

“Initial Interest Confusion” in Playboy Case—*Diane Duhaime* & *Elizabeth Pasquine*

The United States Court of Appeals for the Ninth Circuit recently reversed the U.S. District Court for the Central District of California in *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 2004 WL 57738 (9th Cir. Jan. 14, 2004). The case focuses on the practice of “keying,” in which Internet search engine companies link Internet banner advertising to the subject matter of an Internet user’s search. In general, advertisers pay the Internet search engine company to have a banner ad for their products appear whenever certain key terms are searched by a consumer, with the intention that the consumer will click on the banner advertisement, diverting the consumer from its original search results to the web site appearing in the banner advertisement. When the key terms include the trademarks of other companies, the issue becomes whether the practice of keying constitutes trademark infringement and/or trademark dilution.



Hands off my trademark

The Ninth Circuit, in overturning the lower court’s decision which granted summary judgment for the defendants, found that there were genuine issues of material fact with regard to two questions in the case: whether defendants’ keying activities caused a likelihood of “initial interest confusion” and thus, trademark infringement; and whether those keying activities diluted Playboy’s marks. Defendants required adult-oriented companies to link their ads to a set of over 400 key terms, which terms included “playboy” and “playmate.” Such use by defendants of Playboy’s PLAYBOY and PLAYMATE marks would trigger adult-oriented advertising, often graphic in nature and unrelated to Playboy.

In analyzing the first issue of whether there was trademark infringement under the theory of initial interest confusion, the court was careful to specify that its analysis applied only to banner advertising that is not clearly labeled to dispel consumer confusion. The court applied the Ninth Circuit’s 8-factor test for likelihood of confusion and found that the majority of the factors weighed in favor of Playboy. The defendants’ asserted three affirmative defenses—fair use, nominative use, and functional use—but the court found that none of them applied in this case.

With regard to the second issue of federal trademark dilution, the court found that of the eight factors courts may use, along with other relevant factors, to determine whether a mark is famous and distinctive, there existed grounds to contest one factor only: the nature and extent of use of the same or similar marks by third parties. The court stated that all of the other factors favored Playboy. The court vacated the district court’s decision on trademark dilution and remanded Playboy’s dilution claim pursuant to the U.S. Supreme Court’s holding that requires a party to show actual dilution, not likelihood of dilution, in order to withstand a motion for summary judgment on a trademark dilution claim.¹

In her concurring opinion, Judge Martha S. Berzon concentrates on the Ninth Circuit’s holding in *Brookfield Communications v. West Coast Entertainment Corp.* (9th Cir. 1999), and its potentially overbroad application in this case. Judge Berzon asserts that Brookfield might suggest trademark infringement even if the

banner advertisements were clearly labeled by the advertiser or the search engine. She says that, in her view, when the banner advertisements are clearly labeled in such a way that the consumer is never confused as to source or affiliation, it would not be reasonable to find initial interest confusion. Although the court’s opinion states that it is limited to situations in which the source of the banner advertisements are not clearly labeled, Judge Berzon notes her concern that it is questionable whether the lower court, on remand, would apply this limitation.

Shortly after this decision was handed down, the case settled. The terms of the settlement were not disclosed. Therefore, trademark owners, advertisers and Internet search companies are left to await new precedent as to which types of “keying” practices are deemed legal when it comes to including the trademarks of others.

¹ *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003). See “No Victory for Victoria’s Secret” in *Legal Horizons*, 2003, Vol. III.

A case note by **Rollie Goss** on *Information Spectrum v. Hartford* in West’s Insurance Litigation Reporter, Vol. 25, No. 20, discusses why claims of copyright infringement, Lanham Act violations, and “reverse passing off” were not covered by the advertising injury endorsement to a CGL policy.