U.S. COURT OF APPEALS CASE NO. 13-55575

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

MULTI TIME MACHINE, INC.

Plaintiff and Appellant

vs.

AMAZON.COM, INC. AND AMAZON SERVICES, LLC

Defendants and Respondents

APPELLANT MULTI TIME MACHINE, INC.'S ANSWER TO PETITION FOR REHEARING EN BANC

Appeal From The United States District Court,
Central District of California, Case No. CV11-09076-DDP (MANx),
Hon. Dean D. Pregerson

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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES

Page

FEDERAL CASES

RULES

MISCELLANEOUS

I. INTRODUCTION

The Ninth Circuit panel in this case reversed the District Court's grant of summary judgment in Amazon's[1] favor, properly finding disputed issues of material fact as to whether Amazon's results page – which displays the MTM trademark numerous times at the top of the page, followed by a display of competitors' watches, without informing the consumer that the "results" displayed differ from the MTM products requested – creates a likelihood of confusion.

While Amazon predictably disagrees with this ruling,[2] mere disagreement with a Court's ruling is not sufficient to warrant en banc review. Rather, en banc review is a disfavored procedure, only available when necessary to address irreconcilable conflicts between the Court's decisions or where the proceeding involves a question of exceptional national importance. Neither ground for en banc review exists here, and Amazon's petition for review should be denied for the following reasons:

First, in the very introduction to its opinion, the Court makes clear that it views likelihood of confusion from the perspective of a "frequent Amazon

[1] Appellant Multi Time Machine, Inc. is referred to herein as "MTM." Respondents Amazon.com, Inc. and Amazon Services, LLC are collectively referred to as "Amazon."

[2] A proposed Amicus brief has also been submitted on behalf of Google, EBay, Yahoo!, Pinterest and Twitter, who, like Amazon, are large internet companies with a clear interest in expanding protection from liability for trademark infringement, as would result from a reversal of the Court's opinion in this action.

shopper," not of an inexperienced internet consumer as Amazon erroneously claims. As such, the Court here certainly did not reject the "reasonably prudent consumer standard," as Amazon falsely claims, but rather applied that standard. Therefore, en banc review is not necessary to correct this alleged error, which did not occur.

Second, there is no conflict, irreconcilable or otherwise, between the Court's decision in this case and *Network Automation v. Advanced Systems Concepts, Inc.*, 638 F.3d 1137 (9th Cir. 2011). To the contrary, *Network Automation* reversed the District Court's preliminary injunction, based in large part on the fact that the advertisements displayed as a result of the use of the ActiveBatch trademark as a search term were displayed in a separately labeled section of the screen identified as "Sponsored Links.'" Labeling these advertisements as "Sponsored Links" is the equivalent to Amazon displaying a disclaimer or otherwise communicating that it does not offer MTM watches for sale. Thus, in ruling that there were material issues of fact regarding whether a likelihood of confusion arose from Amazon's results screen in the absence of such a disclaimer, the Court's decision in this case is entirely consistent with *Network Automation*.

Neither did the Court's ruling in this case diverge from *Network Automation* in its handling of the initial interest confusion doctrine. *Network Automation* did not overrule the initial interest confusion doctrine, but rather cautioned against it

being overextended to cases in which there was no likelihood of confusion, but only mere diversion. The Court's opinion in this case follows *Network Automation* by making clear that to prevail at trial, MTM must establish a likelihood of confusion and not just mere diversion and that this is a question of fact to be determined by the jury.

Finally, there is no need for en banc review of the Court's holding that "the customer-generated use of a trademark in the retail search context is a use in commerce." Amazon has waived this argument by failing to address it in its brief or during oral argument, and should not be permitted to raise this issue for the first time in connection with its petition for en banc review. In any event, the Court's holding on this issue follows the holding of *Network Automation* that the use of a trademark as a search engine keyword that triggers the display of a competitor's advertisement is a "use in commerce" under the Lanham Act. The Court's holding, which is both correct and consistent with Ninth Circuit precedent, need not and should not be reviewed en banc.

II. ARGUMENT

Parties can – and in this case Amazon, not surprisingly, does – disagree with the Court's decision on this appeal. But it is fundamental that disagreement with a Court's decision does not warrant en banc review. To the contrary, "[a]n en banc hearing or rehearing *is not favored* and ordinarily will not be ordered unless: (1) en

banc consideration is necessary to secure or maintain uniformity of the court's decisions; or (2) the proceeding involves a question of exceptional importance." Fed.R.App.Proc. 35(a) (Emphasis added.)

> "The principal purpose of en banc review is to establish uniformity within the circuit among all the panels. *Id.* Such a review is an 'extraordinary procedure intended to bring to the attention of the entire court an issue of exceptional public importance or a panel decision that allegedly conflicts with precedent of the Supreme Court or the circuit.' 2A Fed.Proc.L.Ed. § 3:847. An en banc review will resolve an intra-circuit conflict between two panels. *Id.* This leads to certainty in the application of the law, which is the desired outcome of stare decisis."

In re Barakat, 173 B.R. 672, 677 (Bankr. C.D. Cal. 1994) *subsequently aff'd*, 99 F.3d 1520 (9th Cir. 1996).

En banc review is the appropriate mechanism to resolve an *irreconcilable* conflict between two circuit precedents. *See United States v. Hardesty*, 977 F.2d 1347, 1348 (9th Cir. 1992) ("In *Atonio v. Wards Cove Packing Co.*, 810 F.2d 1477 (9th Cir.1987) (en banc), *cert. denied*, 485 U.S. 989, 108 S.Ct. 1293, 99 L.Ed.2d 503 (1988), we held that 'the appropriate mechanism for resolving an irreconcilable conflict is an en banc decision.'")

Here, contrary to Amazon's contention, there is no conflict, irreconcilable or otherwise, between the Court's ruling on this appeal and prior Ninth Circuit precedent. And, while this case, like many in the Ninth Circuit, is certainly important, it is not of such "exceptional public importance" as to justify en banc

review. *See* Cal. Prac. Guide Fed. 9th Cir. Civ. App. Prac. Ch. 11-B ("Hundreds of important cases are filed each year in the Ninth Circuit. These include cases involving the constitutionality of state and federal laws, million dollar claims and the interpretation of critical federal statutes. The court *rarely* grants en banc review based solely on the 'exceptional importance' of a case.")

As fully discussed below, the Court's decision neither conflicts with Ninth Circuit precedent nor involves question of such exceptional importance as to warrant en banc review. As such, the petition for rehearing should be denied.

A. The Court's Decision Properly Views the Likelihood of Confusion From the Perspective of a "Frequent Amazon Shopper" and Does Not Reject the "Reasonably Prudent Consumer Standard" As Amazon Erroneously Claims

Amazon erroneously claims that the Court rejected the "reasonably prudent consumer" standard in evaluating whether there were triable issues of material fact regarding a likelihood of confusion. In making this claim, Amazon risks misleading the Court. In the second paragraph of its opinion, the Court envisions a customer searching for MTM watches on the Amazon website. Notably, the customer envisioned by the Court is "a frequent Amazon shopper," not an unsophisticated customer unaccustomed to the internet:

> If her brother mentioned MTM Special Ops watches, ***a frequent Amazon shopper*** might try to purchase one for

> him through Amazon. If she were to enter "MTM Special Ops" as her search request on the Amazon website, Amazon would respond with its page showing MTM Special Ops (1) in the search field (2) "MTM Specials Ops" again—in quotation marks—immediately below the search field and (3) yet again in the phrase "Related Searches: *MTM special ops watch*," all before stating "Showing 10 Results."

Multi Time Machine, Inc. v. Amazon.com, Inc. ("Opinion"), at 3.[3] (Emphasis added.)

The Court did not "reject the reasonably prudent consumer standard," as Amazon claims. Instead, the Court noted – correctly – that "[o]n summary judgment, the court may not make assumptions about the sophistication of would-be purchasers." Opinion at 17, citing *Fortune Dynamic, Inc. v. Victoria's Secret Stores Brand Management, Inc.*, 618 F.3d 1025, 1030 (9th Cir. 2010). *See also Fortune Dynamic, supra* at 1038 ("Whoever's right, the difficulty of trying to determine with any degree of confidence the level of sophistication of young women shopping at Victoria's Secret only confirms the need for this case to be heard by a jury.") The Court then offered examples of the different types of consumers who might be interested in purchasing MTM watches, explaining:

> Some members of MTM's target demographic, men of 22–55 years of age who like military-styled, rugged products, may not be frequent internet shoppers. Such purchasers "may incorrectly believe that [defendant]

[3] The Panel's Opinion is attached as an Addendum to Amazon's Petition for Rehearing En Banc.

> licensed [the mark] from [plaintiff] . . . . Other consumers may simply believe that [defendant or the manufacturers it features] bought out [plaintiff], or that they are related companies." *Brookfield Commc'n, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1057 (9th Cir. 1999). This is especially possible here because Amazon touts itself as offering "Earth's Biggest Selection of products," and, as noted above, manufacturers sometimes market luxury brands under distinct marks.

Opinion, at 17.

Amazon seizes on this language, out of context, as support for its false assertion that the Court rejected the "reasonably prudent consumer" standard. But this description of the various types of customers who might be interested in MTM watches is just that – a description of the various types of MTM customers – and does not support Amazon's conclusion that the majority viewed the search results from the perspective of an inexperienced internet consumer.[4]

Rather, the opposite is true, given the Court's description of the "frequent Amazon shopper" conducting a search for such products. And there is no support whatsoever in the majority decision for Amazon's claim that the Court rejected the reasonably prudent consumer standard. The Court did not reject that standard, but rather applied it. Therefore, there is no inconsistency between the Court's opinion

[4] This language is contained in the part of the Opinion in which the Court discusses the similarity of goods, one of the *Sleekcraft* factors. Notably, Amazon does not take issue with the Court's *Sleekcraft* analysis, which supports its conclusion that there were triable issues of material fact regarding the likelihood of confusion, rendering summary judgment inappropriate.

in this case and *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171 (9th Cir. 2010), and no departure from Ninth Circuit precedent justifying en banc review of the Court's decision.

B. The Court's Decision Follows *Network Automation* and Other Applicable Ninth Circuit Precedent

1. The Court's Decision Follows Prior Ninth Circuit Precedent With Respect to the Absence of Clear Labeling of Amazon's Results Page

The Court's decision in this case does not depart from – but rather follows – *Network Automation* and other relevant Ninth Circuit precedent, in ruling that triable issues of fact exist as to whether there is a likelihood of confusion, absent clear labeling advising the potential customer that the products presented in the search results differ from the MTM product for which the customer searched. In arguing otherwise, Amazon ignores a key fact underlying the *Network Automation* ruling: namely that advertisements displayed after a customer entered a search in a search engine using the ActiveBatch trademark were contained in a separately labeled section of the results screen identified as "Sponsored Links." Making clear that the fact that the advertisements were labeled as Sponsored Links was key to its decision overturning the District Court's injunction, the *Network Automation* Court explained:

> In *Playboy Enterprises, we found it important that the consumers saw banner advertisements that were 'confusingly labeled or not labeled at all*.' 354 F.3d at 1023. We noted that clear labeling 'might eliminate the likelihood of initial interest confusion that exists in this case.' *Id*. at 1030 n.43. The appearance of the advertisements and their surrounding context on the user's screen are similarly important here. The district court correctly examined the text of Network's sponsored links, concluding that the advertisements did not clearly identify their source. However, the district court did not consider the surrounding context. In *Playboy Enterprises, we also found it important that Netscape's search engine did not clearly segregate the sponsored advertisements from the objective results.* 354 F.3d at 1030. Here, 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.

Network Automation, *supra*, at 1154. (Emphasis added.)

Following *Network Automation*, the Court here took into account that when a user searched for MTM watches, which are not offered for sale on the Amazon website, Amazon's results page did not clearly label the products offered in response to the search as alternative products, as other internet retailers do, stating:

> " Nothing on either of the pages states that Amazon does *not* carry MTM products. Not so the websites of Amazon's competitors Buy.com and Overstock.com. They clearly announce that no search results match the "MTM Special Ops" query and those websites do not route the visitor to a page with both MTM's trademark

> "MTM Specials Ops" repeatedly at the top and competitors' watches below.

Opinion, at 6.[5]

While Amazon's results page identifies the brands of the products offered in place of the MTM watches for which the consumer searched, the majority ruling properly found, consistent with *Network Automation*, that this on its own was insufficient to support summary judgment in Amazon's favor. Rather, the majority properly found that in the absence of a disclaimer or other communication to the consumer that the products displayed were being offered as an alternative to the product searched, the question of whether the results page was sufficiently clearly labeled was a factual question to be decided by the jury:

> We agree with the district court's conclusion that the product details for competitors' itemized products were clearly labeled, *but* we find that the clarity of the search results page at issue is open to dispute. We must not

[5] Similarly, in *Tabari*, *supra*, the Court noted that by the time of trial, the website at issue included a prominent disclaimer, which "stated, prominently and in large font, 'We are not an authorized Lexus dealer or affiliated in any way with Lexus. We are an Independent Auto Broker.'" *Tabari*, *supra* at 1181. In concluding that the there was no risk of confusion as to ownership and that the Tabaris had established their fair use defense, the *Tabari* Court explained: "Reasonable consumers would arrive at the Tabaris' site agnostic as to what they would find. Once there, they would immediately see the disclaimer and would promptly be disabused of any notion that the Tabaris' website is sponsored by Toyota. Because there was no risk of confusion as to sponsorship or endorsement, the Tabaris' use of the Lexus mark was fair." *Id.* Consistent with *Tabari*, the Court in this case concluded that absent a similar disclaimer, there was a question of fact regarding likelihood of confusion precluding summary judgment.

> substitute our determination of what constitutes clear labeling, nor its importance, for that of a jury.

Opinion, at 13.

In finding that there was insufficient labeling to support summary judgment, the Court's ruling thus followed *Network Automation* and *Playboy Enterprises, Inc. v. Netscape Communications Corp.,* 354 F.3d 1020 (9th Cir. 2004), which preceded it. Amazon's results screen contains no labeling advising the customer that alternative products are being offered in place of the specific product being searched for. Displaying its search results without such labeling is analogous to the unlabeled banner advertisements at issue in *Playboy Enterprises*. Amazon's unlabeled results page is also inapposite to the page at issue in *Network Automation* in which the section of the screen containing the link to Netscape products was labeled as "Sponsored Links," to alert the consumer to the fact that the products in that section of the screen may not be the Active Batch products for which the consumer searched. Thus, the Court's ruling in this case follows the Ninth Circuit's precedent in *Playboy Enterprises* and *Network Automation.* As such, there is no conflict, let alone an irreconcilable conflict, between the ruling in this case and prior Ninth Circuit precedent, justifying en banc review.

2. The Court Properly Applied the Initial Interest Confusion Doctrine, as Limited by Network Automation

The panel also properly applied the doctrine of initial interest confusion, as limited by *Network Automation*, to the facts of this case. While initial interest confusion was first articulated in *Brookfield Communications v. West Coast Entertainment Corporation*, 174 F.3d 1036 (9th Cir. 1999), that doctrine was later refined and limited by *Network Automation*. Citing *Playboy Enterprises*, and, in particular, Judge Berzon's concurring opinion cautioning against an overextension of the initial interest confusion doctrine to encompass cases where there is no likely confusion, the *Network Automation* Court explained that "because the *sine qua non* of trademark infringement is consumer confusion, when we examine initial interest confusion, the owner of the mark must demonstrate likely confusion, not mere diversion." *Network Automation*, *supra*, at 1149.

Consistent with *Network Automation*, the majority opinion here explained that "initial interest confusion still constitutes trademark infringement because it 'impermissibly capitalizes on the goodwill associated with a mark and is therefore actionable trademark infringement.'" Opinion, at 9. But, consistent with *Network Automation*, the majority opinion also makes clear that infringement cannot be found based solely on diversion, absent any likely confusion. Rather, the majority

opinion reversed summary judgment in Amazon's favor, because "whether customers are merely diverted is a question of fact." Opinion, at 10, fn. 5.

Thus, the majority opinion follows *Network Automation* and other Ninth Circuit precedent in making clear that initial interest confusion can support trademark infringement, but only if there is a likelihood of confusion and not mere diversion. The majority opinion further properly held that whether customers are "merely diverted" is a question of fact, not susceptible to summary judgment. Thus, the majority's ruling is entirely consistent with *Network Automation*, and the likelihood of confusion issue, which is a question of fact, is not susceptible to summary judgment.

C. There is No Basis for En Banc Review of The Court's Holding that the Customer-Generated Use of a Trademark in the Retail Search Context Constitutes "Use in Commerce"

The District Court correctly noted that "the Ninth Circuit has held that the use of a trademark as a search engine keyword that triggers the display of a competitor's advertisement is a 'use in commerce' under the Lanham Act." ER 10, citing *Network Automation*, *supra*, at 1144-45. The District Court further noted that "because Amazon's use [of the MTM trademarks] is in connection with the sale of goods, it appears likely to be a 'use in commerce' both in the jurisdictional sense and with respect to the statutory meaning." ER 10, citing *Network*

Automation, *supra*, at 1144-45. Although this portion of the District Court's ruling was neither appealed by Amazon nor addressed by Amazon in its briefing, the majority correctly agreed with the District Court, holding "that the customer-generated use of a trademark in the retail search context is a use in commerce." Opinion, at 21.

There is no basis for en banc rehearing of this issue.

First, Amazon has waived this issue by failing to address it in its brief or in oral argument. *See Boardman v. Estelle*, 957 F.2d 1523, 1535 (9th Cir. 1992), *as supplemented on denial of reh'g* (Mar. 11, 1992) ("Ordinarily, arguments not timely presented are deemed waived. . . . This general doctrine of waiver applies to arguments raised for the first time in a petition for rehearing." (internal citations omitted.)) *See also United States v. Lewis*, 798 F.2d 1250 (9th Cir. 1986) ("In its petition for rehearing, the government claims for the first time that Lewis waived the severance issue by failing to renew his motion to sever at the close of the evidence. Because the government failed to raise this question in its brief or at oral argument, we decline to address it."). As a result, Amazon should not be permitted to raise this issue for the first time in its Petition for en banc review.

Second, the majority's holding, that "the customer-generated use of a trademark in the retail search context is a use in commerce," which is in agreement with the view of the District Court, is both correct and a natural extension of the

holding of *Network Automation* that the use of a trademark as a search engine keyword that triggers the display of a competitor's advertisement is a 'use in commerce' under the Lanham Act. *Network Automation*, *supra*, at 1144-45. There is no inconsistency on this issue within the Ninth Circuit, and no need for en banc review of this issue.

III. CONCLUSION

For the foregoing reasons, Appellant Multi Time Machines, Inc. respectfully requests that Amazon's Petition for en banc rehearing be denied.

DATED: August 12, 2015

By: /s/ Eric Levinrad

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CERTIFICATE OF COMPLIANCE

Pursuant to Circuit Rule 35-4(a), counsel of record certifies that:

1. Appellant's Answer to Petition for Rehearing en banc does not exceed 15 pages as permitted by Circuit Rule 40-1(a); and

2. Appellant's Answer to Petition for Rehearing en banc is proportionally spaced using Times New Roman 14 point type as permitted by Fed. R. App. P. 32(a)(5) and (6).

DATED: August 12, 2015

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CERTIFICATE OF SERVICE

I hereby certify that I electronically filed the foregoing **APPELLANT MULTI TIME MACHINE, INC.'S ANSWER TO PETITION FOR REHEARING EN BANC** with the Clerk of the Court for the United States Court of Appeals for the Ninth Circuit by using the appellate CM/ECF system on August 12, 2015.

Participants in the case who are registered CM/ECF users will be served by the appellate CM/ECF system.

I further certify that some of the participants in the case are not registered CM/ECF users. I have mailed the foregoing document by First-Class Mail, postage prepaid, or have dispatched it to a third party commercial carrier for delivery within 3 calendar days to the following non-CM/ECF participants:

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I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct and that I am employed in the office of a member of the bar of this Court at whose direction the service was made.

Executed on August 12, 2015, at Los Angeles, California.

/s/ John Narcise
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