landscape of the Internet. Consumers no longer see and feel the bolts of ticking or vials of quinine before their purchase. On the Internet, consumers interact with products only through their signs and descriptions.⁵² Generally, courts have eschewed creating new doctrines to

46. *Id.*

47. *Id.* at 854.

48. *Id.* at 858.

49. *Id.* at 854 (citing *William R. Warner v. Eli Lilly*, 265 U.S. 526, 530 (1924)) ("The wrong was in designedly enabling the dealers to palm off the preparation as that of the respondent.").

50. *Id.*

51. *Id.* at 861–62.

52. As semiotician Paul J. Thibault claimed, "The sign imposes digital order on the analogue flux of perceptual experience." PAUL J. THIBAUT, *RE-READING SAUSSURE: THE DYNAMICS OF SIGNS IN SOCIAL LIFE* 215 (1997). On the application of Thibault's semiotics to trademark law, see Beebe, *supra* note 15, at 635 n.72.

suit new technologies and instead stretch the limits of precedent and brick-and-mortar doctrines, such as palming off, through metaphor.⁵³

1. *Early Development: Brookfield Communications and the Information Superhighway*

In *Brookfield Communications v. West Coast Entertainment*,⁵⁴ the Ninth Circuit first addressed the application of the trademark law to Internet domain names and metatags that early search engines used to find relevant information.⁵⁵ During its “venture into cyberspace,”⁵⁶ the court spent more than five hundred words explaining the mechanics of the Internet.⁵⁷ Internet users, the court claimed, found information by hazarding domain names and crossing their fingers that relevant information might appear.⁵⁸ West Coast had purchased the moviebuff.com domain to market video rental stores.⁵⁹ The site included a database of movie trivia, licensed from a competitor of Brookfield.⁶⁰ Brookfield marketed a database of entertainment information, targeted at professionals, under the mark “MovieBuff.”⁶¹ The district court refused to grant an injunction against West Coast’s use because, as a video rental service, West Coast did not seem to compete with Brookfield, an information aggregator.⁶²

To determine if West Coast’s site infringed Brookfield’s mark, the Ninth Circuit looked to the vernacular of the 1990s, which christened the Internet an “information superhighway.”⁶³ Meta tags were billboards along

53. The Ninth Circuit has not been shy about citing Internet-specific precedent from other circuits to support its findings on likelihood of confusion. The final case discussed in this history, *Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137 (9th Cir. 2011). Thus, this otherwise Ninth-Circuit-focused history includes *Rosetta Stone v. Google*, 676 F.3d 144 (4th Cir. 2012).

54. 174 F.3d 1036 (9th Cir. 1999).

55. *Id.* at 1041.

56. *Id.*

57. *Id.* at 1044.

58. *Id.* at 1044–45.

59. *Id.* at 1042.

60. *Id.* at 1056.

61. *Id.* at 1051.

62. *Id.* at 1056.

63. According to Google’s Ngram Viewer, “information superhighway” reached its peak usage in 1995. It was roughly eight times more prevalent in the mid-1990s than today. See “*information superhighway*,” GOOGLE BOOKS NGRAM VIEWER, <https://books.google.com/ngrams> [<https://perma.cc/MSD6-ENH2>] (search for “information superhighway,” case-insensitive, between 1980 and 2008) [hereinafter GOOGLE NGRAM]. The term has now waned to roughly 1992 levels, and its last use in the Oxford English Dictionary dates from 2001. The metaphor is often attributed to former Vice President Al Gore, who coined

that highway.⁶⁴ Including a competitor's trademark in those meta tags, the court argued, was just like posting a sign with a false trademark along a highway.⁶⁵ Consumers, looking for the trusted, marked product, would pull off the highway, only to find the infringing product in the trademark's place.⁶⁶ By that time, the court theorized, they had invested time and effort in their search and might settle for an infringing product rather than continue their search.⁶⁷ The court carefully crafted its highway metaphor to apply initial-interest confusion to a new context with drastically different dynamics and stakes, despite a lack of actual evidence that West Coast's use of the mark and free movie trivia to promote its rentals diverted any potential purchaser of Brookfield's detailed entertainment industry information.⁶⁸ The court used only three factors from the *Sleekcraft* analysis—similarity of the marks, relatedness of goods, and use of the Internet as a marketing channel—to infer likelihood of confusion.⁶⁹ Despite the court's warning that “emerging technologies require a flexible approach,”⁷⁰ courts in the Ninth Circuit enshrined these three factors as the “Internet troika,” the definitive test for infringement on the Internet.

2. Rosetta Stone and the Internet as a Commons

Although “information highway” eventually lost its cachet as a euphemism for the Internet,⁷¹ the billboard remained a potent metaphor for finding and supplying information on the Internet.⁷² By 2012, in *Rosetta Stone v. Google*, the Internet had become a commons.⁷³ As it considered the

it to emphasize the need for the country to invest in information technology infrastructure as it had once invested in the interstate highway system. See “information superhighway, n.” OED ONLINE, December 2015, Oxford University Press, <http://www.oed.com/view/Entry/95568?redirectedFrom=information+superhighway> [<https://perma.cc/JK7T-RWHC>].

64. *Brookfield*, 174 F.3d at 1064.

65. *Id.*

66. *Id.*

67. *Id.*

68. *Id.* at 1062. On the lowered search costs of the Internet and their implications for common-law trademark doctrines such as initial interest confusion, see Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777 (2004).

69. *Id.* at 1053–54.

70. *Id.* at 1054.

71. See GOOGLE NGRAM, *supra* note 63.

72. See *Rosetta Stone Ltd. v. Google, Inc.*, 730 F. Supp. 2d 531, 549–50 (E.D. Va. 2010), *aff'd in part*, 676 F.3d 144 (4th Cir. 2012).

73. See *id.* The metaphor of the Internet as a commons where users both contributed and took information and content appears to date from the late 1990s. See LAWRENCE LESSIG, *THE FUTURE OF IDEAS: THE FATE OF THE COMMONS IN A CONNECTED WORLD* (2001) 23 n.11.

language-learning software maker's claims for direct, contributory, and vicarious trademark infringement, the district court compared the Internet to Times Square.⁷⁴ Ads on search engines like Google were like billboards.⁷⁵ The search engine, the court found, was no different from the owner of the building.⁷⁶ The building might supply the space for the billboard, but it does not exert control over the content of the displayed advertisements, and thus cannot be directly liable for infringement.⁷⁷

On appeal, the Fourth Circuit affirmed the district court's finding of vicarious liability.⁷⁸ Nevertheless, the court overturned the lower court's grant of summary judgment on Rosetta Stone's claims for direct and contributory infringement.⁷⁹ Google knew its search results and embedded advertisements could confuse consumers.⁸⁰ Before 2004, the search engine had not allowed unauthorized advertisers to purchase ads triggered by trademarked keywords.⁸¹ In 2009, Google loosened its policies to allow *any* advertiser to purchase trademarked keyword ads and include the trademark in advertisements for competing products.⁸² Although expert reports and Google's internal studies showed that users found both of these practices confusing,⁸³ Google argued that the allegedly confusing ads provided "users with more choice and greater access to relevant information."⁸⁴ Google derived seven percent of its total revenue from trademarked terms when it began to loosen its restrictions in 2004.⁸⁵ Its internal studies showed that loosening those restrictions would boost its revenue although fewer restrictions also risked consumer confusion and thus lawsuits from trademark holders.⁸⁶

Because Google derived revenue only from ads, not from the sale of goods, the Fourth Circuit found, the search engine lacked the incentive to

74. *Rosetta Stone*, 730 F. Supp. 2d at 549–50.

75. *Id.*

76. *Id.*

77. On the problems of comparing targeted, keyword-generated advertisements to large billboards directed to the public at large, see Orrick, *supra* note 31, at 817.

78. *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 149 (4th Cir. 2012).

79. *Id.* at 150.

80. *Id.* at 151.

81. *Id.*

82. *Id.* at 151–52.

83. *Id.* at 156, 158.

84. *Id.* at 155.

85. *Id.* at 156.

86. *Id.*

police confusing ads.⁸⁷ Using the circuit’s multifactor confusion test⁸⁸ and the *Inwood* standard, the court found that Google had reason to know that vendors of counterfeit software purchased advertising on the results page for searches of Rosetta Stone’s mark.⁸⁹ Like the drugmaker in *Inwood*, Google had created the opportunity for infringement.⁹⁰ Although Google had committed only one act—selling advertising space to likely infringers—the search company could be both directly and contributorily liable for the harm to Rosetta Stone, for it had known that there was a risk of confusing consumers.⁹¹

3. Network Automation and the Internet as a Department Store

By 2011, in *Network Automation v. Advanced System Concepts*, in which the court examined whether purchasing advertisements keyed to a competitor’s trademark infringed that mark,⁹² the novelty of the Internet had evaporated for the Ninth Circuit.⁹³ Internet commerce had become commonplace.⁹⁴ Using the Internet was no longer the exciting road trip on the information superhighway it had been in *Brookfield*. Now using the Internet was more akin to buying shirts at a windowless, fluorescent-lit department store, filled with racks of mass-produced, but hardly generic garments.⁹⁵ The Internet had become a necessity, a chore even, that “we all use.”⁹⁶ Thus, the troika of factors the circuit had used to analyze Internet confusion in *Brookfield* was no longer relevant to assess consumers’ confusion.⁹⁷ Rather than hew strictly to Internet-specific precedent, such as the troika, the circuit decided that the same eight-factor *Sleekcraft* test for confusion ought to apply equally to confusion on the Internet as anywhere

87. *Id.* at 163.

88. Although the Fourth Circuit cited to *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. 2004), in its decision, the Fourth Circuit’s multifactor, likelihood of confusion test differs slightly from the Ninth Circuit *Sleekcraft* test. The Fourth Circuit’s test considers the quality of the defendant’s product. *See Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 463 (4th Cir. 1996).

89. *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 164 (4th Cir. 2012).

90. *Id.*

91. *Id.*

92. 638 F.3d 1137, 1142 (9th Cir. 2011).

93. *Id.* at 1152.

94. *Id.*

95. *Id.* at 1147–48 (citing Judge Berzon’s concurrence to *Playboy Enters., Inc. v. Netscape Commc’ns Corp.*, 354 F.3d 1020, 1035 (9th Cir. 2004) (Berzon, J. concurring)).

96. *Id.* at 1148.

97. This was especially true in *Network Automation* where the consumer in question was buying expensive enterprise software. *Id.* at 1152.

else.⁹⁸ The circuit warned courts against adhering to the *Sleekcraft* test too closely in the Internet context.⁹⁹ The multifactor test was not exhaustive, and in some circumstances, confusion and infringement might require the analysis of additional factors, such as the design of a website as a whole.¹⁰⁰

II. AMAZON: HIGHWAY, BILLBOARD, DEPARTMENT STORE, BARTENDER, DINER, MONOPOLY?

Amazon, to be sure, aspires to be many things. However, unlike the defendants in many online trademark infringement cases, Amazon does not make much money from advertising.¹⁰¹ Thus, its incentives differ from brick-and-mortar defendants' incentives. Those incentives and the online retailer's business model elucidate the Ninth Circuit's conflicting decisions. They also demonstrate why the many factors of the *Sleekcraft* test remain useful to analyzing likelihood of confusion on the Internet.

A. AMAZON'S ORIGINS

Founded as an online bookseller by Jeff Bezos in 1995, Amazon always aimed to leverage the advantages of technology to sell goods.¹⁰² However,

98. *Id.* at 1148–49.

99. *Id.* at 1153.

100. *Id.* at 1154.

101. Amazon's earnings report does not break out exactly how much revenue advertising on the site generates. It lumps advertising revenue into the category of "Other" along with all non-retail revenues, such as co-branded credit cards. The "Other" category declined 6 percent in the last quarter of 2015 in North America. See *Amazon.com Announces Fourth Quarter Sales up 22% to \$35.7 Billion*, AMAZON.COM (Jan. 28, 2016), <http://phx.corporate-ir.net/phoenix.zhtml?c=97664&p=irol-newsArticle&ID=2133281> [<https://perma.cc/PWK2-KPTP>]. Other estimates put the retailer's advertising revenue around \$580 million in 2015. See Alexandra Bruell, *The Next Big Ad Platform: Retailer Sites?*, ADVERTISING AGE, Nov. 9, 2015.

102. *Quill v. North Dakota*, 504 U.S. 298 (1992), in which the Supreme Court held that an out-of-state, mail-order merchant need not collect state sales tax, is often credited with focusing Bezos's attention on the advantages of online retail. In a 1996 interview, Bezos confirmed the importance of avoiding state sales tax to his vision: "[I]t had to be in a small state. In the mail-order business, you have to charge sales tax to customers who live in any state where you have a business presence. It made no sense for us to be in California or New York." William C. Taylor, *Who's Writing the Book on Web Business?*, FAST COMPANY (Oct. 31, 1996), <http://www.fastcompany.com/27309/whos-writing-book-web-business> [<https://perma.cc/T47Y-SD3V>]. On the continued importance of tax evasion to Amazon, see Peter Elkind & Doris Burke, *Amazon's (Not So) Secret War on Taxes*, FORTUNE, June 10, 2013, at 76. On the general motivations behind founding Amazon, David E. Shaw remarked in 1999: "The idea was always that someone would be allowed to make a profit as an intermediary. The key question is, [w]ho will get to be that middleman?" Peter de Jonge, *Riding the Wild, Perilous Waters of Amazon.com*, N.Y. TIMES MAG., Mar. 14, 1999, at 36, 54.

even from its earliest days, Bezos recognized that virtually anyone could sell goods on the Internet.¹⁰³ The key was its customers, the trust that they placed in Amazon, and the community created by that trust.¹⁰⁴ Amazon's marketing materials continue to tout its business as "customer-centric" and based on "customer obsession rather than competition focus."¹⁰⁵ The retailer lists "customer reviews, 1-click shopping, [and] personalized recommendations" first among its signature, pioneering services.¹⁰⁶ To attract and retain customers, Amazon offered quick shipping, responsive customer service, and generous return policies.¹⁰⁷

B. CONSUMER-CENTRIC MISSION

Amazon also had to learn what each of its customers liked.¹⁰⁸ From the earliest business plans, Jeff Bezos told investors that Amazon would offer more than just an online version of a mail-order catalog.¹⁰⁹ It would customize the site and its offerings to each customer.¹¹⁰ At first, Amazon simply asked its customers what they liked.¹¹¹ Its Bookmatch program asked

103. de Jonge, *supra* note 102, at 38 ("While it is true that if all you want to do is to put up something for sale, the barriers of entry are extremely low on the Internet. If you actually want to sell a lot of that stuff, they're quite high and getting higher all the time . . .").

104. In 1998, online retailers like Amazon spent twenty-six dollars per sale in advertising and marketing to attract customers. *See id.* Bezos was apparently candid about the importance of customer data from the start. He reportedly told another bookseller in 1995 that "Amazon intended to sell books as a way of gathering data on affluent, educated shoppers. The books would be priced close to cost, in order to increase sales volume. After collecting data on millions of customers, Amazon could figure out how to sell everything else dirt cheap on the Internet." George Packer, *Cheap Words*, *NEW YORKER*, Feb. 17, 2014, at 66. In 1999, David Shaw confirmed, "Making money on books was almost irrelevant, compared with establishing Amazon as the most trusted brand in this new space." *See de Jonge, supra* note 102, at 40.

105. *Amazon.com Announces Third Quarter Sales up 23% to \$25.4 Billion*, *AMAZON* (Oct. 22, 2015), <http://phx.corporate-ir.net/phoenix.zhtml?c=97664&p=irol-newsArticle&ID=2100418> [<https://perma.cc/4JPJ-VDMU>].

106. *Id.*

107. BRAD STONE, *THE EVERYTHING STORE: JEFF BEZOS AND THE AGE OF AMAZON* 41 (2013) (describing the ambitious, but difficult to fulfill, return policy).

108. *See id.* (describing Bezos's early pitch to investors, which included personalization as the company's chief advantage over brick-and-mortar retailers).

109. *Id.* at 41, 51–52.

110. Bezos had long sought to capitalize on technology's promise as a way to learn about individuals and offer customized products and services. In the late 1980s, he started a company that faxed customized newsletters to customers based on their characteristics and preferences. *Id.* at 20. In a 1998 speech, he cited customization as online retailing's chief advantage over its brick-and-mortar competitors: "Great merchants have never had the opportunity to understand their customers in a truly individualized way. E-commerce is going to make that possible." *Id.* at 52 n.13.

111. *Id.* at 51.

customers to rate a dozen books.¹¹² Based on those preferences and the preferences of similar users, it would recommend other books. However, the software was slow.¹¹³ Worst of all for consumer-centric Amazon, customers found rating books tedious and seldom took the extra effort necessary to produce the recommendations.¹¹⁴ Still eager to capitalize on technology's nascent ability to engage customers through customized recommendations, which were essentially advertisements, Amazon needed a simpler way to learn what its customers wanted. So, it looked at what they had already purchased.¹¹⁵ Customization based on purchase history, a feature known as Similarities, avoided the extra rating step that customers disliked and led to an increase in sales of recommended products.¹¹⁶ Its success proved the predictive and thus monetary value of that information to Amazon and its advertisers.¹¹⁷

C. SEARCH AS AN ASSET

Amazon continued to lean heavily on consumer information to sell products.¹¹⁸ After Similarities's initial success, Amazon eliminated the editorial staff that wrote descriptions of products and targeted e-mails.¹¹⁹ Amabot, a recommendation system, replaced the writers.¹²⁰ Around the

112. Firefly, subsequently purchased and shut down by Microsoft, designed the Bookmatch software. For a description of Firefly's collaborative filtering technology, see Scott Kirsner, *Firefly: From the Media Lab to Microsoft*, WIRED NEWS (Apr. 9, 1998), <http://www.wired.com/news/news/business/story/11585.html> [<https://perma.cc/F7UA-P9VP>].

113. STONE, *supra* note 107, at 51.

114. *Id.*

115. *Id.*

116. *Id.*

117. When negotiating with publishers, Amazon threatened to banish their catalogs from the personalization and recommendation algorithms. Acting on this threat has made some publishers' sales drop as much as 40 percent, according to one of Amazon's senior book buyers. *Id.* at 243. For an argument that Amazon's massive market power in digital books violates or at least should violate antitrust laws, see Franklin Foer, *If You Like Amazon, You May Also Like*, THE NEW REPUBLIC, Oct. 27, 2014, at 18–20. One proposal to reform Great Depression era trade morals to curb the excesses of large retailers today appears in John B. Kirkwood, *Reforming the Robinson-Patman Act to Serve Consumers and Control Powerful Buyers*, 60 ANTITRUST BULL. 358 (2015).

118. At one point, Amazon attributed thirty percent of its sales to recommendations. *See Building with Big Data*, THE ECONOMIST (May 26, 2011), <http://www.economist.com/node/18741392> [<https://perma.cc/7ANM-J6ZY>].

119. On the gradual decline of the editorial unit, of which Bezos had initially been a strong proponent, and the consequent rise of the personalization unit at Amazon, see generally JAMES MARCUS, AMAZONIA (2004).

120. *See id.* at 246 (“The editors, you see, still spent a disgraceful amount of time fiddling with content. That was a proven time sink and a money pit. The obvious solution: automate the category pages, add a host of personalization widgets . . .”). Amazon

time that Amazon introduced Similarities, the retailer also realized that its search engine, licensed from Alta Vista, was inadequate to help customers locate goods in its vast catalog.¹²¹ Amazon replaced the licensed search with a proprietary search engine that identified which products customers clicked on most often for a given search term.¹²² Subsequent search results ranked those products more highly.¹²³ However, as its catalog continued to grow and Google became synonymous with online search in the vernacular, Amazon worried that it would lose valuable information about its customers if it did not improve its search engine.¹²⁴

To that end, the company launched A9 in 2003.¹²⁵ It pioneered using consumer behavior not just to rank matches, but also to understand the customer's original search query.¹²⁶ The A9 site currently touts that its search can tell whether a customer's search for "Timbaland" seeks music by that artist or boots from the similarly named outfitter.¹²⁷ It also designed the "Search Inside the Book" feature that allows consumers to look at snippets of text.¹²⁸ The same feature allows Amazon's product search to return books whose text contains customer search terms. Because A9's algorithms rely on previous consumer behavior, they are just as likely to return similar products that do not explicitly contain the search term as they are products that do. The search results page does not differentiate between those products found using behavior-based search and those found with a more traditional

similarly uses data about its employees to manage them, leading one employee to remark, "If you're a good Amazonian, you become an Amabot," in an exposé of the company's corporate culture. See Jodi Kantor & David Streitfeld, *Amazon's Bruising, Thrilling Workplace*, N.Y. TIMES, Aug. 15, 2015, at A1.

121. STONE, *supra* note 105, at 198.

122. On the pitfalls of early behavioral-based searches in Amazon's expanding catalog, see MARCUS, *supra* note 117, at 181–82. ("If you came to the site in search of Frederick M. Lawrence's *Punishing Hate: Bias Crime Under American Law*, we steered you toward a Z-Force Stun Gun. Visitors seeking a copy of Philip Pullman's *The Subtle Knife* . . . were urged to bid on an assortment of switchblades.").

123. STONE, *supra* note 105, at 198–99.

124. Amazon had reason for concern. In 1998, it purchased Jungle, a search engine that could compare prices across sites, in an effort to improve its search. Jungle's founders left Amazon within a year, one of them to advise Google. See STONE, *supra* note 105, at 83; MARCUS, *supra* note 117, at 145–46.

125. Its name reflects its focus on customized, algorithmic search. A9 is a numeronym for the word algorithm. See *About Us: History*, A9, <http://www.a9.com/about-us/history> [<https://perma.cc/9YQ3-YVPV>].

126. See *What We Do: Product Search*, A9, <http://www.a9.com/whatwedo/product-search> [<https://perma.cc/KJ2E-M3DQ>]; Brief of Defendant-Appellee at 6, *MTM II*, 792 F.3d 1070 (9th Cir. 2015) (No. 13-55575).

127. A9, *supra* note 126.

128. STONE, *supra* note 105, at 197.

keyword search. A9's innovations improved the Product Search on Amazon's website and the search function that Amazon licenses to other online retailers through its Web Services.¹²⁹

Most defendants accused of palming off have lacked a Web Services division to subsidize their main retailing business. They sell things. To the extent that that sales price exceeds their costs, they profit. Amazon's improved search function and their Web Services are a boon to consumers who enjoy lower prices and increased selection in exchange for their information. However, Amazon's reliance on Web Services for profitability complicates its incentives and consequently the likelihood of confusion analysis.

III. *MULTI TIME MACHINE V. AMAZON*

Multi Time Machine (MTM) is less enthusiastic about Amazon and A9's innovations in product search.¹³⁰ Customers who search Amazon for its trademark, it believes, should not see similar goods.¹³¹ Thus, in 2013, after e-mailing Amazon about its search algorithm, MTM filed a lawsuit for trademark infringement in the Central District of California and began a nearly three-year saga.¹³²

A. MULTI TIME MACHINE

MTM manufactures and sells high-end, yet rugged, watches for the military and law enforcement in difficult conditions.¹³³ They are niche products and the company's sales average around four million dollars annually.¹³⁴ It owns the registered trademarks for MTM Special Ops and MTM Military Ops and carefully cultivates the rugged, martial imagery

129. The importance of Amazon Web Services, including A9, to the company's bottom line is difficult to overstate. In its quarterly earnings statement issued on October 22, 2015, Amazon Web Services logged a profit of \$687 million on cloud services sales of \$2.4 billion. *See* AMAZON, *supra* note 104. Amazon Web Services controls twenty-nine percent of the cloud computing market. Barb Darrow, *In the Cloud, Google Jockeys for Position*, FORTUNE, March 1, 2016, at 42–43.

130. Brief for the Plaintiff-Appellant at 2–3, *MTM II*, 792 F.3d 1070 (9th Cir. 2015) (No. 13-55575).

131. *MTM III*, 804 F.3d at 932.

132. The Supreme Court rejected MTM's Petition for Writ of Certiorari, in February 2016. *MTM III*, (U.S. Jan. 19, 2016) (No. 15-936).

133. *About Us*, MULTI TIME MACHINE, INC., <http://www.specialopswatch.com/about-us> [<https://perma.cc/ADD4-26MT>].

134. Avicasis Deposition, 178:15-180:2, Sep. 24, 2012, *MTM I*, 926 F. Supp. 2d 1130 (C.D. Cal. 2013) (No. 2:11-cv-09076-DDP-MAN).

that surrounds its watches.¹³⁵ Its website displays testimonials from soldiers about wearing the watches during their tours in Iraq, alongside screenshots of celebrities, such as Jason Statham, sporting the watches in action films.¹³⁶

As part of this marketing strategy and to maintain its close association with the military elite and those who play them on TV, MTM limits the retailers who sell its watches.¹³⁷ It does not allow Amazon.com to sell them, nor does it allow its authorized distributors to sell through Amazon.¹³⁸ Nevertheless, when a consumer enters “mtm special ops” into Amazon’s search, the site returns results that include competitor watches from Luminox, Chase-Durer, and Modus beneath the phrase “mtm special ops,” in quotation marks.¹³⁹ Images and large text labels indicate the brands of the competing products.¹⁴⁰

B. THE DISPUTED SEARCH RESULTS

Despite the individual labels, MTM contended that the results page confused potential purchasers of its watch.¹⁴¹ Amazon, MTM claimed, was no better than the bar in the Topaz Casino from *Coca-Cola v. Overland*, where bartenders passed off a presumably vile concoction of rum and Pepsi for orders of rum and Coke.¹⁴² MTM claimed that displaying competing watches under a search bar with MTM’s mark potentially implied a relationship between the brands and could divert sales away from its products to competing products with a similar trade dress.¹⁴³ To support its contentions, MTM’s expert compared Amazon to other online retailers, such as Overstock and Buy.com, whose search engines returned no results for its trademark.¹⁴⁴ The watchmaker also submitted an expert report stating

135. Brief for the Plaintiff, *supra* note 128, at 5; Plaintiff’s Complaint ¶8, *MTMI*, 926 F. Supp. 2d 1130 (C.D. Cal. 2013) (No. 2:11-cv-09076-DDP-MAN).

136. MTM’s president testified that these product placements cost the company \$70,000 to \$80,000 per film. Avicasis Deposition 269:6-7, Sep. 24, 2012, *MTMI*, 926 F. Supp. 2d 1130 (C.D. Cal. 2013) (No. 2:11-cv-09076-DDP-MAN).

137. Brief for the Plaintiff-Appellant, *supra* note 130, at 6.

138. *Id.*

139. *Id.* at 7.

140. *See infra* Appendix.

141. Complaint, *supra* note 135, at ¶ 25.

142. Plaintiff’s Memorandum in Opposition to Summary Judgment, at 12–13, *MTM I*, 926 F. Supp. 2d 1130 (C.D. Cal. 2013) (No. 2:11-cv-09076-DDP-MAN) (citing *Coca-Cola v. Overland*, 692 F.2d 1250, 1253 (9th Cir. 1982)).

143. Complaint, *supra* note 135, at ¶ 25.

144. Plaintiff’s Memorandum, *supra* note 142, at 23 (citing the expert report of William A. Markson, Complaint, Exhibit 1, ¶ 2).

that the search results on Amazon were “very confusing, unclear, and at times very misleading to users.”¹⁴⁵

Amazon countered that showing competing products with similar trade dress in the search results for a trademarked term did not confuse consumers.¹⁴⁶ Rather, it served them better.¹⁴⁷ Consumers who search for a trademark, Amazon claimed, do not necessarily want to see only products associated with that trademark.¹⁴⁸ Amazon argued it was not so much like the casino bar from *Coca-Cola*. Instead, Amazon, in its view, was more like the maker of expensive enterprise software from *Network Automation* who had not infringed its rival’s trademark when it purchased keyword ads for that trademark to allow informed consumers to comparison-shop.¹⁴⁹ As a search term, a trademark could indicate that the consumer wants to see compatible products or broad categories of products. Consumers who searched for the “mtm” mark seldom ultimately buy expensive watches.¹⁵⁰

Amazon further argued that the repetition of the trademarked search phrase above the search results did not necessarily label those results.¹⁵¹ It was only a “breadcrumb,”¹⁵² included for consumers’ reference to allow them to revise their search.¹⁵³ A thick gray bar “visually partitioned” the trademarked search term from the product results, obviating any risk of consumer confusion.¹⁵⁴ Amazon argued that this breadcrumb was not “use in commerce” under the Lanham Act.¹⁵⁵ Unlike search engines that sold

145. *Id.*

146. Defendant’s Motion for Summary Judgment, at 1, 14, *MTMI*, 926 F. Supp. 2d 1130 (C.D. Cal. 2013) (No. 2:11-cv-09076-DDP-MAN).

147. Defendant’s Motion, *supra* note 146, at 6–7.

148. *Id.*

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

150. Amazon’s search algorithm takes these different search motives into account by modifying search results based on prior searches and purchases. Its results page displays these results alongside more traditional keyword matches. *See* Defendant’s Motion, *supra* note 146, at 21.

151. *Id.* at 22.

152. “Breadcrumbs” are elements that aid navigation in user interfaces by allowing users to keep track of their locations within programs, documents, or websites. The term comes from the trail of breadcrumbs left by Hansel and Gretel in the eponymous fairytale. *See* MARK LEVENE, AN INTRODUCTION TO SEARCH ENGINES AND WEB NAVIGATION 221 (2011).

153. Defendant’s Motion, *supra* note 146, at 6–7.

154. *Id.* at 22.

155. *Id.* at 11.

keywords to others, Amazon only used them in its own proprietary search.¹⁵⁶ MTM's expert countered that Amazon's proprietary search was nothing more than a glorified "behavior tracking platform that facilitates generating targeted advertising."¹⁵⁷ Amazon, according to MTM's expert, could easily make its results less confusing, but it had no incentive to do so.¹⁵⁸ The product listings included source labels next to the images and titles of the products.¹⁵⁹ The question was whether the application of MTM's mark to Amazon's search results labeled those search results and thus created confusion about the source of the products included therein.

C. DISTRICT COURT'S GRANT OF SUMMARY JUDGMENT

The district court agreed with Amazon, holding that the online retailer's search results did not confuse consumers or infringe MTM's trademark.¹⁶⁰ Like many courts tasked with applying trademark law to the Internet, the district court began its analysis of Amazon's motion for summary judgment on MTM's claims with a metaphor.¹⁶¹ The court stuck with the department store metaphor that first appeared in the concurrence of *Playboy*.¹⁶² There, Judge Berzon presciently doubted that Amazon, like a department store, could infringe a trademark by presenting competing goods to consumers.¹⁶³

Like Judge Berzon, the district court in *MTM I* doubted that Amazon's search results infringed MTM's trademark.¹⁶⁴ Although it agreed that Amazon had used the mark in commerce because it provided a search engine for the purpose of selling goods, it held that the search results did not create a likelihood of confusion.¹⁶⁵ To analyze likelihood of confusion, the court looked to *Network Automation* and its flexible application of the

156. This argument echoes concerns about expanding direct liability for infringement to even uses that do not compete with the mark holder. See Dogan & Lemley, *supra* note 41, at 1686.

157. Complaint, *supra* note 135, at Exhibit 1, 7, ¶ B.

158. *Id.* at 17, ¶ C.

159. Defendant's Motion, *supra* note 146, at 21.

160. *Multi Time Machine, Inc. v. Amazon.com, Inc. (MTM I)*, 926 F. Supp. 2d 1130, 1142 (C.D. Cal. 2013).

161. *Id.* at 1135.

162. *Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1035 (9th Cir. 2004) (Berzon, J., concurring).

163. *Id.* (quoted in *MTM I*, 926 F. Supp. 2d at 1135 ("If I went to Macy's website and did a search for a Calvin Klein shirt, would Macy's violate Calvin Klein's trademark if it responded (as does Amazon.com, for example) with the requested shirt and pictures of other shirts I might like to consider as well? I very much doubt it.")).

164. *MTM I*, 926 F. Supp. 2d at 1142.

165. *Id.*

Sleekcraft factors to search results on the Internet.¹⁶⁶ The court applied the same factors as the Ninth Circuit had in *Network Automation*—mark strength, actual confusion, consumers’ degree of care, and labeling.¹⁶⁷ None of these, in the court’s view, created a likelihood of confusion.¹⁶⁸ The court seized on MTM’s evocation of *Overland* and compared Amazon to a bartender.¹⁶⁹ As a bartender, according to the court, Amazon had bizarrely presented its customer with “a tray with unopened, labeled, authentic cans of Pepsi-Cola, RC Cola, Blue Sky Cola, Dr. Pepper, and Sprecher Root Beer, and a copy of *Coca Kola: The Baddest Chick*, by Nisa Santiago.”¹⁷⁰ Although Amazon does not resemble a casino bar by most measures, the court reasoned that this tray of substitutions would not confuse the bar’s patrons because each substitution bears a clear, individual label.¹⁷¹ Consumers on Amazon might be confused about why the site’s search algorithm presented them with certain results, but the Lanham Act protects only against confusion about the origin or affiliation of individual products.¹⁷²

D. FIRST NINTH CIRCUIT DECISION

Reviewing de novo, the Ninth Circuit reversed the district court’s grant of summary judgment to Amazon and held that the search results could confuse consumers.¹⁷³ Like the district court, it relied on *Network Automation* and its flexible application of the *Sleekcraft* factors to ground its analysis.¹⁷⁴ The court decided that labeling, previously one of the *Sleekcraft* factors, should be analyzed separately, rather than weighed against the others.¹⁷⁵ While the labeling of the individual results adequately identified the source of goods to consumers, Amazon’s labeling of the search page overall and repetition of the user’s search term presented a question of fact for the jury.¹⁷⁶ When combined with Amazon’s failure to notify users that it did not carry the trademarked products that the users initially searched

166. *Id.* at 1138.

167. *Id.*

168. *Id.* at 1142.

169. *Id.* at 1138 n.3.

170. *Id.*

171. *Id.* The court ignored that this violation of customers’ expectations arguably could confuse some customers. The court never considered if that confusion about the retailer and their business model satisfies the Lanham Act’s source confusion.

172. *Id.* at 22 n.10.

173. *MTM II*, 792 F.3d 1070, 1073 (9th Cir. 2015).

174. *Id.* at 1074.

175. *Id.* at 1075.

176. *Id.* at 1076.

for, the court found that a jury could infer initial-interest confusion from that repetition.¹⁷⁷

The court continued its likelihood of confusion analysis with the first of the *Sleekcraft* factors, mark strength.¹⁷⁸ Because the MTM mark could be “suggestive and conceptually strong because it does not obviously refer to watches, or . . . merely descriptive because the watches are made in a military style,” the court found that only a jury could decide the mark’s strength.¹⁷⁹

The court also found that the second factor, similarity of goods, could favor confusion.¹⁸⁰ Both Amazon and MTM sell high-end watches.¹⁸¹ Although MTM had presented only evidence that consumers were confused about Amazon’s search algorithm and not the brands of the items that it retrieved, the Ninth Circuit maintained that the Lanham Act protected against all types of consumer confusion.¹⁸² It chided the district court for making assumptions about the sophistication of would-be purchasers on summary judgment.¹⁸³ Further, because Amazon claimed to offer the “Earth’s Biggest Selection of Products,”¹⁸⁴ it had a heightened responsibility to differentiate between the goods.¹⁸⁵ Amazon had not informed users that its algorithm would return more than just items with matching keywords, and thus a jury might find that Amazon had confused consumers, not merely informed them of other options.¹⁸⁶

The third factor, the defendant’s intent, similarly favored confusion.¹⁸⁷ Amazon, according to its briefings, aspires to be the “Earth’s most customer-centric company.”¹⁸⁸ While Amazon had taken affirmative action to clarify the source of its watches to customers, it had done nothing to clarify the source of its search results.¹⁸⁹ It admittedly avoided explaining its search algorithm to consumers and ignored MTM’s requests to explain why

177. *Id.*

178. *Id.* at 1077.

179. *Id.*

180. *Id.* at 1077–78.

181. *Id.* at 1077.

182. *Id.* at 1078.

183. *Id.*

184. Defendant-Appellee Amazon.com’s Answering Brief at 2, *MTM II*, 792 F.3d 1070 (9th Cir. 2015) (No. 13-55575).

185. *MTM II*, 792 F.3d 1070, 1078 (9th Cir. 2015).

186. *Id.* at 1073.

187. *Id.* at 1079.

188. Defendant-Appellee Amazon.com’s Answering Brief at 3, *MTM II*, 792 F.3d 1070 (9th Cir. 2015) (No. 13-55575).

189. *MTM II*, 792 F.3d at 1079.

its search engine produced competing products in response to searches for the watchmaker's trademark.¹⁹⁰ From this avoidance, the Ninth Circuit found that a jury could infer intent to confuse consumers.¹⁹¹

The court reasoned that a jury could also infer some evidence of the fourth factor, actual confusion, even though MTM presented no colorable evidence of it.¹⁹² Instead, the court looked at Amazon's search records, which showed that occasionally a customer who searched for MTM's trademark purchased a competing watch the same day.¹⁹³ A jury might find that "their interest in a Luminox watch was piqued because they were uncertain whether or how Luminox is affiliated with or approved by MTM," and thus could favor confusion.¹⁹⁴

For the fifth factor, degree of care, the court again looked to the search and purchase patterns Amazon presented.¹⁹⁵ Although MTM's watches were relatively expensive, priced between several hundred and two thousand dollars, some Amazon customers who searched for MTM or its competitors did buy watches the same day as their search.¹⁹⁶ The court found that a jury could infer that at least some buyers purchased their high-end watches quickly without careful consideration, even though it was not clear from Amazon's records if those users who purchased on the same day as their search were, in fact, searching for the first time.¹⁹⁷ To analyze this factor, the court also considered Amazon's sophistication and relative resources. Amazon could have easily provided a caveat to its search results. Thus, for the court, Amazon's failure to notify customers that it did not carry MTM's watches had created genuine issues of material fact only a jury could resolve.¹⁹⁸

The court decided that, on balance, the *Sleekcraft* factors could cut either for or against likelihood of confusion.¹⁹⁹ The label on Amazon's search results page as a whole was not necessarily clear.²⁰⁰ Only a jury could resolve

190. *Id.*

191. *Id.*

192. *Id.*

193. *Id.* at 1079–80.

194. *Id.* at 1079 n.8.

195. *Id.* at 1080.

196. *Id.*

197. *Id.*

198. *Id.*

199. *See id.*

200. *See id.*

the issues of fact necessary to determine if the earth's largest retailer had violated MTM's mark.²⁰¹

Rather than earth's largest retailer, the dissent compared Amazon to a greasy spoon.²⁰² This humble greasy spoon did not serve Coke, but Pepsi, and it told any customer who asked for Coke, "No Coke. Pepsi."²⁰³ This could confuse no one, the dissent countered.²⁰⁴ The Lanham Act aimed not to protect consumers from any and all confusion, but to shield reasonably prudent consumers from confusion "about the source of products."²⁰⁵ Confusion about the source of the products, the dissent argued, was not at all likely, and the district court's grant of summary judgment was appropriate.²⁰⁶ Amazon, the dissent continued, had no obligation to inform its shoppers that it did not carry the trademark brand.²⁰⁷ The retailer met its legal obligation with the clear, individual labels on products that it did sell.²⁰⁸ Further, the dissent questioned whether the *Sleekcraft* factors were even appropriate to the case.²⁰⁹

E. SUPERSEDING NINTH CIRCUIT DECISION

Three months after issuing the initial opinion, the Ninth Circuit granted Amazon's petition for a rehearing.²¹⁰ In a rare move, the court withdrew its previous opinion and issued a superseding opinion.²¹¹ Now the

201. *See id.*

202. The dissent actually compared Amazon to a fictional greasy spoon in Chicago, the Olympia Restaurant, from a *Saturday Night Live* sketch that aired in January 1978. *See id.* at 1080 (Silverman, J. dissenting). The majority opinion mocked this comparison, observing that Amazon had failed to provide the caveat of "No MTM," that the sketch included. *Id.* at 1076 n.6.

203. *Id.* at 1080.

204. *Id.* at 1081.

205. *Id.* at 1083 (citing *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1290 (9th Cir. 1992)).

206. *Id.* at 1082–83.

207. *Id.*

208. *Id.* at 1086.

209. *Id.* at 1084.

210. *MTM III*, 804 F.3d 930 (9th Cir. 2015).

211. *Id.* Withdrawing an opinion without the presentation of new facts or arguments is so rare that there are no statistics about exactly how rare it is. Some have observed that "few applications in our procedural system are so often made and so seldom granted as petitions for rehearing." David W. Louisell & Ronan E. Degan, *Rehearing in American Appellate Courts*, 44 CALIF. L. REV. 627 (1956). Some have suggested that the anomaly occurred here because one of the three judges on the panel sat by designation. *See* Noah Feldman, *Judges Will Travel, Overturn Decisions*, BLOOMBERGVIEW (Oct. 23, 2015), <http://www.bloomberglaw.com/articles/2015-10-23/judges-will-travel-overturn-decisions> [<https://perma.cc/AA9Q-MJ8V>]. Sitting by designation has long presented concerns about judicial consistency and familiarity with circuit precedent. *See* Richard B. Saphire &

same three-judge panel held that the retailer's search results could not have confused a reasonably prudent consumer and affirmed the district court's grant of summary judgment for Amazon.²¹² Abandoning the greasy-spoon metaphor, it otherwise reiterated the reasoning of the dissent from its original opinion.²¹³ In its analysis, the court rejected the application of *Sleekcraft* to Amazon's search results.²¹⁴ *Sleekcraft* was designed to address whether competing marks likely confused consumers, not whether the presentation of those marks on a page of search results was likely to do the same.²¹⁵ The proper standard was instead "whether a 'reasonably prudent consumer' in the marketplace is likely to be confused as to the origin of the goods."²¹⁶ The only relevant questions were, first, the identity of the relevant consumer and, second, what that consumer would reasonably believe when he looked at Amazon's search results screen.²¹⁷

The court spent about fifty words on the first question, holding that relevant consumers are likely to be careful.²¹⁸ Unlike the original Ninth Circuit opinion that mused that the prospective consumer was as likely to be MTM's rugged target audience as their sisters,²¹⁹ here the court tersely inferred that because the watches were expensive, potential buyers were careful.²²⁰

The dissent to the new opinion again took the "Earth's most customer-centric company" to task for its inability to provide the same level of candor that the Lanham Act demands of Overstock.com, fictional diners in Chicago, or casino bars on the outskirts of South Lake Tahoe.²²¹ The disparity between Amazon and the niche watchmaker seemed to trouble the dissent.²²² It noted that the majority showed deference for Amazon's testimony and clear labels as evidence of its intent not to confuse.

Michael E. Solimine, *Diluting Justice on Appeal: An Examination of the Use of District Court Judges Sitting by Designation on the United States Courts of Appeals*, 28 U. MICH. J.L. REFORM 351, 374 (1994).

212. *MTM III*, 804 F.3d at 932.

213. *Id.* at 936–38.

214. *Id.* at 936.

215. *Id.*

216. *Id.* at 937 (citing *Dreamwerks Prod. Grp. v. SKG Studio*, 142 F.3d 1127, 1129 (9th Cir. 1998)).

217. *Id.*

218. *Id.*

219. *MTM II*, 792 F.3d 1070, 1071 ("If her brother mentioned MTM Special Ops watches, a frequent Amazon shopper might try to purchase one for him through Amazon.").

220. *MTM III*, 804 F.3d at 937.

221. *Id.* at 941 (Bea, J., dissenting).

222. *Id.* at 945–46.

Nevertheless, the majority still expected MTM to proffer evidence of actual confusion.²²³ Given the flexibility and fact-sensitivity of the *Sleekcraft* analysis, the dissent argued, only a jury could decide if Amazon should be accountable for the possible confusion its silence created among consumers.²²⁴

IV. MULTIFACTOR TESTS ENSURE JUDICIAL UNIFORMITY AND EFFICIENCY

Amazon petitioned for a rehearing for two reasons.²²⁵ First, it argued that the original Ninth Circuit decision failed to ground its likelihood of confusion analysis against the backdrop of a reasonably prudent consumer in the marketplace.²²⁶ The court dismissed all questions of confusion as entirely factual questions for the jury.²²⁷ Second, clear labeling, Amazon argued, might obviate any risk of confusion on the Internet.²²⁸ Because the original Ninth Circuit opinion admitted that the individual products were clearly labeled,²²⁹ Amazon argued, the likelihood of confusion analysis for the search results page as a whole was superfluous.²³⁰

In withdrawing its original opinion, the Ninth Circuit agreed with Amazon's arguments. On the Internet, the court held, courts must consider only what a consumer sees and believes to assess likelihood of confusion and trademark infringement.²³¹ However, by substituting a "reasonably prudent consumer" test for the Ninth Circuit's full likelihood of confusion test, the court misinterpreted its holding in *Network Automation*, misunderstood the history of multifactor tests, and risked substituting its own opinions and experiences for those of most consumers. Further, substituting the question of whether there are clear labels for the full analysis of the multifactor likelihood of confusion test risks allowing palming off to run rampant on the Internet so long as goods are "clearly labeled" at some point in the transaction.

223. *Id.* at 946.

224. *Id.* at 946.

225. Defendant-Appellee Amazon.com's Petition for Rehearing En Banc at 2, *MTM III*, 804 F.3d 930 (9th Cir. 2015) (No. 13-55575).

226. *Id.* at 6-7.

227. *Id.*

228. *Id.* at 9 (citing *Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137, 1147-48 (9th Cir. 2011)).

229. *Id.* (citing slip op. at 13).

230. *Id.*

231. *MTM III*, 804 F.3d 930, 937 (9th Cir. 2015).

A. COURTS SHOULD EXAMINE CONSUMER CONFUSION IN
CONTEXT

Replacing the multifactor test with the judge's view of the reasonably prudent consumer limits liability for the kinds of behavior trademark law has always sought to deter. As the dissent to *MTM III* worried,²³² it puts a burden on consumers and smaller competitors to show confusion where large corporations, such as Amazon, need only show "clear labels." The multifactor *Sleekcraft* test accounts for that context, the discrepancy in resources, and thus is preferable to the second opinion's fast and frugal heuristic.

1. *The Multifactor Likelihood of Confusion Test Prompts Deliberation*

In *MTM III*, the multifactor test for likelihood of confusion threatens to undermine justice with its many confusing factors where a single reasonable consumer will do.²³³ The second opinion reflects a certain frustration with the multifactor test for the likelihood of confusion.²³⁴ Courts struggle to apply the factors to the Internet, a context the writers of the 1938 *Restatement* and the *Sleekcraft* opinion likely never anticipated.²³⁵ Fearful of being overturned, courts only apply the same factors as similar precedent, despite factual differences and explicit warnings against applying the test inflexibly.²³⁶ Applied too rigidly, the factors become a checklist rather than judicial analysis.²³⁷ Further, empirical studies show that judges might not even consider all of the factors that they claim to consider.²³⁸ Judges tend to determine whether they think the defendant was liable for infringement based on a single factor and then read the other factors to support that liability.²³⁹ Some individual factors, such as the defendant's

232. *Id.* at 941 (Bea, J., dissenting).

233. Many commentators have voiced similar concerns about the multifactor likelihood of confusion test. See Bone, *supra* note 14, at 1347.

234. *MTM III*, 804 F.3d at 936–37. See also Rebecca Tushnet, *Back to the Future: 9th Cir. Reverses Itself in Multi Time Machine*, (Oct. 22, 2015) <http://tushnet.com/2015/10/22/back-to-the-future-9th-cir-reverses-itself-in-multi-time-machine> [https://perma.cc/TPP6-A5JF] (criticizing the multifactor test for likelihood of confusion and suggesting the test's fraught relationship with actual confusion led to the withdrawal and superseding opinion).

235. *Id.* at 937.

236. For a history of courts' enthusiastic embrace of Brookfield's internet troika, see Connie David Nichols, *Initial Interest Confusion Internet Troika Abandoned: A Critical Look at Initial Interest Confusion as Applied Online*, 17 VAND. J. ENT. & TECH. L. 883, 911–12 (2015).

237. Chris Guthrie, Jeffrey J. Rachlinski, & Andrew J. Wistrich, *Blinking on the Bench: How Judges Decide Cases*, 93 CORNELL L. REV. 1, 41 (2007).

238. See Beebe, *supra* note 13, at 1614–15.

239. *Id.*

intent, prove to be particularly persuasive. In a study of the Second Circuit, one of the most active for trademark cases, a defendant's culpable intent led to a finding of infringement nearly ninety percent of the time.²⁴⁰ The multifactor tests then ultimately reproduce intuitive decisions. However, they are arguably worse for hiding their lack of analytic rigor beneath a veneer of rationality.²⁴¹

Stampeding factors behind a handful of critical ones does not necessarily make decisions less accurate or deliberative.²⁴² Rather, it supports a cognitive coherence model of decision-making.²⁴³ Faced with a complex situation and tight deadlines, judges, like most people, tend to ignore all but the most urgent facts.²⁴⁴ Intuitively, these snap decisions must be worse than those made after a long, careful process. However, several studies prove that quick decisions can be just as accurate.²⁴⁵ The presence of a multifactor test, such as that for likelihood of confusion, can make these snap decisions even more accurate. They remind judges that they should depart from their gut instincts about the defendant or plaintiff's relative guilt or innocence to consider a range of factors.²⁴⁶ Although the multifactor test might seem to complicate the ultimate question of consumer confusion that the Lanham Act poses, its complexity forces judges to slow down and make more careful, deliberative decisions.

2. *The Multifactor Confusion Test Reflects the Aims of Trademark Law*

Although the Lanham Act directs courts to consider only likelihood of consumer confusion, historically, courts, like the *Inwood* court, have considered much more, especially for palming off, in which the harm of the

240. *Id.* at 1628–29. *But see* Kevin Blum, Ariel Fox, Christina J. Hayes, & James Xu, *Consistency of Confusion? A Fifteen-Year Revisiting of Barton Beebe's Empirical Analysis of Multifactor Tests for Trademark Infringement*, 2010 STAN. TECH. L. REV. 3, 32 (finding, in a separate study of Second Circuit opinions over fifteen years, that defendant's intent had a much less dramatic effect on outcomes).

241. *See* Bone, *supra* note 15, at 1347.

242. *See* Beebe, *supra* note 13, at 1614.

243. Dan Simon, *A Third View of the Black Box: Cognitive Coherence in Legal Decision Making*, 71 U. CHI. L. REV. 511, 512–13 (2004) (proposing an alternate approach to classifying legal decision making as "coherence-based reasoning").

244. Guthrie, et al., *supra* note 237, at 10.

245. *See* Beebe, *supra* note 13, at 1602 n.93.

246. *See* Guthrie, et al., *supra* note 237, at 41; Chip Heath, Richard P. Larrick & Joshua Klayman, *Cognitive Repairs: How Organizational Practices Can Compensate for Individual Shortcomings*, 20 REV. ORGANIZATIONAL BEHAV. 1, 15 (1998) ("[I]ndividuals attend to and process information more comprehensively when they have a mental schema that tells them what information is needed in a given situation and where to find it.").

activity to the markholder is obvious. Because Inwood was removed from the actual confusion, the drug maker's intent played a much larger role in the court's analysis of trademark infringement. The Court considered only fleetingly whether the consumer ultimately realized that the goods came from Inwood.²⁴⁷

Amazon's search engine is similarly removed from the final purchase. This gulf between what an infringer hopes a reasonable consumer thinks and what that consumer actually thinks loomed large in both Ninth Circuit analyses of Amazon's search results. Amazon seemed to intend to conceal the technology that produced its search results from consumers, yet some or even most consumers knew that its search engine returned products based on more than just keyword matches. Here, considering the defendant's intent does not necessarily speak to consumer confusion. However, considering intent allows the test to account for a set of incentives that are in line with trademark law's historical goals, such as deterring freeriding by forcing infringers to pay for the costs. This latitude is particularly important when courts encounter innovative businesses with novel incentives, such as Amazon. Without some latitude, courts tend to stretch the bounds of precedent with strained metaphors.

B. TRADEMARK LAW AS MARKET MORALITY

Under the Lanham Act, trademark infringement turns on the question of whether the defendant's use of the plaintiff's mark is likely to confuse a reasonably prudent purchaser.²⁴⁸ However, even twentieth-century proponents of trademark reform aimed for trademark law to do much more than protect consumers from confusion.²⁴⁹ They hoped it could also prevent monopolies and protect small businesses.²⁵⁰ Trademark law should continue to protect market morality.

247. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 853 (1982) (“[T]he District Court concluded that such incidents occurred too infrequently to justify the inference that the petitioners’ catalogs and use of imitative colors had ‘impliedly invited’ druggists to mislabel.”).

248. 1 J. THOMAS MCCARTHY, *MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION* § 2:8 (4th ed., 2009) (identifying likelihood of confusion of the keystone of trademark law).

249. *See* Brandeis, *supra* note 33, at 10.

250. *Id.*

1. *Trademark Infringement Should Consider Harms Beyond Confusion as It Has Historically*

The structure of a multifactor test gives judges both guidance and latitude to determine when harms in addition to confusion result from the unauthorized use of a trademark. More than its structure, however, the content of the multifactor test allows judges to consider elements that, though external to confusion, have deterred unfair competition and thus should be preserved despite the statute's focus on confusion per se.²⁵¹ The Lanham Act never meant to abandon the traditional aims of trademark. Infringers should not avoid punishment simply because their attempts to palm off inferior goods were not convincing and thus produced little consumer confusion.²⁵²

Trademark infringement should consider a defendant's state of mind and place blame on the party in the best position to avoid an activity's harmful effects.²⁵³ Courts should not abandon the goal of ensuring fair competition because a defendant sells its goods through a search results page rather than over a counter. As Amazon's business model demonstrates, retailers can now make money from consumers by doing more than just selling goods.²⁵⁴ They should similarly be held accountable for the harm that might result from those activities. The multifactor likelihood of confusion test, which accounts for product quality and intent alongside consumer confusion, does this better than an abbreviated reasonable consumer test.

Amazon touts itself as the "Everything Store," and yet its retail business routinely loses money.²⁵⁵ Despite many courts' vivid metaphors, Amazon has no clear analog in the brick-and-mortar world in which trademark law originated. Most of Amazon's value resides in its Web Services where its trove of consumer data allows it to design better software to license to other

251. See S. REP. 1333, *supra* note 35.

252. *Id.*

253. Guido Calabresi & A. Douglas Melamed, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, 85 HARV. L. REV. 1089, 1097 (1972).

254. On the mixed motives of Internet intermediaries, such as Amazon, in trademark infringement, see Ronald C. Goodstein, Gary J. Bamossy, Basil G. Englis, & Howard S. Hogan, *Using Trademarks as Keywords: Empirical Evidence of Confusion*, 105 TRADEMARK REP. 732, 741-42 (2015); M. Ryan Calo, *Digital Market Manipulation*, 82 GEO. WASH. L. REV. 995, 1027 (2014).

255. In the third quarter of 2015, Amazon's North American retail operations finally eked out an operating margin of 3.5%, an "inflection point" after twenty years of losses. Amazon's operating margin on its Web Services was 25%. See *AMAZON*, *supra* note 103. *But see* Farhad Manjoo, *Long Game at Amazon Produces Juggernaut*, N.Y. TIMES, Nov. 19, 2015, at B1 (arguing that the latest quarterly earnings statement is an "inflection point" from which Amazon's investments in retail infrastructure will grow exponentially).

online retailers.²⁵⁶ Rather than simply selling goods of brick-and-mortar retailers, Amazon sells convenience to consumers and information about those consumers to other retailers and advertisers. Amazon is not the pharmaceutical maker failing to label its identical product to allow others to palm it off, nor is it a traditional retail pharmacist actively mislabeling cheaper vials of quinine as the more expensive brand. The drug makers from *Warner* or *Inwood* did not stand to benefit from collecting data about the consumers to whom they helped palm off cheaper substitutes.²⁵⁷

Amazon, by contrast, has an incentive not to label its search results page clearly, so that it can show the consumer other goods, learn more about what they do eventually buy, and bolster its claims to offer “Earth’s Biggest Selection of Products.”²⁵⁸ The question is which standard should apply to a retailer who does not make money exclusively from retailing—whether courts should continue to analogize traditional standards to a new context or craft new standards to address new harms. The multifactor tests guide a court’s analysis of these new incentives rather than forcing them to compare the expectations of a reasonable consumer from brick-and-mortar precedent through strained analogy.

2. *Amazon Can Best Prevent Harm to Markholders and Thus Should Be Responsible for Those Harms*

As Part I, *supra*, discusses, harm to the merchant’s intellectual property or increased consumer search costs did not preoccupy early trademark cases.²⁵⁹ Instead, the tort of unfair competition punished the party who could best avoid the economic inefficiencies of unfair competition.²⁶⁰ Here, that party is Amazon.

Amazon, as it likes to note,²⁶¹ is the earth’s largest retailer. For twenty years, it has been on a mission to be “the world’s most consumer-centric company.”²⁶² As MTM’s expert observed, it nevertheless lags behind competitors Overstock and Buy.com in informing consumers that it does

256. See AMAZON, *supra* note 105. On the possibly more nefarious consequences of Amazon’s constant consumer surveillance, see Sachil Singh & David Lyon, *Surveilling Consumers: the Social Consequences of Data Processing on Amazon.com*, ROUTLEDGE COMPANION TO DIGITAL CONSUMPTION 326 (2013). But see Paul Ford, *Does the Data Speak for Itself?*, THE NEW REPUBLIC, Mar. 2016, at 4–5 (questioning the utility of Amazon’s data to glean valuable predictions or insights, at least by an essayist).

257. See Part I.A, *supra*.

258. Defendant’s Motion, *supra* note 146, at 2.

259. See Sheff, *supra* note 22, at 772.

260. See Calabresi & Melamed, *supra* note 239.

261. Defendant’s Motion, *supra* note 146, at 2.

262. *Id.*

not carry certain trademarked goods.²⁶³ Their search engines readily reveal that they do not carry the trademarked product.²⁶⁴

Despite A9's accomplishments in other areas,²⁶⁵ Amazon has claimed that including a similar disclaimer in its search results would be technically difficult. Many details of Amazon's search technology were redacted from their employees' depositions, so assessing this claim is difficult.²⁶⁶ In a similar, recent case in the United Kingdom over the use of the mark "Lush" to sell cosmetics, however, Amazon made the same claim about the impossibility of excluding trademarked terms from its behavioral-based search.²⁶⁷ There, the court was "satisfied that Amazon has the expertise to do what is required if it wished, and that any shortcoming is because of its perception that the profitability of its site is the predominant criterion which should drive its efforts."²⁶⁸ After the verdict, Amazon apparently overcame these technical difficulties. A recent search for "lush" on amazon.co.uk returns a list of items prefaced with the disclaimer, "Amazon doesn't sell Lush cosmetics."²⁶⁹

Nothing seems to prevent earth's largest retailer from including a similar warning on its North American site. As the British court noted,²⁷⁰ Amazon's reasons for not including a disclaimer that it does not carry a trademarked product are more about profitability than technical limitations. The more consumers use Amazon, the more data Amazon has to sell. Admitting that it does not sell the brand of good for which a user has searched could drive users and their valuable data away from the site. Not only would Amazon be less likely to sell them something, but fewer users on the site would deprive Amazon's search engine and the algorithms that drive it of their data. Consequently, they would become less predictive and thus less valuable. The multifactor test allows courts to consider these incentives and balance them against the low costs of truly clear labeling to large, sophisticated defendants, such as Amazon.

263. Plaintiff's Memorandum, *supra* note 142, at 23 (citing the expert report of William A. Markson, Complaint, Exhibit 1, ¶ 2).

264. *Id.*

265. *See* Section II.C, *supra*.

266. *MTM I*, 926 F. Supp. 2d at 1130 n.1.

267. In *Cosmetics Warriors Ltd. v. Amazon.co.uk*, [2014] EWHC 181 (Ch), and its subsequent injunction at EWHC 1316 (Ch), ¶ 13–14, Amazon argued that it could not prevent its "breadcrumbs" from reproducing the term that the customer had entered.

268. *Id.*

269. General Category Page for Cosmetics, AMAZON.CO.UK, <http://www.amazon.co.uk> [<https://perma.cc/53HA-AJ5N>] (search for keyword "lush").

270. *Cosmetics Warriors*, [2014] EWHC 1316 (Ch), ¶ 13–14.

Even if the costs of providing a disclaimer for searches of each and every registered mark are too high, Amazon already has measures in place to ward against consumer confusion for some trademark holders. As part of a settlement with another trademark holder with a similar complaint, Amazon supplied the trademark holder with an internal contact and a phone number for outside counsel.²⁷¹ The trademark holder could contact Amazon and outside counsel about third-party sellers using its trademark on the site.²⁷² Amazon could provide a similar take down notice process for other small rights holders, such as MTM.²⁷³

3. *Trademark Law Should Protect Competition*

The costs of providing a disclaimer and avoiding confusion seem relatively low for Amazon. The *MTM III* opinion, however, maintains that there is no risk of confusion “at all.”²⁷⁴ Thus, if trademark law only protects against confusion as the language of the Lanham Act might suggest, Amazon should not have to incur costs to guard against something of which there is no risk.²⁷⁵ Far from confusing and harming consumers, Amazon’s search arguably benefits them. Keeping them on Amazon.com and collecting their data improves its search algorithms and Web Services. As its earnings reports show,²⁷⁶ these subsidize the costs of its retail infrastructure to consumers. However, the Lanham Act strives not just to prevent consumer confusion, but also to codify the tort of unfair competition and “preserve[] the things which have demonstrated their usefulness.”²⁷⁷

Early advocates for trade morals recognized the dangers posed even by price cutting.²⁷⁸ Like the court in *Warner*, which held the drug maker

271. Settlement Memorandum of Understanding, No. 3:12-cv-02878 (S.D. Cal. Dec. 4, 2012), ¶ 7.

272. *Id.*

273. In its complaint, MTM found wanting Amazon’s terse responses to its inquiries about why competing watches were returned for searches for its trademark. *See* Complaint, *supra* note 133, ¶¶ 30–33.

274. “[C]onfusion on the part of the buyer is not at all likely.” *MTM III*, 804 F.3d 930, 936 (9th Cir. 2015).

275. *See* Calabresi & Melamed, *supra* note 239.

276. *See supra* note 101.

277. *See* S. REP. 1333, *supra* note 35.

278. Writing on the dangers of price cutting, Justice Brandeis compared consumers who cared only about prices to short-sighted Esau: “Thoughtless or weak, he yields to the temptation of trifling immediate gain, and, selling his birthright for a mess of pottage, becomes himself an instrument of monopoly.” Brandeis, *supra* note 32, at 12. More recently, some economics scholars have warned about the danger of platform business, such as Amazon, to smaller third-party business. *See* Feng Zhu & Qihong Liu, *Competing with*

accountable for creating “the unfair and fraudulent advantage which is taken of such use to pass off the product as that of respondent,”²⁷⁹ the Ninth Circuit was correct in *MTM II*. There, it used the *Sleekcraft* factors to hold Amazon accountable for all negative externalities, not just those that resulted in higher costs for the consumer. Although MTM could not point to actual confusion, it could point to the “visual similarity” of Luminox’s watches to its own.²⁸⁰ Further, the watchmaker’s sales dipped slightly from a peak of \$4.4 million in 2007 to \$3.9 million in 2009.²⁸¹ MTM could not connect this dip to Amazon because the watchmaker lacked access to data about searches on the site.²⁸² Even in the vague statistics Amazon was willing to disclose, a few customers had bought a competing watch after searching for MTM’s mark.²⁸³ Expecting a small plaintiff like MTM to provide something more, to provide evidence of actual consumer harm as though Amazon were a small jeweler selling knock-off watches, puts smaller plaintiffs at a distinct disadvantage against large, online vendors.²⁸⁴ Like the trade moral law it has always been, trademark law should continue to protect the market against harm from all unfair competition, not just harms that result from consumers’ confusion and increased search costs.

V. CONCLUSION

For decades now, courts have struggled to adapt brick-and-mortar doctrines to confusion on the Internet. They have sought an analog to online retailers in highway rest areas,²⁸⁵ in the billboards of Times Square,²⁸⁶

Complementors: An Empirical Look at Amazon.com 17–19 (Harv. Bus. Sch. Working Paper No. 15-044, 2016).

279. *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 532 (1924).

280. Avicasis Deposition, 96:20-23, Sep. 24, 2012, *MTM I*, 926 F. Supp. 2d 1130 (C.D. Cal. 2013) (No. 2:11-cv-09076-DDP-MAN).

281. *Id.* at 178:15–180:2.

282. *Id.*; see also Plaintiff’s Memorandum in Opposition to Summary Judgment, at 16–18, *MTM I*, 926 F. Supp. 2d 1130 (C.D. Cal. 2013) (No. 2:11-cv-09076-DDP-MAN) (discussing and demonstrating “the inherent flaws and limitations” in the evidence Amazon presented through its heavy redaction).

283. *MTM II*, 792 F.3d 1070, 1079 (9th Cir. 2015).

284. Amazon’s possible monopoly power has been most often discussed in e-books and in its negotiations with publishers. See Lina Khan, *What Everyone’s Getting Wrong About Amazon*, QUARTZ (Oct. 17, 2014) <http://qz.com/282971/what-everyones-getting-wrong-about-amazon> [https://perma.cc/3SLM-YEYX] (citing Foer, *supra* note 115, and Packer, *supra* note 102, among others).

285. *Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1064 (9th Cir. 1999).

286. *Rosetta Stone Ltd. v. Google, Inc.*, 730 F. Supp. 2d 531, 550 (E.D. Va. 2010), *aff’d in part, vacated in part and remanded*, 676 F.3d 144 (4th Cir. 2012).

and in the department stores of suburban malls.²⁸⁷ Amazon, however, is not there. It never wanted to be there.²⁸⁸ Amazon makes money in a different way than those offline retailers.²⁸⁹ Using metaphors to compare Amazon's advertising or retail segments to its offline counterparts misses the forest for the trees. It misses Amazon's incentives and their wider effects on competition.

Courts in *Warner* and *Ives* did not need to compare the drug makers to apothecaries to see the effects of the drug makers' deceptive labels.²⁹⁰ Thus, to avoid consumer confusion and enforce market morality, courts should consider the incentives and effects of activity as they actually are. The multifactor test for likelihood of confusion prompts courts to consider fully these wider consequences of an alleged infringer's behavior. Using an abbreviated "reasonably prudent consumer" or "clear label" test will not.

287. *Network Automation*, 638 F.3d 1137, 1148 (citing *Playboy Enterprises, Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1034–35 (9th Cir. 2004)).

288. If anywhere, Amazon can be found in a loophole. Bezos explained in 1996, "I'm not interested in retrofitting the physical bookstore experience in the virtual world." See Tyler, *supra* note 102. This contrasts markedly with the language used in Amazon's motion for summary judgment at the district court, in which the retailer claimed it "opened its virtual doors . . . in 1995." See Defendant's Motion for Summary Judgment, *supra* note 146, at 2.

289. See *supra* note 255 (comparing the operating margins on its retail and Web Services segments).

290. See *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526 (1924); *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844 (1982).

APPENDIX

Figure 1: The Results of a Search for “mtm special ops” on Amazon.com

The screenshot shows the Amazon.com search results for the query "mtm special ops". The page features a navigation bar at the top with the Amazon logo, search bar, and links for "Your Amazon.com", "Today's Deals", "Gift Cards", and "Help". On the right, there are links for "FREE Two-Day Shipping", "Your Account", "Cart", and "Wish List".

The search results are displayed in a grid format, showing 13 items. Each item includes a product image, title, price, and a brief description. The items are:

- Luminox Men's 8401 Black Ops Watch by Luminox**: \$299.00. Description: "Order in the next 18 hours and get it by Monday, Sep 24".
- Chase-Duror Men's 246.48B7-XL-BR Special Forces 1000XL Black Ionic-Plated Underwater Demolition Team Watch by Chase-Duror**: \$687.73. Description: "Order in the next 18 hours and get it by Monday, Sep 24".
- Luminox Rubber Strap Black Dial Men's Watch - 3081.BO by Luminox**: \$320.00. Description: "Order in the next 18 hours and get it by Monday, Sep 24".
- Luminox Men's 8802 Carbon-Reinforced PC Analog Plastic Bezel Watch by Luminox (Aug 20 2015)**: \$196.33. Description: "Order in the next 18 hours and get it by Monday, Sep 24".
- Luminox Men's 3402 F-117 Nighthawk Watch by Luminox**: \$385.00. Description: "Order in the next 18 hours and get it by Monday, Sep 24".
- Survival: The Disaster, Crisis and Emergency Handbook by Jerry Ahen (Apr 14 2010)**: \$13.90 Paperback. Description: "Order in the next 18 hours and get it by Monday, Sep 24".
- Luminox Men's 6402 EVO F-117 Nighthawk Watch by Luminox**: \$524.00. Description: "Order in the next 18 hours and get it by Monday, Sep 24".
- TAIWATEC E.O.Diver TWT.43.B1.11T by TAIWATEC**: \$295.00. Description: "Order in the next 18 hours and get it by Monday, Sep 24".
- Modus GA458.1005.54Q Gentlemen's Sport Watch Stainless Steel - Chronograph by Modus**: \$145.00. Description: "Order in the next 18 hours and get it by Monday, Sep 24".
- The Moses Expedition: A Novel by Juan Gómez-Jurado (Aug 3 2010)**: \$18.99 Hardcover. Description: "Order in the next 18 hours and get it by Tuesday, Sep 25".

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