

ELECTRONIC BILLBOARDS ALONG THE INFORMATION SUPERHIGHWAY: LIABILITY UNDER THE LANHAM ACT FOR USING TRADEMARKS TO KEY INTERNET BANNER ADS

CHRISTINE D. GALBRAITH*

Abstract: With almost one billion web pages on the Internet today, a search engine is a necessity at times. But search engines are also for-profit ventures and the financial success of these sites hinges on advertising revenue. One of the ways in which these sites generate income is by selling "keywords" to advertisers. Although there has been only one judicial decision—*Playboy Enterprises, Inc. v. Netscape Communications*—involving banner ads keyed to trademarks, it will undoubtedly not be the last. This Article argues that despite the invisible nature of this unauthorized trademark use, the common practice of keying a banner ad to another's trademark is a potential violation of the Lanham Act, giving rise to claims for trademark infringement, false designation of origin and trademark dilution.

INTRODUCTION

You power up your computer.

You sign on to your Internet server.

You are ready to take a cruise down the information superhighway.

You need a present for your mother's birthday, but you've decided you don't want to actually venture out into the non-digital world to find it. After considering your options you determine flowers are your best bet, so you start "surfing" the Internet for a florist. You try a few different routes to help you locate the information you want. You quickly realize, however, that you don't have clear directions to help you navigate the web sites. So before getting completely lost you de-

* Visiting Assistant Professor of Law, University of Cincinnati College of Law; B.S. University of Illinois, 1992; J.D. University of Illinois, 1995.

cide to pull over and onto your favorite search engine¹ to get directions.

You put in the term "FTD," as you suddenly remember that this is the name of the company that helped you send flowers last year. Within seconds, the search engine gives you a list of "relevant" web sites. At the very top of the list you also get an ad for The Teleflorist Company that instructs you to "click here" to find out more information on "The best network of florists in the nation." Coincidence you wonder? You point your cursor onto the designated spot and immediately you are transported to the Teleflorist Company's home page.

Being a curious and intellectual type of person you pop onto another search engine site and again put in the term "FTD." This time you get a list of "relevant" sites, as well as an ad at the top of the list for Joe's Flower Shop (which it turns out is not part of the Florist Transworld Delivery network). This advertisement requests that you "click here" for more information on "Great flowers at a great price from Joe's Flower Shop." With your curiosity yet to be satisfied, you try another search engine.

This time, you are given yet another list of "relevant" sites and an ad at the top for "Suzanne's House of Diamonds" requesting that you "click here," and asking "Why would you want to send flowers that last a week when you could send a diamond that lasts a lifetime?" Whether or not you really want to know the answer to that question, you are left with a query of your own. Why is it that every time you type in the term "FTD" advertisements appear that somehow seem related to your search request?

Welcome to the world of search engine "keyed" banner ads. With almost one billion web pages on the Internet today,² a search engine is a necessity at times. Search engines like Excite,³ AltaVista,⁴ and Net-

¹ A search engine is:

a special kind of website containing a database of other known websites, associating certain keywords with each website. The user provides the search engine with terms of interest to the user, and the search engine responds with a list of websites on its database associated with the terms submitted by the user.

Nettis Envtl. Ltd. v. IWI, Inc., 46 F. Supp. 2d 722, 724 n.2 (N.D. Ohio 1999); see *infra* Part II.

² See Cyveillance, *State of the Internet* (visited July 21, 1999) <<http://www.cyveillance.com/about/stateint.html>>. The number of Web pages went from 250,000 in 1996 to almost 1 billion pages today. See *id.* Reports indicate that the number of Web pages is doubling every 100 days. See *id.*

³ Excite! (visited Aug. 15, 2000) <<http://www.excite.com>>.

⁴ AltaVista (visited Aug. 15, 2000) <<http://www.altavista.com>>.

scape⁵ can direct Internet users more efficiently to the websites that contain the information they seek or the services they desire. But search engines are also for-profit ventures and the financial success of these sites hinges on advertising revenue. One of the ways in which these sites generate income is by selling "keywords" to advertisers. When a particular word is entered as a search term, an ad for the company purchasing the keyword is displayed as a banner above the search results. Such keyword ad sales enable search engines to offer advertisers access to users according to their interests⁶ and charge a significant premium over more general advertising purchases thus making it exceptionally lucrative.⁷

In 1998, Internet advertising expenditures exceeded 2 billion dollars,⁸ surpassing outdoor billboard spending for the first time.⁹ That number is expected to increase to more than 15 billion dollars globally by the end of 2003.¹⁰ Banner ads are the single greatest source of revenue for Internet search companies.¹¹ Currently, advertising sales based on keywords account for roughly twenty-five percent of the advertising revenue generated by these sites.¹²

Keyword advertising buys may consist of such generic words as "car" or "automobile," but most major search engines also sell trademarks such as "FORD" to the automaker's competitors.¹³ The question becomes whether this common practice of selling banner advertising keyed to someone else's trademark violates the Lanham Act. In a traditional trademark infringement, false designation of origin or dilution action, the alleged infringing use by the defendant is visible. In the case of a banner ad keyed to a trademark, however, the unau-

⁵ Netscape Home Page (visited Aug. 15, 2000) <<http://netscape.com>>.

⁶ See Greg Miller & Davan Maharaj, *Banner Ads on the Web Spark a Trademark Battle Internet: Two leading portal sites are targets of lawsuits over their marketing of keywords*, L.A. TIMES, Feb. 11, 1999, at A1.

⁷ See Nelson Wang, *Lawsuits Challenge Sales of Keywords to Advertisers*, INTERNET WORLD, Feb. 22, 1999, available in 1999 WL 15787660.

⁸ See Eileen Glanton, *Firms Claim Search Engines Abuse Their Names*, MARKETING NEWS, Mar. 15, 1999, at 16.

⁹ See John Buskin, *E-Commerce (A Special Report): A New Model - Online Persuaders: The one thing everybody agrees on is this: Web advertising is different; Now, as to what that means . . .*, WALL ST. J., July 12, 1999, at R12.

¹⁰ See Cyveillance, *supra* note 2.

¹¹ See *Business Digest: Playboy Suit Charges Infringement of Trademarks*, BALTIMORE SUN, Feb. 12, 1999, at 2D.

¹² See Wang, *supra* note 7; Greg Miller & Davan Maharaj, *Search-Engine Ads Sully Trademarks, Lawsuits Contend*, SEATTLE TIMES, Feb. 14, 1999, at F1.

¹³ See Laurie J. Flynn, *Compressed Data: Lawsuits Challenge Internet Ads*, N.Y. TIMES, Feb. 16, 1999, at C4.

thorized use of that mark is embedded in the search engine program. As such, this trademark usage is never visible to the individual utilizing a search engine, but it directly impacts what is displayed to the user upon performing the search. This in turn often causes the user to visit web sites he or she would not otherwise have viewed.

This Article argues that despite the invisible nature of this unauthorized trademark use, the common practice of keying a banner ad to another's trademark is a potential violation of the Lanham Act, giving rise to claims for trademark infringement, false designation of origin and trademark dilution. Part I of this article discusses the technology behind keyed advertising. Part II examines the elements necessary to make out claims of trademark infringement, false designation of origin and federal trademark dilution under this statute. In Part III this article examines metatags, in particular how these terms embedded in the HTML code of a web site are used and how the reported decisions on using another's trademark in a metatag provide an analogy for finding liability under the Lanham Act in banner ad cases. Finally, in Part IV, this article reviews the only reported banner ad decision to date, analyzing why the court's finding of non-infringement was incorrect and how banner ad disputes should be decided in the future.

I. THE INTERNET

In order to appreciate the legal controversy surrounding the unauthorized use of another's trademark to key a banner ad, it is helpful to have some background on the relevant technology. The Internet is a global network of interconnected computers that allows a user to communicate and share information with other individuals and organizations.¹⁴ The World Wide Web (the "Web") is a part of the Internet, and consists of a collection of information resources contained in documents located on individual computers around the world.¹⁵ The Web is growing at a phenomenal rate and has become an important mechanism for commerce.¹⁶ As a result, "companies are racing to stake out their place in cyberspace."¹⁷

¹⁴ See *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1044 (9th Cir. 1999).

¹⁵ See *id.*; *United States v. Microsoft Corp.*, 147 F.3d 935, 939 (D.C. Cir. 1998).

¹⁶ See *Microsoft*, 147 F.3d at 939; see also *Reno v. ACLU*, 521 U.S. 844, 850 (1997) (citing an estimate that over 200 million people will use the Internet in 1999).

¹⁷ *Brookfield Communications*, 174 F.3d at 1044.

Many companies create web sites to provide information about their organizations, the products or services they offer and as a means for ordering the described goods or services. These web sites contain individual web pages that consist of data files written in Hypertext Markup Language ("HTML"). Each web site has its own domain address which is an identifier that is somewhat analogous to a telephone number or street address.¹⁸ For example, the Nike Athletic Shoe Corporation has a web site at "nike.com" that describes, among other things, its athletic shoes and apparel, its corporate officers, and contains a searchable list of retail outlets that sell "NIKE" brand products.¹⁹

A domain name has two parts—a second-level domain and a top-level domain. The second-level domain consists of a term or series of terms, often a descriptive term, a company's name or a brand-name. Top-level domains indicate the type of organization that holds that address and include ".com" for commercial enterprises, ".edu" for educational enterprises, ".org" for non-profit and miscellaneous organizations, ".gov" for government sites, ".net" for networking providers and ".mil" for military information sites.²⁰ Much like telephone numbers, each web site must have its own unique address, as two entities cannot have the same domain name. For example, there cannot be two "flowers.com." If a desired domain name has already been assigned to someone else, an entity must select a different one.

Oftentimes one looking for a particular company may know the company's domain name and go directly to its web site. However, if a user does not have this information, he or she will need to use a search engine like Excite,²¹ AltaVista,²² or Netscape²³ to help locate the desired site.²⁴ When a keyword is entered, the search engine sorts through its self-created index of web sites to find sites that contain the keyword. Once these sites are identified, the search engine then uses

¹⁸ See *id.*

¹⁹ Nike.com (visited Aug. 14, 2000) <<http://www.nike.com>>.

²⁰ See *Brookfield Communications*, 174 F.3d at 1044; *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1318 (9th Cir. 1998).

²¹ Excite! (visited Aug. 15, 2000) <<http://www.excite.com>>.

²² AltaVista (visited Aug. 15, 2000) <<http://www.altavista.com>>.

²³ Netscape Home Page (visited Aug. 15, 2000) <<http://netscape.com>>.

²⁴ "Search engine" is often used generically to describe both true search engines and directories. In this article, the term is used in this manner: A true search engine creates its listings automatically, by using robotic programs that search the web for content. A directory, on the other hand, depends on humans to compile their listings. See Search Engine Watch, *How Search Engines Work* (visited July 21, 1999) <<http://www.searchenginewatch.com/webmasters/work.html>>.

an algorithm to rank the web sites in terms of relevancy. As each search engine has its own algorithm to arrange the indexed materials, the web sites that are listed and the order in which they are listed will differ depending on the particular search engine used.²⁵

Search engines look for keywords in places such as domain names, the actual text of the web page and in metatags.²⁶ Metatags are HTML code that the web site programmer uses to describe the contents of a particular web site. There are a number of different types of metatags, but the two most important types are description metatags and keyword metatags. A description metatag is supposed to describe the web site, while a keyword metatag is designed to contain terms that relate to the contents of the web site.²⁷ For example, a description metatag for the GAP clothing store web site might state: "Information on GAP brand clothing and location of retail outlets, and related companies," while the keyword metatag might read: "'GAP' 'BABY GAP' 'GAP KIDS' 'JEANS' 'SWEATERS' 'T-SHIRTS' 'SOCKS' 'OLD NAVY'."

These tags are invisible to the average Internet user,²⁸ but are used by search engines to identify and rank web sites. The more often a term appears in the metatag, the more likely it is that the web page will appear on the returned list of "hits" to the user. Since the list of "hits" can number in the thousands, there is an intense pressure to appear high up on the list of search results because users rarely look at more than ten or twenty of the web sites identified as relevant by the search engine.²⁹

As a result of this competition, an enormous amount of money is being spent on software, services and consultants as companies seek to improve their ranking on the "hit" list generated by a search engine.³⁰ Unfortunately, countless web sites have also resorted to a range of deceptive techniques to increase the likelihood that they will appear at the top of the search results. One such tactic is for an unscrupulous

²⁵ See *Brookfield Communications*, 174 F.3d at 1045; *Niton Corp. v. Radiation Monitoring Devices, Inc.*, 27 F. Supp. 2d 102, 104 (D. Mass. 1998); *Intermatic Inc. v. Toeppen*, 947 F. Supp. 1227, 1231-232 (N.D. Ill. 1996); *Shea v. Reno*, 930 F. Supp. 916, 929 (S.D.N.Y. 1996).

²⁶ See *Brookfield Communications*, 174 F.3d at 1045; *infra* Part IV.

²⁷ See *Brookfield Communications*, 174 F.3d at 1045.

²⁸ These tags can be viewed when using NETSCAPE's browser, for example, by clicking on the "VIEW SOURCE" command. This allows an Internet user to view a web site's programming source code, which is not visible to one merely viewing the contents of a particular web site.

²⁹ See *id.*

³⁰ See *id.*

pulous web site to include its competitors' trademarks in its metatags. When a search engine user enters those terms, the unscrupulous web site will also show up high in the search results. The hope is that as a result of this deception, a user will visit the desired web site.³¹ Once there, the unscrupulous web site operator hopes the user will view the content and advertising on its site, and possibly purchase its goods or services, instead of visiting the site of the company for which the user was originally searching.³²

Within this highly competitive arena, search engines are willing to sell and companies are willing to buy, at top dollar, banner ads keyed to particular terms. Keyed banner ads are another strategy to attract users to web sites. To avoid the risk of showing up low or not appearing on a "hit" list, a purchaser of a keyed banner ad is now able to assure itself a highly visible position in the search results. Not only will the company appear on the page of search results returned to the user, but the company's banner ad will appear prominently above the first listing on the "hit" list. Furthermore, instead of appearing as mere text describing the contents of a potentially relevant web site like the rest of the search results, these electronic billboards often include vivid graphics, multiple frames and attention-getting messages designed to convince a search engine user to click onto the ad so that they are immediately taken to the sponsor's web site.

Driving the push for keyed banner ads is a theory called "inertia marketing." According to inertia marketing theory, search engine users will take the first and most convenient route to the solution of their task.³³ The company with the banner ad flashing at the very top of the screen will, in theory, be able to lure more customers to its web site than those companies that merely appear in the list of relevant web sites returned by the search engine. If the search engines are only keying these ads to generic words like "car" or "dog," then keyed banner ads are possibly just a good marketing strategy by the search engines and smart use of advertising dollars by the companies purchasing this premium form of advertising. When the search engine sells a banner ad keyed to someone else's trademark, however, it is using that company's brand name to redirect search engine users and making a healthy profit off of it. The question then becomes whether the

³¹ See 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 25:69 (4th ed. 1996).

³² See *id.*

³³ See K. K. Campbell, *Playing Copyright Tag with Your 'Meta Tags'*, TORONTO STAR, JUNE 3, 1999, available in 1999 WL 19358916.

Lanham Act can provide any relief to trademark owners whose reputations are being used to generate revenue for the search engines.

II. THE LANHAM ACT

The substantive federal rights of a trademark owner are set forth in the Trademark Act of 1946, often referred to as the Lanham Act.³⁴ In a traditional trademark infringement case, Section 32 (infringement of a federally registered trademark),³⁵ Section 43(a) (false designation of origin),³⁶ and Section 43(c) (federal trademark dilution)³⁷

³⁴ See Trademark (Lanham) Act of 1946 §§ 1-50, 15 U.S.C. §§ 1051-1127 (1994).

³⁵ See 15 U.S.C. § 1114(1). This section provides in part:

Any person who shall, without the consent of the registrant

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action by the registrant for the remedies hereinafter provided.

Id.

³⁶ See 15 U.S.C. § 1125(a)(1). This section provides in part:

Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person . . . shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

Id.

³⁷ See 15 U.S.C. § 1125(c)(1). This section provides in part:

The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection.

of the Lanham Act often provide a trademark owner with relief from the unauthorized use of its trademark. These sections provide a trademark owner with the best means for holding a search engine liable for keying a banner ad to one of its trademarks without its consent.

A. Trademark Infringement

Section 32 of the Lanham Act prohibits the use in commerce of "any reproduction, counterfeit, copy, or colorable imitation" of a registered trademark³⁸ or service mark³⁹ where "such use is likely to cause confusion, or to cause mistake, or to deceive."⁴⁰ The Lanham Act also contains a similar provision for unregistered trademarks in Section 43.⁴¹ In order for a party to prevail on a claim of infringement under these provisions, a plaintiff must establish that (1) the mark is valid and legally protectable; (2) the mark is owned by the plaintiff; and (3) use of the same or a similar mark by the defendant is likely to create confusion among the relevant consumers.⁴²

Each of the United States Courts of Appeals has developed its own test to determine whether a likelihood of confusion exists be-

Id.

³⁸ A "trademark" is defined under the Lanham Act as:

Any word, name, symbol, or device, or any combination thereof—

(1) used by a person, or (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

15 U.S.C. § 1127.

³⁹ A "service mark" is defined under the Lanham Act as:

Any word, name, symbol, or device, or any combination thereof—

(1) used by a person, or (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter, to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown.

15 U.S.C. § 1127. A service mark is a type of trademark, and all references to "marks" or "trademarks" in this article also include service marks. *See id.*

⁴⁰ 15 U.S.C. § 1114(a)(1).

⁴¹ 15 U.S.C. § 1125.

⁴² *See Jews for Jesus v. Brodsky*, 993 F. Supp. 282, 294-95 (D.N.J. 1998), *aff'd*, 159 F.3d 1351 (3d Cir. 1998); *see also Fisons Horticulture, Inc. v. Vigoro Indus., Inc.*, 30 F.3d 466, 472 (3d Cir. 1994); *Ford Motor Co. v. Summit Motor Prod. Inc.*, 930 F.2d 277, 291 (3d Cir. 1991).

tween two marks.⁴³ Representative is the Second Circuit's so-called "Polaroid factors," that are used to determine if there is a likelihood of confusion: (1) the strength of the mark; (2) the degree of similarity between the two marks; (3) the proximity of the products; (4) the likelihood that the prior owner will bridge the gap; (5) actual confusion; (6) the defendant's good faith; (7) the quality of the defendant's product; and (8) the sophistication of the buyers.⁴⁴

The strength of the mark analysis focuses on "the distinctiveness of the mark, or more precisely, its tendency to identify the goods sold under the mark as emanating from a particular, although possibly anonymous source."⁴⁵ The stronger or more distinctive a trademark is, the greater the protection afforded.⁴⁶ Marks are classified in the following categories of distinctiveness, from least to greatest, and protected accordingly: (1) generic; (2) descriptive; (3) suggestive; and (4) arbitrary or fanciful.⁴⁷

A generic mark is generally a common description of goods,⁴⁸ such as ASPIRIN for acetyl salicylic acid,⁴⁹ COLA for a type of soft drink,⁵⁰ or DOS for a type of computer operating system.⁵¹ This type of "mark" is ineligible for trademark protection.⁵² A descriptive mark describes a product's features, qualities or ingredients in ordinary language, and the description may be protected only if secondary meaning is proved.⁵³ To establish secondary meaning, a plaintiff must show that, to the public, the product feature or term primarily identifies the product's source rather than the product itself.⁵⁴ Exam-

⁴³ See 4 MCCARTHY, *supra* note 31, § 24.30.

⁴⁴ See *Polaroid Corp. v. Polarad Elec. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961).

⁴⁵ *W.W.W. Pharm. Co. v. Gillette Co.*, 984 F.2d 567, 572 (2d Cir. 1993) (quoting *McGregor-Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1131 (2d Cir. 1979)).

⁴⁶ See *Aneritech, Inc. v. American Info. Tech. Corp.*, 811 F.2d 960, 966-67 (6th Cir. 1987).

⁴⁷ See *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992); *Gillette*, 984 F.2d at 572; *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976).

⁴⁸ See *Gillette*, 984 F.2d at 572.

⁴⁹ See *Bayer Co. v. United Drug Co.*, 272 F. 505, 511 (S.D.N.Y. 1921); 2 MCCARTHY, *supra* note 31, § 12:18.

⁵⁰ See *Dixi-Cola Lab., Inc. v. Coca-Cola Co.*, 117 F.2d 352, 360 (4th Cir. 1941); 2 MCCARTHY, *supra* note 31, § 12:18.

⁵¹ See *In re Digital Research, Inc.*, 4 U.S.P.Q.2d 1242, 1245 (T.T.A.B. 1987); 2 MCCARTHY, *supra* note 31, § 12:18.

⁵² See *Gillette*, 984 F.2d at 572.

⁵³ See *id.*

⁵⁴ See *Inwood Lab., Inc. v. Ives Lab., Inc.*, 456 U.S. 844, 851 n.11 (1982).

ples of descriptive marks are AFTER TAN for an after sunning lotion⁵⁵ or RICH 'N CHIPS for chocolate chip cookies.⁵⁶ A suggestive mark does not describe the product's attributes but, as the name implies, merely suggests its features, requiring the purchaser to use imagination, thought and perception to reach a conclusion as to the nature of the goods.⁵⁷ HEARTWISE for low-fat, low-cholesterol foods⁵⁸ and ROACH MOTEL for insect traps⁵⁹ are two examples of marks held to be suggestive. Lastly, fanciful or arbitrary marks neither suggest nor describe any characteristic of the particular goods with which it is used and are eligible for protection without proof of secondary meaning.⁶⁰ Examples of such marks are CLOROX bleach,⁶¹ KODAK photographic supplies⁶² and APPLE computers.⁶³

In determining the degree of similarity between two marks, a court must look at whether the respective marks convey the "same general overall impression" to the purchasing public when viewed separately.⁶⁴ In other words, the conflicting marks are to be compared with respect to similarity of pronunciation, appearance and verbal translation—this is often referred to as the "sound, sight and meaning" trilogy.⁶⁵ Next, the proximity of the products factor considers

⁵⁵ See *Aloe Creme Lab., Inc. v. Estee Lauder, Inc.*, 533 F.2d 256, 257–58 (5th Cir. 1976); 2 MCCARTHY, *supra* note 31, § 11:24.

⁵⁶ See *In re Keebler Co.*, 479 F.2d 1405, 1406 (C.C.P.A. 1973); 2 MCCARTHY, *supra* note 31, § 11:24.

⁵⁷ See *Gillette*, 984 F.2d at 572.

⁵⁸ See *Worthington Foods, Inc. v. Kellogg Co.*, 732 F. Supp. 1417, 1435 (S.D. Ohio 1990) (finding trademark suggestive because it requires imagination and a multi-stage reasoning process to reach the conclusion that such food is "wise for the heart"); 2 MCCARTHY, *supra* note 31, § 11:72.

⁵⁹ See *American Home Prod. Corp. v. Johnson Chem. Co.*, 589 F.2d 103, 106 (2d Cir. 1978) ("While roaches may live in some motels against the will of the owners, motels are surely not built for roaches to live in. . . . [I]ts very incongruity is what catches one's attention."); 2 MCCARTHY, *supra* note 31, § 11:72.

⁶⁰ See *Gillette*, 984 F.2d at 572; *Edison Bros. Stores, Inc. v. Cosmair, Inc.*, 651 F. Supp. 1547, 1554 (S.D.N.Y. 1987).

⁶¹ See *Clorox Chem. Co. v. Chlorit Mfg. Corp.*, 25 F. Supp. 702, 705 (E.D.N.Y. 1938); 2 MCCARTHY, *supra* note 31, § 11:8.

⁶² See *Eastman Kodak Co. v. Rakow*, 739 F. Supp. 116, 117 (W.D.N.Y. 1989) ("The Kodak trademark is perhaps one of the strongest and most distinctive trademarks in this country, if not the world."); 2 MCCARTHY, *supra* note 31, § 11:8.

⁶³ See 2 MCCARTHY, *supra* note 31, § 11:13.

⁶⁴ See *Morningside Group Ltd. v. Morningside Capital Group, L.L.C.*, 182 F.3d 133, 140 (2d Cir. 1999); *Paco Rabanne Parfums, S.A. v. Norco Enterprises, Inc.*, 680 F.2d 891, 893 (2d Cir. 1982); *Jordache Enter., Inc. v. Levi Strauss & Co.*, 841 F. Supp. 506, 516 (S.D.N.Y. 1993).

⁶⁵ See, e.g., 3 MCCARTHY, *supra* note 31, § 23:21.

whether the two products compete with one another.⁶⁶ To the extent goods "serve the same purpose, fall within the same general class, or are used together, the use of similar designations is more likely to cause confusion."⁶⁷ Therefore, a court will often consider whether the products differ in content, geographic distribution, market position and audience appeal in evaluating this *Polaroid* factor.⁶⁸

In a related inquiry, the likelihood that the prior owner will bridge the gap factor requires a court to evaluate whether a plaintiff is likely to enter the defendant's market, or "bridge the gap" between the two parties' markets.⁶⁹ It recognizes the senior user's interest "in preserving avenues of expansion and entering into related fields."⁷⁰ A trademark owner's intent to enter the market of the alleged infringer is indicative of future likelihood of confusion as to source.⁷¹ Next, the court looks at whether there is any evidence of actual confusion. Although actual confusion is not necessary to prevail on a claim of trademark infringement, evidence that confusion has actually occurred is a strong indication that a likelihood of confusion exists.⁷²

The sixth *Polaroid* factor examines the good faith of the defendant, the junior user, in selecting the mark. A court looks to "whether the defendant adopted its mark with the intention of capitalizing on plaintiff's reputation and goodwill and any confusion between his and the senior user's product."⁷³ Evidence that the junior user engaged in intentional copying may indicate a bad faith intent to create a confusing similarity between the products, giving rise to a presumption of likelihood of confusion.⁷⁴

The court in *Polaroid* also concluded that the next factor, the quality of a junior user's product, can be relevant in determining

⁶⁶ See *Morningside Group*, 182 F.3d at 140; *Gillette*, 984 F.2d at 573; *Lang v. Retirement Living Publ'g Co.*, 949 F.2d 576, 582 (2d Cir. 1991).

⁶⁷ See *Lang*, 949 F.2d at 582.

⁶⁸ See *Gillette*, 984 F.2d at 573; *C.L.A.S.S. Promotions, Inc. v. D.S. Magazines, Inc.*, 753 F.2d 14, 18 (2d Cir. 1985).

⁶⁹ See *Morningside Group*, 182 F.3d at 141.

⁷⁰ See *id.*; *Hormel Foods Corp. v. Jim Henson Prod., Inc.*, 73 F.3d 497, 504 (2d Cir. 1996).

⁷¹ See *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 874 (2d Cir. 1986); *Jordache*, 841 F. Supp. at 517.

⁷² See *Morningside Group*, 182 F.3d at 141; *Streetwise Maps, Inc. v. Vandam, Inc.*, 159 F.3d 739, 745 (2d Cir. 1998).

⁷³ See *Sports Auth., Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 964 (2d Cir. 1996); *Lang*, 949 F.2d at 583.

⁷⁴ See *Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 973 F.2d 1033, 1044 (2d Cir. 1992); *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 258-59 (2d Cir. 1987).

whether there is a likelihood of confusion in two ways. First, an inferior product may cause injury to the plaintiff trademark owner as people may think that the senior and junior products came from the same source.⁷⁵ Second, products of equal quality may create confusion as to their source because of this very similarity.⁷⁶ Finally, the level of sophistication of the buyers may contribute to the likelihood of confusion between products.⁷⁷ This factor considers the "general impression of the ordinary purchaser, buying under the normally prevalent conditions of the market and giving the attention such purchasers usually give in buying that class of goods."⁷⁸ The price of the goods or services is an important consideration when determining the amount of care the reasonably prudent buyer will exercise.⁷⁹ Generally, the more expensive particular goods or services are, the more likely a purchaser will use care in selecting such items, thereby lessening the likelihood of confusion.⁸⁰

In applying criteria like the *Polaroid* factors discussed above, courts have made clear that a likelihood of confusion analysis "is not a mechanical process."⁸¹ Indeed, the factors are nonexclusive,⁸² and no single factor is determinative of the outcome.⁸³ These criteria merely provide a guide within which to evaluate whether confusion would be likely to result from two contested marks.⁸⁴

B. False Designation of Origin

Section 43(a) of the Lanham Act forbids the use of "any word, term, name, symbol, or device" that "is likely to cause confusion, or to

⁷⁵ See *Hormel Foods*, 73 F.3d at 505; *Nikon Inc. v. Ikon Corp.*, 987 F.2d 91, 95 (2d Cir. 1993).

⁷⁶ See *Hormel Foods*, 73 F.3d at 505; *Nikon*, 987 F.2d at 95.

⁷⁷ See *Gillette*, 984 F.2d at 575; *McGregor-Doniger*, 599 F.2d at 1137.

⁷⁸ *Gillette*, 984 F.2d at 575; see *McGregor-Doniger*, 599 F.2d at 1137.

⁷⁹ See 3 MCCARTHY, *supra* note 31, § 23:95; see also *Gillette*, 984 F.2d at 575-76; *RJR Foods, Inc. v. White Rock Corp.*, 603 F.2d 1058, 1061 (2d Cir. 1979).

⁸⁰ See *Gillette*, 984 F.2d at 575-76; *McGregor-Doniger*, 599 F.2d at 1137; 3 MCCARTHY, *supra* note 31, § 23:95.

⁸¹ See, e.g., *Sports Auth.*, 89 F.3d at 964; *Arrow Fastener Co. v. Stanley Works*, 59 F.3d 384, 391 (2d Cir. 1995).

⁸² See *Sports Auth.*, 89 F.3d at 965; *Hasbro, Inc. v. Lanard Toys, Ltd.*, 858 F.2d 70, 79 (2d Cir. 1988); *Wynn Oil Co. v. Thomas*, 839 F.2d 1183, 1186 (6th Cir. 1988); *Chandon Champagne Corp. v. San Marino Wine Corp.*, 335 F.2d 531, 536 (2d Cir. 1964).

⁸³ See *Plus Prod. v. Plus Discount Foods, Inc.*, 722 F.2d 999, 1004 (2d Cir. 1983) ("No single *Polaroid* factor is determinative."); 4 MCCARTHY, *supra* note 31, § 24:30.

⁸⁴ See *Lanard Toys*, 858 F.2d at 79; *Wynn Oil*, 839 F.2d at 1186; *Chandon Champagne*, 335 F.2d at 536.

cause mistake or to deceive as to the affiliation, connection, or association."⁸⁵ This section expands trademark protection from not only confusion as to source, but also includes confusion as to affiliation, connection or sponsorship.⁸⁶ As such, the defendant can be held liable for false designation of origin if it is using a mark that is likely to cause consumers to believe that the defendant's goods or services are somehow sponsored or affiliated with the plaintiff.⁸⁷

In order to prevail on a claim of false designation of origin under the Lanham Act, a claimant must establish that (1) a defendant is using a false designation of origin; (2) that such use of a false designation occurs in interstate commerce in connection with goods and services; (3) that such use of false designation is likely to cause confusion, mistake or deception as to the origin, sponsorship or approval of the defendant's goods or services by another person; and (4) that a plaintiff has been or is likely to be damaged.⁸⁸ The requirement that the false designation take place in interstate commerce does not require a defendant to actually cause goods or services to be placed into the stream of commerce.⁸⁹ All that is required is that the false designation actually occurs there.⁹⁰ Additionally, in determining whether the likelihood of confusion as to origin, sponsorship or approval is met, a court uses essentially the same criteria as it would use for determining likelihood of confusion under Section 32.⁹¹

C. Initial Consumer Confusion

Since the Lanham Act's protection under Section 32 and 43(a) is not limited to confusion at the "point of sale," the statute is particu-

⁸⁵ 15 U.S.C. § 1125(a).

⁸⁶ See 4 MCCARTHY, *supra* note 31, § 23:8 (citing *Champions Golf Club, Inc. v. Champions Golf Club, Inc.*, 78 F.3d 1111 (6th Cir. 1996)). In a case of alleged confusion between two golf courses, both named CHAMPIONS, the issue was not whether golfers were confused about which course they were playing on, but rather, whether the courses were affiliated. See *Champions*, 78 F.3d at 1121. "[T]his is the ultimate question to be answered in the likelihood of confusion inquiry. . . . The relevant question is whether a golfer, albeit sophisticated, would likely be confused about affiliation between the two clubs [both names CHAMPIONS]." *Id.* (citations omitted); Hartman, *Subliminal Confusion: The Misappropriation of Advertising Value*, 78 TRADEMARK REP. 506 (1988).

⁸⁷ See 3 MCCARTHY, *supra* note 31, § 23:8.

⁸⁸ See *AT & T Co. v. Winback and Conserve Fund*, 42 F.3d 1426, 1428 (3d Cir. 1994); *Jews for Jesus v. Brodsky*, 993 F. Supp. 282, 309 (D.N.J. 1998).

⁸⁹ See *Jews for Jesus*, 993 F. Supp. at 309 (citing *Juno Online Services, L.P. v. Juno Lighting, Inc.*, 979 F. Supp. 684, 691 (N.D. Ill. 1997)).

⁹⁰ See *id.*

⁹¹ See 3 MCCARTHY, *supra* note 31, § 23.1.

larly important in analyzing metatag and keyed banner ad cases.⁹² "Infringement can be based upon confusion that creates initial customer interest, even though no actual sale is finally completed as a result of the confusion."⁹³ The similarity between the two marks may aid the junior user in attracting potential customers that he or she might not otherwise attract due to the reputation earned by the senior user of the mark.⁹⁴ Even if customers would eventually discover that the jun-

⁹² See *Blockbuster Entertainment Group, Inc. v. Layco, Inc.*, 869 F. Supp. 505, 513 (E.D. Mich. 1994).

⁹³ 3 MCCARTHY, *supra* note 31, § 23.6; see also *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1063 (9th Cir. 1999); *Esercizio v. Roberts*, 944 F.2d 1235, 1245 (6th Cir. 1991); *Grotian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331, 1342 (2d Cir. 1975); *Green Prod. v. Independence Corn By-Products Co.*, 992 F. Supp. 1070, 1076 (N.D. Iowa 1997) ("In essence, ICBP is capitalizing on the strong similarity between Green Products' trademark and ICBP's domain name to lure customers onto its web page."); *Securacomm Consulting, Inc. v. Securacomm Inc.*, 984 F. Supp. 286, 298 (D.N.J. 1997), *rev'd on other grounds*, 166 F.3d 182, 183 (3d Cir. 1999); *Kompan A.S. v. Park Structures, Inc.*, 890 F. Supp. 1167, 1180 (N.D.N.Y. 1995) ("Kompan argues correctly that it can prevail by showing that confusion between the Kompan and Karavan lines and names will mistakenly lead the consumer to believe there is some connection between the two and therefore develop an interest in the Karavan line that it would not otherwise have had."); *Blockbuster*, 869 F. Supp. at 513; *Jordache Enter. Inc. v. Levi Strauss & Co.*, 841 F. Supp. 506, 514-15 (S.D.N.Y. 1993) ("Types of confusion that constitute trademark infringement include where . . . potential consumers initially are attracted to the junior user's mark by virtue of its similarity to the senior user's mark, even though these consumers are not actually confused at the time of purchase."); *Sara Lee Corp. v. Kayser-Roth Corp.*, No. 6:92CV00460, 1992 WL 436279, at *24 (M.D.N.C. 1992); *Television Enter. Network, Inc. v. Entertainment Network, Inc.*, 630 F. Supp. 244, 247 (D.N.J. 1986) ("Even if the confusion is cured at some intermediate point before the deal is completed, the initial confusion may be damaging and wrongful."); *Koppers Co. v. Krupp-Koppers GmbH*, 517 F. Supp. 836, 844 (W.D. Pa. 1981) ("[S]ecuring the initial business contact by the defendant because of an assumed association between the parties is wrongful even though the mistake is later rectified."). But see *Dr. Seuss Enter., L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1405 (9th Cir. 1997) (noting that parody used to create initial customer interest may be a trademark infringement even though consumers were not actually confused at time of sale); *Astra Pharm. Prod., Inc. v. Beckman Instruments, Inc.*, 718 F.2d 1201, 1206-08 (1st Cir. 1983) (holding that there was no showing of likelihood of confusion or actual confusion); *Westchester Media Co. v. PRL USA Holdings, Inc.*, 1999 U.S. Dist. LEXIS 12333, at *3-4 (S.D. Tex. 1999) (ordering permanent injunction against 'POLO' magazine after finding likelihood of confusion between magazine and Ralph Lauren's POLO designer label), *aff'd in part and vacated and remanded in part*, 2000 U.S. App. LEXIS 14631, at *1-2 (5th Cir. June 27, 2000); *Teletch Customer Care Mgm't, Inc. v. Tele-Tech Co.*, 977 F. Supp. 1407, 1410, 1414 (C.D. Cal. 1997) (finding that initial consumer confusion of web browsers did not amount to a recognizable confusion under trademark laws).

⁹⁴ See *Steinway & Sons*, 523 F.2d at 1342; *Blockbuster*, 869 F. Supp. at 512.

ior user is not related to the senior user, a trademark violation can exist simply from the initial confusion.⁹⁵

For example, in 1994, in *Blockbuster Entertainment Group v. Laylco*, the United States District Court for the Eastern District of Michigan held that the Lanham Act's protection extended beyond merely the time when actual purchases take place to protect against confusion among potential customers.⁹⁶ The defendant had argued that its use of the name "Video Busters" for a video rental store was not confusingly similar to "Blockbuster Video" since customers were not likely to be confused at the time they actually rented video tapes in a Video Busters store.⁹⁷ The court rejected this argument. The court stated that even though "a customer would recognize that Video Busters is not connected to Blockbuster after entry into a Video Busters store and viewing the Video Busters membership application, brochure, video cassette jacket, and store layout," this was "unimportant."⁹⁸ The court found that the critical issue was the degree to which the name "Video Busters" might attract potential customers based on the similarity to the Blockbuster name.⁹⁹ The court further ruled that "[b]ecause the names are so similar and the products sold are identical, some unwitting customers might enter a Video Busters store thinking it is somehow connected to Blockbuster. Those customers probably will realize shortly that Video Busters is not related to Blockbuster, but . . . that is irrelevant."¹⁰⁰ Therefore, the court held that the defendant's use of the Video Buster name constituted a Lanham Act violation.

D. Trademark Dilution

Section 43(c) of the Lanham Act entitles an owner of a "famous" trademark to injunctive relief if another party's use of that mark in commerce causes dilution of the distinctive quality of the mark.¹⁰¹ Dilution is defined as "the lessening of the capacity of a famous mark to identify and distinguish goods or services."¹⁰² The owner of a famous

⁹⁵ See *Porsche Cars N.A., Inc. v. Manny's Porshop, Inc.*, 972 F. Supp. 1128, 1131 (N.D. Ill. 1997); *Clinique Lab., Inc. v. Dep Corp.*, 945 F. Supp. 547, 551 (S.D.N.Y. 1996).

⁹⁶ See *Blockbuster*, 869 F. Supp. at 513.

⁹⁷ See *id.*

⁹⁸ *Id.*

⁹⁹ See *id.*

¹⁰⁰ *Id.*

¹⁰¹ See 15 U.S.C. § 1125(c).

¹⁰² 15 U.S.C. § 1127.

mark is also entitled to monetary damages where the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark.¹⁰³ Dilution is a cause of action reserved only for those marks with such powerful consumer associations that even non-competing uses can impinge on their value.¹⁰⁴ Marks that have been found to meet the "famous" requirement under the Act include BUDWEISER for beer,¹⁰⁵ NAILTIQUES for fingernail care products¹⁰⁶ and CANDYLAND as the name of a children's game.¹⁰⁷

In order to succeed on a dilution claim, a plaintiff must establish four elements: (1) that its mark is famous;¹⁰⁸ (2) the defendant is making commercial use of the mark in commerce; (3) the defendant's use began after the plaintiff's mark became famous; and (4) the defendant's use presents a likelihood¹⁰⁹ of dilution of the distinc-

¹⁰³ See 15 U.S.C. § 1125(c); *Jews for Jesus*, 993 F. Supp. at 305.

¹⁰⁴ See *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 875 (9th Cir. 1999). See generally Frank I. Schechter, *The Rational Basis for Trademark Protection*, 40 HARV. L. REV. 813, 825 (1927).

¹⁰⁵ See *Anheuser-Busch, Inc. v. Andy's Sportswear, Inc.*, 40 U.S.P.Q.2d 1542, 1543 (N.D. Cal. 1996).

¹⁰⁶ See *Nailtiques Cosmetic Corp. v. Salon Sciences Corp.*, 41 U.S.P.Q.2d 1995, 1998 (S.D. Fla. 1997).

¹⁰⁷ See *Hasbro, Inc. v. Internet Entertainment Group, Ltd.*, 40 U.S.P.Q.2d 1479, 1480 (W.D. Wash. 1996).

¹⁰⁸ In determining whether a mark is distinctive and famous, a court may consider the following factors:

- (A) the degree of inherent or acquired distinctiveness of the mark;
- (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
- (C) the duration and extent of advertising and publicity of the mark;
- (D) the geographical extent of the trading area in which the mark is used;
- (E) the channels of trade for the goods or services with which the mark is used;
- (F) the degree of recognition of the mark in the trading areas and channels of trade used by the mark's owner and the person against whom the injunction is sought;
- (G) the nature and extent of use of the same or similar marks by third parties; and
- (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

15 U.S.C. § 1125(c)(1).

¹⁰⁹ Although most courts and commentators have interpreted the Lanham Act to require only a likelihood of dilution, the Fourth Circuit recently held that proof of likelihood of dilution is insufficient to allow a claimant to recover under the Act. Under the Fourth Circuit's decision in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. Of Travel Dev.*, the court held that proof of actual dilution is necessary before a plaintiff can

tive value of the mark.¹¹⁰ A plaintiff does not need to show that it is in competition with defendant or that customers are likely to be confused by defendant's use.¹¹¹

Dilution usually occurs through blurring or tarnishment, although it is not limited to these categories.¹¹² Blurring involves a "whittling away" of the selling power and value of a trademark by the unauthorized use of the mark.¹¹³ "This occurs when a prospective customer sees the plaintiff's mark used by other persons to identify different sources of different goods and services, thus weakening the distinctive significance of the mark to identify and distinguish the source;"¹¹⁴ for example, SONY for gym shoes, FORD for crystal vases,

succeed on a dilution claim under federal law. See 170 F.3d 449, 453 (4th Cir. 1999), *cert. denied*, 1209 S. Ct. 286 (1999).

¹¹⁰ See *Avery Dennison Corp.*, 189 F.3d at 880; *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1324, 1326-27 (9th Cir. 1998).

¹¹¹ See 15 U.S.C. § 1127; *Jews for Jesus*, 993 F. Supp. at 305; *Porsche Cars*, 972 F. Supp. at 1132. Under state dilution statutes, there is a split of authority over whether the anti-dilution provisions are applicable where the parties are in competition. The Second Circuit interpreting the New York state statute and the Restatement has taken the position, however, that dilution can result from the unauthorized use of the mark on competing goods. See 4 McCARTHY, *supra* note 31, § 24.72.

¹¹² See *Panavision Int'l*, 141 F.3d at 1324; *Jews for Jesus*, 993 F. Supp. at 307.

¹¹³ See *Jews for Jesus*, 993 F. Supp. at 306 n.30; *Panavision Int'l, L.P. v. Toeppen*, 945 F. Supp. 1296, 1304 (C.D. Cal. 1996).

¹¹⁴ *Jews for Jesus*, 993 F. Supp. at 306 n.30; see 3 McCARTHY, *supra* note 31, § 24.94. A number of federal courts have adopted the six factor balancing test developed by Judge Sweet in *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, for determining whether the vague concept of "blurring" applied to a specific case:

- 1) similarity of the marks
- 2) similarity of the products covered by the marks
- 3) sophistication of consumers
- 4) predatory intent
- 5) renown of the senior mark
- 6) renown of the junior mark

875 F.2d 1026, 1035 (2d Cir. 1989) (Sweet, J., concurring). These factors, however, are not universally accepted. Recently, the First Circuit agreed with commentators such as Thomas McCarthy that these factors "are the offspring of classical likelihood of confusion analysis and are not particularly relevant or helpful in resolving the issues of dilution-by blurring." *Lund Trading v. Kohler Co.*, 163 F.3d 27, 49 (1st Cir. 1998). The First Circuit noted McCarthy's conclusion that only two of the factors—the similarity of the marks and the renown of the senior mark—are relevant to the dilution analysis. See *id.* The First Circuit rejected these factors, concluding that the "familiar test of similarity used in the traditional likelihood of confusion test cannot be the guide [for dilution analysis], for likelihood of confusion is not the test of dilution'. . . . Instead, the inquiry is into whether target customers are likely to view the products 'as essentially the same.'" *Id.* at 50 (quoting 3 McCARTHY, *supra* note 31, § 24.94.1); see also *Hasbro, Inc. v. Clue Computing, Inc.*, 66 F. Supp. 2d 117, 134 (D. Mass. 1999).

or NIKE for computer printers. "The basic idea of blurring is that the defendant's use of the plaintiff's mark causes the public no longer to think only of the plaintiff's product upon seeing the famous mark, but rather to associate both the plaintiff and the defendant with the mark."¹¹⁵

Tarnishment arises when a defendant's use of a mark similar to a plaintiff's mark presents a danger that consumers will form unfavorable associations with the mark.¹¹⁶ This can occur when the unauthorized use of a famous mark is linked to products of poor quality or is portrayed in an unwholesome manner, such that the positive associations and the distinctive quality of a plaintiff's mark is degraded.¹¹⁷ For example, in one of the first cases to apply the federal law of dilution to acts within cyberspace, the court held that Hasbro's famous CANDYLAND mark was tarnished by the defendant's use of "candyland.com" as a domain name for a sexually explicit web site.¹¹⁸

III. THE METATAG CASES

Despite a proliferation of cases dealing with domain names, to date there has been only one reported decision in which a trademark owner has sued a search engine for using its marks to key banner ads without its consent.¹¹⁹ Although domain name controversies touch on some of the same issues as keyed banner ads, metatag cases provide an even better analogy as to how banner ad cases should be evaluated and decided.

A banner ad is essentially a third party metatag. Instead of the web site owner merely inserting its competitors trademarks into its own website and hoping that it ends up high on the returned hit list, a banner ad keyed to the same marks by the search engine guarantees the web site owner a prominent spot on all search results for those particular terms. Whether the web site owner uses its competitor's marks as metatags within its own web site or purchases banner ads for those marks from the search engines, the result is still the same—the web site owner is able to position itself so that a search engine user is more easily lured onto its site instead of the site he or she is actually seeking.

¹¹⁵ *Clue Computing*, 66 F. Supp. 2d at 134.

¹¹⁶ See *Avery Dennison*, 189 F.3d at 881.

¹¹⁷ See *Jews for Jesus*, 993 F. Supp. at 306 n.31.

¹¹⁸ See *Internet Entertainment Group*, 40 U.S.P.Q.2d at 1480.

¹¹⁹ See *Playboy Enter., Inc. v. Netscape Communications*, 55 F. Supp. 2d 1070, 1072 (C.D. Cal. 1999).

In one of the first cases involving metatags, Playboy filed suit against Calvin Designer Label for using Playboy's trademarks within its web site.¹²⁰ The court found defendants had registered and were using the domain name "playmate.com."¹²¹ The defendants also were using the "PLAYBOY" and "PLAYMATE" marks within their web sites, promoting the defendants' own magazine titled "PLAYMATE LIVE MAGAZINE."¹²² Additionally, the defendants used the mark "PLAYBOY" as a metatag on their own web site and placed the terms "PLAYBOY" and "PLAYBOY MAGAZINE" in "hidden text" throughout the site.¹²³ The text was "hidden" by placing the terms in all black text on an all black background.¹²⁴ Therefore, although an Internet user could not see the metatags or "hidden text", a search engine could. As a result of the defendants use of these terms within its web site, the defendants' site was typically the first or second site returned in a search for these terms.¹²⁵

Playboy alleged that the defendants' conduct constituted federal trademark infringement, false designation of origin under the Lanham Act, federal trademark dilution, trademark counterfeiting and common law trademark infringement.¹²⁶ The court agreed and enjoined the defendants from using Playboy's trademarks or any other term likely to cause confusion therewith within its web site, as a domain name, within "hidden text" or as a metatag.¹²⁷ The court also granted Playboy's motion for summary judgment on all five of its claims and entered a permanent injunction against the defendants.¹²⁸

In *Playboy Enterprise, Inc. v. Asiafocus International, Inc.*, a court again was faced with an infringing use of Playboy's trademarks.¹²⁹ Playboy filed claims of trademark infringement, false designation of

¹²⁰ See *Playboy Enter., Inc. v. Calvin Designer Label*, 1999 WL 329058, at *3 (N.D. Cal. 1999) (granting summary judgment for plaintiff and entering injunction); see also 985 F. Supp. 1218, 1218 (N.D. Cal. 1997) (issuing temporary restraining order); 985 F. Supp. 1220, 1220 (N.D. Cal. 1997) (entering preliminary injunction).

¹²¹ See *Calvin Designer Label*, 1999 WL 329058, at *2.

¹²² See *id.* at *2-3.

¹²³ See *id.* at *3.

¹²⁴ See *id.*; see also Scott Shipman, Comment, *Trademark and Unfair Competition in Cyberspace: Can These Laws Deter "Baiting" Practices on Web Sites?*, 39 SANTA CLARA L. REV. 245, 265 (1998).

¹²⁵ See Shipman, *supra* note 124, at 265-66.

¹²⁶ See *Calvin Designer Label*, 1999 WL 329058, at *1.

¹²⁷ See *id.* at *3.

¹²⁸ See *id.*

¹²⁹ See *Playboy Enter., Inc. v. Asiafocus Int'l, Inc.*, 1998 WL 724000, at *1 (E.D. Va. 1998).

origin, unfair competition, trademark dilution, common law trademark infringement and common law unfair competition against the defendants for their use of Playboy's marks in connection with several Internet web sites that they operated.¹³⁰ In granting a motion for a default judgment, the United States District Court for the Eastern District of Virginia found that the defendants had used the "PLAYBOY" and "PLAYMATE" marks throughout their web sites, on goods offered online, as part of their e-mail address ("playmates@pinmail.com") and within their domain names ("ASIAN-PLAYMATES.COM" and "PLAYMATES-ASIAN.COM").¹³¹

The court also found that the defendants had:

[p]urposefully employed deceptive tactics to attract consumers to their Web site under the guise that their sites are sponsored by or somehow affiliated with [Playboy]. Specifically, the defendants embedded [Playboy's] trademarks 'playboy' and 'playmate' within the Web sites' computer source code which is visible to 'search engines' that look for Web sites containing specific words or phrases specified by computer users.¹³²

The court noted that a search engine user conducting a search for Playboy's web site by typing in the trademark "PLAYBOY" or "PLAYMATE" would receive a list that included the defendants' "Asian-playmates" web sites.¹³³ The court found that "[t]hrough the defendants' willful deception, consumers have been misled into believing the asian-playmates Web site is connected with, or somehow sponsored by, [Playboy]."¹³⁴

Additionally, in connection with the plaintiff's federal trademark dilution claim, the court held that the plaintiff had presented sufficient evidence to establish that the blurring of the distinctiveness of the "PLAYMATE" and "PLAYBOY" marks was willful.¹³⁵ The court found that the defendants' "purposeful tactic of embedding the trademarks PLAYMATE and PLAYBOY in the hidden computer source code" was particularly illustrative of such willfulness.¹³⁶ The court

¹³⁰ See *id.*

¹³¹ See *id.* at *7.

¹³² *Id.* at *3.

¹³³ See *id.*

¹³⁴ *Asiافocus Int'l*, 1998 WL 724000, at *3.

¹³⁵ See *id.* at *8.

¹³⁶ *Id.*

stated that this "strategy epitomizes the 'blurring' of [Playboy's] trademarks. When a search engine led a consumer to the asian-playmates Web site in response to a search of [Playboy's] trademarks, the consumer would probably believe that the defendants' Web site was affiliated with [Playboy]."¹³⁷ The court awarded Playboy \$1,000,000 for the willful infringement embodied in the defendants' web sites, \$2,000,000 for the willful infringement by offer for sale of merchandise utilizing the plaintiff's trademarks, as well as attorney's fees.¹³⁸

Similarly in *SNA, Inc. v. Array*, the Eastern District of Pennsylvania, following a bench trial, permanently enjoined the defendants from the further use of the plaintiffs' SEAWIND mark as a metatag.¹³⁹ The court found the defendants' use of the plaintiffs' mark as a metatag and its insertion of a block of text repeating the words "Seawind," "SEAWIND," and "seawind" on its web site amounted to an unfair trade practice.¹⁴⁰ The court concluded that "defendants intentionally use plaintiffs' mark in this way to lure internet users to their site instead of [the plaintiffs'] official site. This is true whether the meta tagging is visible or hidden in the code, and no matter what the web-site's domain name is."¹⁴¹ The court also found that the defendants' actions amounted to a "bad faith effort to confuse Internet users that is likely to succeed."¹⁴²

The defendant in *Niton Corporation v. Radiation Monitoring Devices, Inc.* was also enjoined from using the plaintiff's trademarks as metatags within its web site.¹⁴³ It appears that the defendant had not only used the plaintiff's name as a metatag, but had copied all of the metatags that the plaintiff had used in designing its own web site.¹⁴⁴ The court held that this method of attracting Internet users to defendant's web site was likely to lead users to believe that the defendant was

¹³⁷ *Id.*

¹³⁸ *See id.* at *9.

¹³⁹ *See SNA, Inc. v. Array*, 51 F. Supp. 2d 554, 569 (E.D. Pa. 1999).

¹⁴⁰ *See id.* at 562-63.

¹⁴¹ *Id.*

¹⁴² *See id.* at 563.

¹⁴³ *Niton Corp. v. Radiation Monitoring Devices, Inc.*, 27 F. Supp. 2d 102, 104 (D. Mass. 1998).

¹⁴⁴ *See id.*

affiliated with the plaintiff.¹⁴⁵ Other district courts that have looked at the metatag issue have ruled in a similar manner.¹⁴⁶

In *Playboy Enterprises, Inc. v. Welles*, a court for the first time held that the use of another entity's trademark as a metatag without its consent constituted a "fair use" of that trademark owner's mark.¹⁴⁷ Playboy filed suit in 1998 against Terri Welles, a self-employed model and spokesperson who began her modeling career with Playboy magazine almost twenty years earlier.¹⁴⁸ In May of 1980, the defendant had appeared on the cover of Playboy's magazine and was featured as the "Playmate of the Month" in the December 1980 issue.¹⁴⁹ The defendant then received the "Playmate of the Year" award in June of 1981.¹⁵⁰ Additionally, since 1980 the defendant appeared in no less than thirteen issues of Playboy magazine and eighteen newsstand specials published by Playboy.¹⁵¹ As a result, the defendant claimed that she had always referred to herself as a "Playmate" or a "Playmate of the Year" and that this was with the knowledge of plaintiff.¹⁵²

In June of 1997, the defendant began operating a web site that included photographs of herself and others (both nude and clothed), a fan club posting board, an autobiography section and a listing of current events and personal appearances.¹⁵³ The domain name for the web site was "terriwelles.com" and both the heading and title of the web page read "Terri Welles—Playboy Playmate of the Year 1981."¹⁵⁴ Additionally, each of the pages of the web site used the

¹⁴⁵ See *id.* at 105.

¹⁴⁶ See, e.g., *Playboy Enter. Int'l, Inc. v. Global Site Designs, Inc.*, 1999 WL 311707, at *2 (S.D. Fl. 1999) (ordering preliminary injunction stopping *inter alia* continued use of plaintiff's marks or any marks confusingly similar thereto within defendant's web site, as part of a domain name or as metatag); *Nettis Envtl. Ltd. v. IWI, Inc.*, 46 F. Supp. 2d 222, 228–29 (N.D. Ohio 1999) (entering consent decree that required defendant to review offending metatags; at issue was whether defendant had adequately complied with that order); *McGraw v. Salmon*, 1998 U.S. Dist. LEXIS 10987, at *2–3 (C.D. Cal. 1998) (enjoining defendant from using names of Reba McEntire, Trisha Yearwood, Vince Gill, Randy Travis, as well as a number of other country music singers and bands as trademarks within his web sites, as domain names or as metatags); *Oppedahl & Larson v. Advanced Concepts*, 1997 U.S. Dist. LEXIS 23105, at *1–2 (D. Colo. 1997) (enjoining defendants from using the trademark OPPEDÄHL & LARSON on its website).

¹⁴⁷ See *Playboy Enter., Inc. v. Welles*, 7 F. Supp. 2d 1098, 1104 (S.D. Cal. 1998), *aff'd*, 162 F.3d 1169 (9th Cir. 1998).

¹⁴⁸ See *id.* at 1099–100.

¹⁴⁹ See *id.* at 1100.

¹⁵⁰ See *id.*

¹⁵¹ See *id.*

¹⁵² See *Welles*, 7 F. Supp. 2d at 1100.

¹⁵³ See *id.*

¹⁵⁴ See *id.*

phrase "PMOY '81" as a repeating watermark in the background and the defendant used the terms "PLAYBOY" and "PLAYMATE" as meta-tags.¹⁵⁵

According to the defendant, eleven of the fifteen free web pages included a disclaimer at the bottom of the page.¹⁵⁶ It read as follows: "This site is neither endorsed, nor sponsored by, nor affiliated with Playboy Enterprises, Inc. PLAYBOY, PLAYMATE OF THE YEAR and PLAYBOY OF THE MONTH are registered trademarks of Playboy Enterprises, Inc."¹⁵⁷ This disclaimer varied in font size, depending on the space limitations of the individual page upon which it appeared.¹⁵⁸

The plaintiff alleged federal trademark infringement, false designation of origin under Section 43(a) of the Lanham Act, federal trademark dilution and several state law violations.¹⁵⁹ Plaintiff sought a preliminary injunction to enjoin the defendant from using the phrase "Playmate of the Year" as the title of her home page, using the watermark "PMOY '81" in the background and using the trademarks "PLAYBOY" and "PLAYMATE" as metatags.¹⁶⁰ Plaintiff argued that the defendant's conduct was harming the company itself, as well as its trademarks, as web-surfing consumers were likely to believe that defendant's web site was authorized, sponsored or otherwise approved by Playboy, when in fact it was not.¹⁶¹ The defendant claimed she merely used the title "Playmate of the Year" and the abbreviation "PMOY" in a descriptive manner in order to identify herself to her customers.¹⁶² Additionally, she argued that all of her other uses of plaintiff's trademarks were used solely in an "editorial fashion."¹⁶³

The court initially noted that the term "PLAYBOY" has gained widespread public recognition and is distinctive due to the success and popularity of the plaintiff's magazine and related publications.¹⁶⁴ The court found that the other trademarks such as "PLAYMATE" are not only related to Playboy magazine but are also titles bestowed upon particular models who appear in the magazine:

¹⁵⁵ See *id.*

¹⁵⁶ See *id.*

¹⁵⁷ *Welles*, 7 F. Supp. 2d at 1100-01.

¹⁵⁸ See *id.* at 1100.

¹⁵⁹ See *id.* at 1099-100.

¹⁶⁰ See *id.* at 1101.

¹⁶¹ See *id.*

¹⁶² See *Welles*, 7 F. Supp. 2d at 1101.

¹⁶³ See *id.*

¹⁶⁴ See *id.* at 1102 (citing *Playboy Enter., Inc. v. Chuckleberry Publ'g, Inc.*, 687 F.2d 563, 566-67 (2d Cir. 1982)).

[T]he terms Playmate, Playmate of the Month, and Playmate of the Year are titles which Playboy magazine awards to certain Playboy models, who then use the title to describe themselves. Much like Academy Award winners, crowned Miss Americas, and Heisman Trophy winners, Playboy Playmates are given a title which becomes part of their identity and adds value to their name.¹⁶⁵

These winners, the court noted, not only represent the awarding organization or sponsor, but the title becomes part of their public image.¹⁶⁶

The court explained that trademark law recognizes a "fair use" defense when a mark is being used only to describe the goods or services of a party or their geographic origin.¹⁶⁷ The "fair use" defense, in essence, forbids a trademark owner from appropriating a descriptive term for his or her exclusive use and preventing others from accurately describing a characteristic of their goods.¹⁶⁸ The court found that the defendant's use of the term "Playmate of the Year" and the abbreviation "PMOY '81" was merely a means of identifying and describing herself.

Additionally, the court noted that the defendant minimized her references to Playboy on her web site so as not to "trick consumers into believing that they are viewing a Playboy-endorsed website."¹⁶⁹ The court found that:

[s]he does not use Playboy or Playmate in her domain name, she does not use the classic Playboy bunny logo, she inserted disclaimers which clearly state that the website is not endorsed by [Playboy], and the font of the Playmate of the Year 1981 title is not recognizable as a Playboy magazine font.¹⁷⁰

¹⁶⁵ *Id.*

¹⁶⁶ *See id.*

¹⁶⁷ *See Welles*, 7 F. Supp. 2d at 1103 (citing 15 U.S.C. § 1115(b)(4)). Section 1115(b)(4) provides that "fair use" is established where "the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, . . . which is descriptive of and used fairly and in good faith only to describe the goods or services of [a] party, or their geographic origin." 15 U.S.C. § 1115(b)(4).

¹⁶⁸ *See New Kids on the Block v. News America Publ'g, Inc.*, 971 F.2d 302, 306 (9th Cir. 1992); *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1185 (5th Cir. 1980); *Welles*, 7 F. Supp. 2d at 1103.

¹⁶⁹ *Welles*, 7 F. Supp. 2d at 1103-04.

¹⁷⁰ *Id.* at 1104.

As such, the court found that the defendant used the terms "Playmate of the Year 1981" and "PMOY '81" in good faith and that her use thus constituted a "fair use" under the Lanham Act.¹⁷¹

Furthermore, the court found that the defendant used the "PLAYBOY" and "PLAYMATE" marks as metatags in good faith merely to index the contents of her web site.¹⁷² In particular, the court noted the defendant's use of the term "PLAYBOY" was not an infringement because it referenced not only her identity as a "Playboy Playmate of the Year 1981," but her legitimate editorial uses of the term, for example, discussing the Playboy Mansion.¹⁷³ As such, the court held that the defendant had used the plaintiff's trademarks in good faith and in a descriptive manner, and, thus, her actions did not constitute trademark infringement, false designation of origin or trademark dilution in violation of the Lanham Act.¹⁷⁴

Only one federal appellate court has published a judicial opinion on metatags. In *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, Brookfield appealed the district court's denial of its motion for a preliminary injunction prohibiting West Coast from using Brookfield's registered trademark "MOVIEBUFF" or a mark confusingly similar thereto.¹⁷⁵ At issue was whether West Coast was infringing on Brookfield's trademark rights through its use and operation of a web site with the domain name "moviebuff.com" containing a searchable entertainment database similar to Brookfield's "MOVIEBUFF" product.¹⁷⁶ Additionally, Brookfield claimed West Coast's inclusion of the term "MOVIEBUFF" as a metatag for the site infringed Sections 32 and 43(a) of the Lanham Act.¹⁷⁷

After performing a likelihood of confusion analysis, the court held that the defendant's use of "moviebuff.com" as a domain name for its web site violated the Lanham Act.¹⁷⁸ The court then turned to the issue of whether the defendant was also prohibited from using the term "MOVIEBUFF" as a metatag in any of its web sites.¹⁷⁹ The court

¹⁷¹ See *id.*

¹⁷² See *id.*

¹⁷³ See *id.*

¹⁷⁴ See *Welles*, 7 F. Supp. 2d at 1104-05.

¹⁷⁵ See 174 F.3d 1036, 1041 (9th Cir. 1999).

¹⁷⁶ See *id.* at 1043.

¹⁷⁷ See *id.* at 1061.

¹⁷⁸ See *id.*

¹⁷⁹ See *id.* at 1061-65. The defendant also operated a web site at <www.westcoast-video.com>. See *id.* at 1062.

found that such a use of the plaintiff's trademark in the defendant's web site as a metatag would result in "initial interest confusion."¹⁸⁰

The court explained that search engine users looking for Brookfield's "MOVIEBUFF" products may be taken to one of defendant's web sites as a result of a search performed using that term.¹⁸¹ The court stated that once there, a sizeable number of consumers who were originally looking for Brookfield's entertainment database would instead utilize West Coast's similar product.¹⁸² The court recognized that there was no source confusion in the traditional sense, as consumers would know they were patronizing West Coast rather than Brookfield.¹⁸³ Nevertheless, the court held that by using "MOVIE-BUFF" as a metatag for their web sites, West Coast sought to divert people looking for Brookfield's "MOVIEBUFF" product and, as a result of such initial interest confusion, improperly benefited from the goodwill that Brookfield had developed in its mark.¹⁸⁴

The court explained that the defendant's use of Brookfield's trademark as a metatag was analogous to posting a sign with another's trademark in front of one's store.¹⁸⁵ The court provided the following example to illustrate:

Suppose West Coast's competitor (let's call it "Blockbuster") puts up a billboard on a highway reading—"West Coast Video: 2 miles ahead at Exit 7"—where West Coast is really located at Exit 8 but Blockbuster is located at Exit 7. Customers looking for West Coast's store will pull off at Exit 7 and drive around looking for it. Unable to locate West Coast, but seeing the Blockbuster store right by the highway entrance, they may simply rent there. Even consumers who prefer West Coast may find it not worth the trouble to continue searching for West Coast since there is a Blockbuster right there. Customers are not confused in the narrow sense: they are fully aware that they are purchasing from Blockbuster and they have no reason to believe that Blockbuster is related to, or in any way sponsored by, West Coast. Nevertheless, the fact that there is only initial consumer confusion

¹⁸⁰ See *Brookfield Communications*, 174 F.3d at 1062.

¹⁸¹ See *id.*

¹⁸² See *id.*

¹⁸³ See *id.*

¹⁸⁴ See *id.*

¹⁸⁵ See *Brookfield Communications*, 174 F.3d at 1064.

does not alter the fact that Blockbuster would be misappropriating West Coast's acquired goodwill.¹⁸⁶

The court concluded that the Lanham Act barred West Coast from using Brookfield's "MOVIEBUFF" mark or any similar term.¹⁸⁷

Additionally, the court emphasized that it was in no way restricting the defendant's right to use terms in a manner that would constitute a "fair use" under the Lanham Act.¹⁸⁸ The court explained that it was well established that the Lanham Act does not prevent one from using a competitor's mark in comparative advertising or in truthfully identifying the competitor's goods.¹⁸⁹ The court noted that defendant could include on its own web site, for example, an advertisement asking "Why pay for MovieBuff when you can get the same thing here for FREE?"¹⁹⁰

Moreover, the court approvingly cited the *Playboy Enterprises, Inc. v. Welles* case, stating that it agreed that West Coast could legitimately use an appropriate descriptive term in its metatags, such as "MOVIE BUFF."¹⁹¹ The court noted that the defendant could use the term "MOVIE BUFF," as it was an appropriate term for describing someone who is a motion picture enthusiast.¹⁹² The court held, however, that the defendant could not use the term "MOVIEBUFF" as a metatag.¹⁹³ The court explained that although the terms "MOVIE BUFF" and "MOVIEBUFF" differed by only a single space, that difference was pivotal.¹⁹⁴ The court held that while "MOVIE BUFF" was a proper descriptive term for a movie devotee, the term "MOVIEBUFF" was not a word in the English language and is used merely to describe

¹⁸⁶ *Id.* (citing Blockbuster Entertainment Group, Inc. v. Layco, Inc., 869 F. Supp. 505, 513 (E.D. Mich. 1994)); see also Dr. Seuss Enter., L.P. v. Penguin Books USA, Inc., 109 F.3d 1394, 1405 (9th Cir. 1997) (noting that consumers attracted to parody of defendant's mark know that it is not defendant's product); Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254, 260 (2d Cir. 1987) (holding that initial interest confusion is sufficient for infringement claim); Green Prod. Co. v. Independence Corn By-Products Co., 992 F. Supp. 1070, 1076 (N.D. Iowa 1997) (rejecting argument that court should not consider confusion over domain names, but only actual consumer confusion in making purchases).

¹⁸⁷ See *Brookfield Communications*, 174 F.3d at 1065.

¹⁸⁸ See *id.*

¹⁸⁹ See *id.*; *New Kids on the Block*, 971 F.2d at 306-09; *Smith v. Chanel, Inc.*, 402 F.2d 562, 563 (9th Cir. 1968) (stating that copyist may use the originator's mark to identify product that it has copied).

¹⁹⁰ See *Brookfield Communications*, 174 F.3d at 1066.

¹⁹¹ See *id.* at 1065-66.

¹⁹² See *id.* at 1066.

¹⁹³ See *id.*

¹⁹⁴ See *id.*

Brookfield's products and services.¹⁹⁵ As such, any use by West Coast of the "MOVIEBUFF" mark as a metatag would only serve to attract people to its web site in violation of the Lanham Act.¹⁹⁶

IV. BANNER AD CASES: THE PAST AND THE FUTURE

To date only one court has rendered an opinion in a case involving the keying of banner ads by a search engine to a trademark without the owner's consent. This decision is problematic, however, in a number of ways. It appears not only to be a clear departure from the holdings of the analogous metatag cases, but a departure from fundamental tenets of trademark law as well.

A. *Playboy Enterprises, Inc. v. Netscape Communications*

In April of 1999 in *Playboy Enterprises Inc. v. Netscape Communications*, Playboy filed a motion for preliminary injunction against Netscape Communications Corp. ("Netscape") and Excite, Inc. ("Excite").¹⁹⁷ Netscape and Excite are two search engines that sell keywords for banner advertisements.¹⁹⁸ At issue in this case was the defendants sale of the words "PLAYBOY" and "PLAYMATE" for banner advertisements promoting adult entertainment goods and services.¹⁹⁹ Plaintiff claimed that by marketing and selling the "PLAYBOY" and "PLAYMATE" terms to other entities, programming the banner ads to run in response to these search terms and actually displaying the banner ad on the user's search results page, the defendants infringed and diluted its registered trademarks.²⁰⁰ The court disagreed and denied the plaintiff's request for a preliminary injunction.²⁰¹ The court held that the plaintiff had failed to establish a likelihood of success on its claims for a number of reasons.²⁰²

According to the court, the plaintiff had not shown that the defendants actually used plaintiff's trademarks in commerce.²⁰³ The court reasoned that:

¹⁹⁵ See *Brookfield Communications*, 174 F.3d at 1066.

¹⁹⁶ See *id.*

¹⁹⁷ See 55 F. Supp. 2d 1070, 1072 (C.D. Cal. 1999).

¹⁹⁸ See *id.*

¹⁹⁹ See *id.*

²⁰⁰ See *id.*

²⁰¹ See *id.* at 1076.

²⁰² See *Netscape Communications*, 55 F. Supp. 2d at 1076.

²⁰³ See *id.* at 1073-74.

Playboy can only contend that the use of the words "playboy" and "playmate," as keywords or search terms, is equivalent to the use of the trademarks "Playboy®" and "Playmate®." However, it is undisputed that an Internet user cannot conduct a search using the trademark form of the words, i.e. Playboy® and Playmate®. Rather, the user enters the generic word "playboy" or "playmate". . . . [Playboy] has not shown that defendants use the terms in their trademark form, i.e. Playboy® and Playmate®, when marketing to advertisers or in the algorithm that effectuates the keying of the ads to the keywords. Thus, plaintiff's argument that defendants 'use' plaintiff's trademarks falls short.²⁰⁴

The court continued, explaining that "[e]ven if use of the generic 'playboy' and 'playmate' [terms] were construed to be use [of] the trademark terms," the plaintiff's trademark infringement claim failed as it did not show likelihood of confusion.²⁰⁵ The plaintiff had cited *Brookfield Communications, Inc. v. West Coast Entertainment Corp.* for the proposition that defendants' acts were likely to lead to initial consumer confusion.²⁰⁶ The court held that *Brookfield* did not provide support for the plaintiff's claim and distinguished it on two grounds.²⁰⁷ First, the court stated that the trademark at issue in *Brookfield*, "MOVIEBUFF," was not a real word, while "PLAYBOY" and "PLAYMATE" are words within the English language.²⁰⁸ The court pointed out that entities other than plaintiff also have valid trademarks containing the words "PLAYBOY" or "PLAYMATE," for example, the federal registration of W.E. Bailey & Son, Inc.'s "PLAYBOY" mark for "fresh yams and sweet potatoes."²⁰⁹ The court reasoned that "[a]lthough the trademark terms and the English language words [in this case] are undisputedly identical . . . , the holder of a trademark may not remove a word from the English language merely by acquiring trademark rights in it."²¹⁰ Second, the court held that *Brookfield* was distinguishable because it involved parties competing in the same market, whereas Playboy and the search engine operators do not.²¹¹

²⁰⁴ *Id.*

²⁰⁵ *See id.*

²⁰⁶ *See id.* at 1074.

²⁰⁷ *See Netscape Communications*, 55 F. Supp. 2d at 1074.

²⁰⁸ *See id.*

²⁰⁹ *See id.* at 1079.

²¹⁰ *See id.* at 1074.

²¹¹ *See id.* at 1074-75.

As to the dilution claim, the court held that the plaintiff failed to prove blurring of its marks, in part because Playboy "has not shown that defendant uses its marks Playboy® and Playmate®."²¹² Additionally, the court held that plaintiff had not presented any evidence that defendants' "use of the words 'playboy' and 'playmate' causes any severance of the association between plaintiff and its marks Playboy® and Playmate®."²¹³ As to plaintiff's claim that the defendants' keying of banner ads that are more sexually explicit than Playboy resulted in tarnishment, the court stated that "plaintiff's argument is based on the incorrect assumption that defendants use plaintiff's marks, rather than the generic words 'playboy' and 'playmate.'"²¹⁴ The court held that "[a]doption of plaintiff's tarnishment [argument] would secure near-monopoly control of the placement of plaintiff's marks and the associated goods and services on the Internet" and that a greater showing of harm was required in order for relief to be granted on the dilution claim.²¹⁵

The court's reasoning is misguided. First, there is no requirement under the trademark laws that in order to qualify as an infringement the ® symbol must be used as the court's argument appears to suggest. Furthermore, the mere fact that the registered trademark "PLAYBOY" can also be used to describe a "wealthy, care-free man devoted to the pleasures of nightclubs, sports, and female company"²¹⁶ does not automatically immunize a party from liability for using such a term. The critical issue is how the particular defendant is using the term—as a trademark or in a descriptive fashion to describe aspects of one's own goods.²¹⁷

The claim that these terms were being used in the primary descriptive sense is highly suspect because the defendants were marketing the terms "PLAYBOY" and "PLAYMATE" to companies that offer adult entertainment goods and services. It is difficult not to infer that the defendants were attempting to capitalize on the goodwill associated with the "PLAYBOY" and "PLAYMATE" trademarks when they marketed and sold banner ads keyed to these terms to plaintiff's competitors. Additionally, the fact that "PLAYBOY" also functions as a

²¹² *Netscape Communications*, 55 F. Supp. 2d at 1075.

²¹³ *Id.*

²¹⁴ *Id.*

²¹⁵ *Id.* at 1076.

²¹⁶ THE AMERICAN HERITAGE DICTIONARY OF THE ENGLISH LANGUAGE 1005 (William Morris ed., 1973).

²¹⁷ See *Car-Freshmer Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 269 (2d Cir. 1995).

trademark for "fresh yams and sweet potatoes" is irrelevant, as defendants were not marketing these keywords to sellers of fruits and vegetables. Instead, the defendants were offering ads keyed to the "PLAY-BOY" and "PLAYMATE" terms to companies that sold adult entertainment goods and services.

The fact that the plaintiff and defendants are not technically "competitors" also is not detrimental to plaintiff's claim of trademark infringement. The Lanham Act prohibits not only the sale of goods and services bearing a trademark without consent, but the advertising of such goods and services as well.²¹⁸ Although the Act limits the liability of publishers and broadcasters, such as radio and television stations that carry advertisements that contain infringing trademarks, the limitation only applies to "innocent" infringement.²¹⁹ A publisher or broadcaster is not "innocent" if it knew that the advertisement was false or infringing or proceeded to publish the advertisement with "reckless disregard" as to whether it was false or infringing.²²⁰ For example, in *Century 21 Real Estate Corp. v. R.M. Post, Inc.*, the plaintiff alleged that defendants published a telephone directory yellow pages advertisement for a former "CENTURY 21" real estate dealer that contained a reference to the "CENTURY 21" mark.²²¹ Allegations that the defendants published the advertisement with the knowledge that the dealer was not a franchisee authorized to use the trademark was held sufficient to allege non-innocent infringement and state a claim under the Lanham Act.²²²

²¹⁸ See 15 U.S.C. § 1114; 15 U.S.C. § 1125(a)(1)(B).

²¹⁹ Section 15 U.S.C. § 1114(2) provides in relevant part:

Notwithstanding any other provision of this chapter, the remedies given to the owner of a right infringed under this chapter or to a person bringing an action under section 1125(a) or (d) shall be limited as follows:

(A) Where an infringer or violator is engaged solely in the business of printing the mark or violating matter for others and establishes that he or she was an innocent infringer or innocent violator, the owner of the right infringed or person bringing the action under section 1125(a) of this title shall be entitled as against such infringer or violator only to an injunction against future printing.

15 U.S.C. § 1114(2); see also 4 McCARTHY, *supra* note 31, § 25:8.

²²⁰ See 4 McCARTHY, *supra* note 31, § 25:29. This definition incorporates the Constitutional standards of U.S. Supreme Court defamation cases such as the famous case of *New York Times Co. v. Sullivan*, 376 U.S. 254 (1964).

²²¹ See 4 McCARTHY, *supra* note 31, § 25:29 (discussing *Century 21 Real Estate Corp. v. R.M. Post Inc.*, 8 U.S.P.Q.2d 1614 (N.D. Ill. 1988)).

²²² See *id.*

The defendants' conduct in this case was even more problematic. The search engine owners were not merely placing an advertisement that they suspected might contain an infringing trademark. They were purposely selling the right to use the goodwill associated with the plaintiff's mark to improperly lure search engine users to the advertiser's site. By selling the banner ads keyed to the plaintiff's trademarks, the defendants were offering advertisers the ability to attract consumers at the plaintiff's expense—and making a substantial profit for themselves.²²³

On the dilution claim, it is difficult to see how the defendants' activities did not amount to willful dilution, particularly by blurring. By intentionally programming the search engine so that a banner ad for another product appears in response to the plaintiff's famous trademarks being entered by a user, the defendants are willfully diminishing the capacity of the marks to distinguish the plaintiff's goods and services. Additionally, if the plaintiff could actually show that the banner ads linked to its trademarks were for much more sexually explicit material than plaintiff offers, then its claim that consumers would form unfavorable associations with its mark is clearly not without merit.

B. *Evaluating Banner Ad Cases in the Future*

Despite the decision in *Playboy Enterprises, Inc. v. Netscape Communications*, the Lanham Act clearly provides a basis for finding liability for the keying of a banner ad to a trademark without the owner's consent. As the closely analogous metatag cases illustrate, using another's trademark and the relevant technology to lure a party onto a web site is a violation of the Lanham Act. This should not be different merely because the party that is manipulating the technology happens to be a search engine owner as opposed to a web site operator. Our hypothetical shopper trying to find a florist on the Internet demonstrates how the holdings in the metatag cases and the provisions of the Lanham Act may provide a trademark owner with relief from the unauthorized keying of its trademark to a banner advertisement.

²²³ See *supra* Part I.

1. Trademark Infringement

As discussed above,²²⁴ in order to state a claim for trademark infringement, a plaintiff must establish that defendant's use of its trademark is likely to cause confusion. Implicit in such a requirement is that a defendant must actually use the mark as a trademark, and not merely as a descriptive term. Therefore, even before reaching the confusion inquiry, it is essential to determine if the defendant's conduct constitutes trademark usage.

For example, if a search engine operator used the word "APPLE" to key banner ads to computer products, this would amount to the use of the Apple Computer Company's trademark by the search engine. However, if the word "APPLE" was keyed to ads for an apple orchard or a fruit growers trade association, it would appear that this mark was being used as a descriptive term for a type of fruit. As such, the marketing and selling of the word "APPLE" to key banner ads in this manner would not constitute trademark use by the search engine.

The next issue is whether such trademark use causes confusion. In banner ad cases, like metatag cases, such confusion is likely to be in the form of initial interest confusion. Infringement can be based upon confusion that creates initial consumer interest, even if no sale is completed as a result of such confusion.²²⁵ In metatag cases, this theory has proven instrumental in holding a web site owner liable for using a competitor's trademark as a metatag.²²⁶

This is not initial consumer confusion in a traditional sense because, in a banner ad case or a metatag case, the confusion is caused by the intentional manipulation of the search engine. Therefore, the next question is whether this confusion is likely to result in the search engine user going to web sites he or she was not actually seeking when the search was performed. The test becomes whether this search engine confusion is likely to cause initial consumer interest—a standard that turns on many of the same factors employed in a traditional likelihood of confusion case.

For example, in the first advertisement our shopper encountered, it would appear that initial interest confusion is likely. The search engine has keyed the "FTD" mark to a banner advertisement for a hypothetical company named Teleflorist. Although our shopper may recognize that Teleflorist is different than Florist Transworld De-

²²⁴ See *supra* Part III(A).

²²⁵ See *supra* Part III(C).

²²⁶ See *supra* Part IV.

livery ("FTD"), there is a likelihood that our shopper may become interested in this company, when he or she might not otherwise have been due to the intentional manipulation of the search engine. This likelihood is significant because FTD and the hypothetical Teleflorist company both provide florist-locating services, the average consumer of such services probably will not exercise a high degree of care and the defendant search engine clearly lacked good faith when it keyed the "FTD" mark to the Teleflorist ad.

The likelihood of consumer attraction would exist even if the Teleflorist advertisement stated that it was not affiliated with Florist Transworld Delivery or the banner ad consisted of a comparative advertisement discussing why Teleflorist's services were superior to FTD's. This is not to suggest that the use of the "FTD" mark within a Teleflorist banner ad will always constitute an infringement such that a "fair use" defense is inapplicable. If the comparative ad was keyed to a term like "flowers" or "florist," a search engine could not be held liable for trademark infringement. When it is keyed to the term "FTD," however, the situation is quite different as the search engine is clearly attempting to capitalize on the goodwill associated with the "FTD" mark.

2. False Designation of Origin

The second banner ad encountered by our hypothetical shopper, the advertisement for "Joe's Flower Shop," provides an example of a potential false designation of origin claim. The search engine's use of the "FTD" mark in connection with this advertisement is likely to suggest to a consumer that Joe's Flower Shop is part of the FTD network of florists, even though it is not. Consumers may become initially interested in this florist, assuming that it is somehow sponsored or affiliated with Florist Transworld Delivery Company. As such, FTD may have a valid false designation of origin claim against the search engine that keyed this banner ad to its trademark.

3. Dilution

Dilution is a cause of action reserved for only those marks that qualify as "famous" under the Lanham Act.²²⁷ As such, not all banner ads keyed to a trademark will give rise to a dilution claim. On the other hand, the fact that a famous mark is keyed to a banner ad for a

²²⁷ See *supra* Part III(D).

non-competitive or unrelated product will not defeat a claim of dilution. This is due to the fact that a plaintiff does not need to show that customers are likely to be confused by the defendant's use of its trademark.²²⁸

For example, the third ad encountered by our shopper was for a jewelry shop. An argument could be made that such a banner ad is unlikely to cause initial consumer confusion because a consumer looking for flowers is unlikely to suddenly become interested in purchasing diamonds instead. As "FTD" is a famous mark, however, such an advertisement could lessen the capacity of the "FTD" mark to identify and distinguish its goods and services. Additionally, if "Suzanne's House of Diamonds" sold low-quality gems, Florist Transworld Delivery may have a claim against the search engine for dilution by tarnishment for keying its mark to products of poor quality such that the positive associations and the distinctive quality of the "FTD" mark are degraded. It would also appear that any dilution that was the result of a keyed banner ad would be deemed willful, since it is clear that the search engine owner's intent was to trade on the trademark owner's reputation.

CONCLUSION

Although at the time of this writing there has been only one judicial decision involving banner ads keyed to trademarks, it will undoubtedly not be the last. As search engine operators continue to make a healthy profit on this widespread practice, it is unlikely that they will discontinue it anytime soon. Despite the decision in *Playboy Enterprises, Inc. v. Netscape Communications*, the keying of a banner advertisement to a trademark without the owner's permission is likely to give rise to claims under the Lanham Act. In the meantime, however, these electronic billboards will continue to be a predominate fixture along the information superhighway.

²²⁸ See *supra* Part III(D).