

Keywords: Lanham Act, trademark infringement, trademark dilution, keying, banner ads, initial interest confusion, and summary judgment.

General: Plaintiff, in action alleging that defendant Internet service providers infringe its “Playboy” and “Playmate” trademarks by using “playboy” and “playmate” as “keyword” search terms that trigger appearance of “banner advertisements” on user’s computer screen, may be able to show “initial interest” confusion, since some consumers seeking plaintiff’s Web sites may initially believe that unlabeled banner advertisements are links to plaintiff’s sites or to sites affiliated with plaintiff.

Playboy Enterprises Inc. v. Netscape Communications Corp.
69 U.S.P.Q.2d 1417 (9th Cir. 2004)
January 14, 2004

I. Facts

This case involves a practice that the defendants used on their Internet search engines called “keying.” “Keying” allows advertisers to target individuals with certain interest by linking advertisements to pre-identified search terms. When a person performs a search using one of these pre-identified terms, an associated banner ad appears on the search result page. Among the pre-identified search terms that the defendants keyed banner ads to were the trademarks “playboy” and “playmate.” When a user typed in “playboy” or “playmate,” an adult-oriented company’s banner ad would appear on the search result page. Playboy introduced evidence that the adult-oriented banner ads displayed on the defendants search result pages are confusingly labeled or not labeled at all. In addition, the parties did not dispute that buttons on the banner ads state: “click here.” When a searcher clicks, the search results page disappears, and the first searcher finds him or herself at the advertisers website. Playboy sued the defendants for trademark infringement and trademark dilution, asserting that they were using Playboy’s marks in a manner that infringed upon and diluted them. In the district court, the parties filed cross-motions for summary judgment. The district court granted summary judgment in favor of defendants. Playboy appealed.

II. Issues

- A. Whether the court erred in granting the motion for summary judgment against Playboy’s claim of trademark infringement.
- B. Whether the district court erred in granting the motion for summary judgment against Playboy’s claim of trademark dilution.

III. Discussion

- A. Yes. The 9th Circuit concluded that the district court had erred in granting the defendants’ motion for summary judgment of non-infringement of Playboy’s trademarks. Playboy had asserted that the defendants actively created “initial interest confusion” between Playboy and the sponsors of the un-labeled banner ads by “keying” the adult-oriented banner ads to Playboy’s trademarks. The 9th Circuit employed an 8-factor test to determine likelihood of confusion. *See* AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-49 [204 U.S.P.Q. 808] (9th Cir. 1979). Of the eight factors, the 9th Circuit considered the fourth factor (evidence of

actual confusion) to be the most important factor. On this issue, Playboy had provided expert evidence that a statistically sufficient number of Internet users searching for the terms “playboy” and “playmate” would think that Playboy, or an affiliate, had sponsored the banner ads that appeared on the defendants search results pages after performing a search for Playboy’s trademarked terms. The defendants criticized the expert’s procedures and conclusions. However, the 9th Circuit concluded that the presence of the expert evidence with its strong conclusions that a high likelihood of initial interest confusion existed among consumers generated a genuine issue of material fact on the actual confusion issue. The 9th Circuit stated that this factor alone was probably sufficient to have precluded granting the motion for summary judgment. However the 9th Circuit also looked at the other seven factors and determined that they also tended to support Playboy’s position that there were genuine issues of material fact with respect to the defendants “keying” practices and likelihood of confusion. Therefore, the 9th Circuit concluded that the district court erred in granting the defendants’ motion for summary judgment.

- B. Yes. The 9th Circuit concluded that the district court had erred in granting the defendants’ motion for summary judgment in regard to Playboy’s claim of trademark dilution. The federal dilution statute provides eight factors that courts may use, along with other relevant factors, in determining whether a mark is distinct and famous. The 9th Circuit concluded that Playboy had established that genuine issues of material fact existed in regard to two of the three factors that were in dispute: (1) the famousness of the marks; and (2) the defendants commercial use of the mark. The defendants introduced evidence that more than 43 third-party trademark registrations exist for the terms “playboy” and “playmate,” as well as evidence that hundreds of companies used the terms within their company names. Playboy countered by showing that: (a) many of the companies cited by the defendants are active infringers that Playboy is diligently pursuing; (b) others are merely companies who have applied for similar marks but who have not yet received them; and (c) still others are listed several times. The remainder, Playboy asserted, are in different fields in localized areas and should not be counted, at least not when considering whether Playboy’s marks are famous within their market. Thus, the 9th Circuit concluded that a genuine issue of material fact existed as to the famousness of the trademarks. The 9th Circuit also concluded that the defendants were making commercial use of the trademarks. Accordingly, Playboy had created a genuine issue of material fact in regard to the second disputed factor for trademark dilution. The 9th Circuit thereby concluded that the district court had erred in determining that Playboy had shown no likelihood of dilution.

The 9th circuit also noted that the Supreme Court had recently clarified the standard for with standing summary judgment on dilution claims. Under the old standard that was used by the district court in this case, Playboy was required to establish a genuine issue of material fact regarding *likelihood* of dilution. However, under the new standard, a party must show that *actual* dilution has occurred to withstand summary judgment. *See Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 123 S.Ct. 1115, 1124 [65 U.S.P.Q.2d 1801] (2003) (emphasis added). The 9th Circuit remanded the case to the district court with instructions to re-open discovery and to allow motions directed at the new standard for trademark dilution.

IV. Conclusion

The case was reversed and remanded to the district court. There was a concurring opinion that suggested that the 9th Circuit re-examine a case that was discussed in the trademark infringement analysis: *Brookfield Communications, Inc. v. West Coast Entertainment Corporation*, 174 F.3d 1036, 50 U.S.P.Q.2d 1545 (9th Cir. 1999). The *Brookfield* case was directed to initial interest confusion created by the use of trademarked terms as “metatags” in HTML documents.