

LEGAL UPDATE

DON'T DARE ASSOCIATE "PLAYBOY" WITH PORN: *PLAYBOY ENTERPRISES, INC. V. NETSCAPE COMMUNICATIONS CORP.*

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I. INTRODUCTION

The Internet has connected information in ways not previously anticipated. The interrelatedness and cyber proximity of information posted on the web can unearth interesting connections when sorted by an Internet search engine. A high school student researching President Clinton for a paper might search for "Clinton" on the Google search engine and find web pages about Hillary Clinton, towns named Clinton in more than a dozen states, Castle Clinton National Monument, Parliament Funkadelic, and the sought after materials about the former President. As Internet technology has developed, people have come to understand its machinations better, permitting computer scientists to tweak their search algorithms to provide for more accurate results. Bloggers have learned to "Google bomb" references so that searching for the term "miserable failure" yields results that link to web pages about President Bush and Michael Moore. One recent twist to this phenomenon is that search engine companies have sold the rights to advertising space based upon relevant search terms. This has raised a number of legal issues, especially in the area of trademarks. In early 2004, the 9th Circuit found that Playboy Enterprises successfully established a genuine issue of material fact as to whether "keying" trademarked terms to pornographic material diluted their marks.¹ This recent decision is significant because it has the potential to expand the reach of trademark protection in cyberspace to definite, albeit unseen, connections between trademarks and competitors using those marks.

II. BACKGROUND

In Internet lingo, "keying" refers to the practice of Internet search engines linking a search term to an advertiser.² For example, Google might key the term "running" to Nike's website so that every time an Internet user searches for "running" a link to Nike's website might appear on the search results page. Typically, the link will appear in the form of an advertising banner somewhere

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¹ *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. 2004).

² *Id.* at 1023.

above, below, or to the side of the search results.³ If the user clicks on the advertisement, the search engine automatically diverts the user directly to the advertiser's website.⁴ This has proven to be a profitable advertising sales strategy for Internet search engines since, in theory, advertisers are gaining exposure to parties interested in their products and, as a result, advertisers pay more for this directed form of advertising.⁵ This tactic has proliferated recently and is now a successful way of selling advertising for popular search engines like Yahoo! and Google.⁶ A search engine may key an advertiser to a number of terms so that a Nike banner might appear if any number of athletic related terms are searched for by the user, thereby increasing the chance of a match.⁷

In *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, the Netscape search engine had a list of over four-hundred sex related terms that Netscape required adult oriented companies to key their advertisements to.⁸ Among the long list of terms were "playboy" and "playmate", which Playboy Enterprises holds trademarks on.⁹ As a result, when a Netscape user would search for "playboy" or "playmate" a paying adult-oriented company's advertisement would appear next to the results of the search.¹⁰ Playboy Enterprises asserted that the advertisements that appeared upon entering a search for their trademarked terms were too graphic in nature and resulted in dilution of their trademarks.¹¹ Consequently, Playboy Enterprises sued Netscape for trademark infringement and dilution.¹² The district court denied Playboy's request for a preliminary injunction.¹³ On appeal, the 9th Circuit affirmed and remanded the decision.¹⁴ On remand, Playboy and Netscape filed cross-motion for summary judgment, which the district court granted in favor of the Netscape.¹⁵

³ *Id.*

⁴ *Id.*

⁵ *Id.* at 1023 n.1.

⁶ John Markoff, *As Giant Takes Aim, Google Mans the Battle Stations; Internet Search Wars / Microsoft vs. Silicon Valley, Round 2*, THE INT'L HERALD TRIBUNE, Feb. 2, 2004, at 2.

⁷ *Playboy Enterprises, Inc.*, 354 F.3d at 1023.

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

¹³ *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 55 F. Supp. 2d 1070 (C.D.Cal. 1999).

¹⁴ *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 202 F.3d 278 (9th Cir. 1999).

¹⁵ *Playboy Enterprises, Inc.*, 354 F.3d at 1023.

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III. IS THERE A GENUINE ISSUE OF MATERIAL FACT?

A. *Theory of Liability: Direct or Contributory Infringement? Who Cares?*

Before addressing Playboy's argument that there was a material issue of fact, the court essentially punted on the issue of whether Netscape would be directly or contributorily liable for their actions.¹⁶ The court satisfied itself on this issue by concluding that the "defendants are potentially liable under one theory and that we need not decide which one."¹⁷

B. *Playboy's Case for Trademark Infringement*

The court started with the premise that the enforceability of Playboy's trademarks was not in dispute.¹⁸ Clearly, Playboy held the trademarks and Netscape used the trademarks in commerce.¹⁹ Playboy claimed that Netscape's use of their trademark created initial interest confusion, which is customer confusion that, due to the goodwill associated with the trademark holder, creates interest in a competitor's product by the improper association.²⁰ Therefore, initial interest confusion is actionable as trademark infringement.²¹ Playboy argued that by keying adult-oriented websites to "playboy" and "playmate" the user would be confused as to who sponsored the unlabeled adult advertisements.²² Furthermore, Playboy asserted that since many of the advertisements had the solitary instruction text of "click here" on their banners the users might mistakenly think that, by clicking on the banner, they would be transferred to Playboy's website.²³ Once the user winds up at the wrong website, the user has been confused and the competitor will have gained a new customer by appropriating Playboy's goodwill.²⁴

The court noted the resemblance of this case to a previous 9th circuit decision in *Brookfield Communications, Inc. v. West Coast Entertainment Corporation*²⁵. In *Brookfield*, the court found that there was enough evidence to withstand summary judgment since West Coast Entertainment infringed Brookfield's trademarks by registering for the website moviebuff.com when

¹⁶ *Id.* at 1024.

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Id.* at 1025.

²⁰ *Brookfield Communications, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1062-63 (9th Cir. 1999).

²¹ *Id.* at 1057.

²² *Playboy Enterprises, Inc.*, 354 F.3d at 1025.

²³ *Id.*

²⁴ *Brookfield*, 174 F.3d at 1057.

²⁵ *Id.* at 1036.

Brookfield had already trademarked the term “MovieBuff”.²⁶ The court ruled that West Coast was infringing because of the initial interest confusion caused by West Coast poaching users by using Brookfield’s goodwill.²⁷

The court concluded that although the Brookfield case seemed to be a strong indicator that Playboy had shown enough confusion to withstand summary judgment, a mere analogy to previous case law was not sufficient.²⁸ To make this determination properly, Playboy’s theory of infringement must be tested using the 9th circuit’s 8-factor test for analyzing confusion.²⁹ The eight factors are:

1. strength of the mark;
2. proximity of the goods;
3. similarity of the marks;
4. evidence of actual confusion;
5. marketing channels used;
6. type of goods and the degree of care likely to be exercised by the purchaser;
7. defendant’s intent in selecting the mark; and
8. likelihood of expansion of the product lines.³⁰

The court examined each of these eight factors in detail to determine the strength of Playboy’s contention of likelihood of confusion.³¹

The Playboy court gave the first factor, strength of the mark, considerable attention in the decision.³² Netscape conceded using the marks for their secondary meaning among Internet users, which the court accepted as a concession that the secondary meaning of the Playboys marks was strong.³³ Furthermore, Playboy offered expert reports to counter Netscape’s experts about whether the terms “playboy” and “playmate” had secondary meanings.³⁴ The court concluded that there was enough evidence that Playboy’s mark was strong to favor finding that there was a genuine issue of material fact and, therefore, the district court improperly granted summary judgment.³⁵

The court made short shrift of the second and third factors, proximity of the

²⁶ *Id.* at 1042, 1043.

²⁷ *Id.* at 1057.

²⁸ *Playboy Enterprises, Inc.*, 354 F.3d at 1025.

²⁹ *Id.* at 1026.

³⁰ *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979).

³¹ *See Playboy Enterprises, Inc.*, 354 F.3d at 1025-1029.

³² *Id.* at 1028-1029.

³³ *Id.* at 1028.

³⁴ *Id.*

³⁵ *Id.*

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goods and similarity of the marks.³⁶ For the proximity of the goods analysis, the court determined that the relevant goods in an Internet context are the “links to the websites being sought and the goods or services available at those sites.”³⁷ The fact that Netscape keyed the advertiser’s goods, the services available at the website, to Playboy’s goods was evidence of their intimate proximity.³⁸ In addition, the similarity of the marks was not an issue since Netscape was using the very terms, albeit occasionally in plural form and without capitalization, that Playboy had trademarked.³⁹

For the fourth factor, evidence of actual confusion, Playboy brought an expert, Dr. Ford, to testify about the likelihood of confusion by Internet users.⁴⁰ The court must have found Dr. Ford’s testimony exceedingly convincing because they concluded that his testimony alone would probably have been enough to defeat summary judgment.⁴¹ The substance of Dr. Ford’s testimony was that:

a statistically significant number of Internet users searching for the terms “playboy” and “playmate” would think that [Playboy], or an affiliate, sponsored banner ads containing adult content that appear on the search results page. When study participants were shown search results for the term “playboy,” 51% believed that [Playboy] sponsored or was otherwise associated with the adult-content banner ad displayed. When shown results for the term “playmate,” 31% held the same belief. Using control groups, Dr. Ford also concluded that for 29% of those participants viewing “playboy” searches and 22% of those viewing “playmate” searches, the confusion stemmed from the targeting of the banner advertisements. The individuals were not confused by random, untargeted advertisements.⁴²

Netscape sought to have Dr. Ford’s testimony excluded by the district court but was rebuffed.⁴³ Netscape offered its own evidence of significantly lower rates of confusion that they argued should be considered *de minimis*.⁴⁴ The court concluded that although Netscape’s evidence tended to reduce the weight of Dr. Ford’s testimony, the mere presence of his testimony left the district court with a genuine issue of material fact and, therefore, precluded summary

³⁶ *Id.*

³⁷ *Playboy Enterprises, Inc.*, 354 F.3d at 1028.

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ *Id.* at 1026.

⁴² *Id.*

⁴³ *Playboy Enterprises, Inc.*, 354 F.3d at 1027.

⁴⁴ *Id.*

judgment.⁴⁵

The court wrote that the fifth factor, marketing channels used, carried little weight in the case because the companies, as well as numerous others, use the Internet to advertise in indistinguishable ways.⁴⁶ The sixth factor favored Playboy because the court inferred that the average user looking for Playboy's products on the Internet would easily settle for other material if it were more graphic.⁴⁷ Therefore, the court found that the graphic nature of the material sought by users weighed in Playboy's favor.⁴⁸

The seventh factor, defendant's intent in selecting the mark, favored Playboy somewhat.⁴⁹ Although the court found it hard to discern Netscape's actual intent in using Playboy's marks, the court did note that, at the very least, Netscape profited from the clicks generated by consumer confusion.⁵⁰ There was support for this in that search engines monitor the percentage of users who actually click on a given banner.⁵¹ The rate of clicking acts as a gauge of the efficacy of a particular banner.⁵² The higher the percentage of users that click on a specific banner, the more effective the banner and the keyed term are considered. The higher the click rate, the more an advertiser is conceivably willing to pay for the advertisement. As a result, Netscape benefited equally from clicks by users intending to go to the advertiser's website and users clicking out of confusion created by the use of the plaintiff's marks.⁵³ Consequently, Playboy argued that Netscape was knowingly benefiting from the goodwill of Playboy's marks because Netscape required all adult oriented companies to key their advertisements to those marks.⁵⁴ Taken together, the court found these factors were convincing evidence of intent on Netscape's part.⁵⁵ Finally, the court found that the eighth factor, the likelihood of expansion of the product lines, to be irrelevant because of the close relationship between the products in question.⁵⁶

For those keeping score, the court found that five of the factors weighed in Playboy's favor, meaning there was at least some genuine issue of material fact.⁵⁷ Three factors weighed in neither party's favor⁵⁸, while no factors

⁴⁵ *Id.*

⁴⁶ *Id.* at 1028.

⁴⁷ *Id.*

⁴⁸ *Id.*

⁴⁹ *Playboy Enterprises, Inc.*, 354 F.3d at 1028.

⁵⁰ *Id.* at 1029.

⁵¹ *Id.*

⁵² *Id.*

⁵³ *Id.*

⁵⁴ *Id.*

⁵⁵ *Playboy Enterprises, Inc.*, 354 F.3d at 1029.

⁵⁶ *Id.*

⁵⁷ *See id.* at 1025-29.

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weighed in favor of Netscape's request for summary judgment.⁵⁹ The court, therefore, concluded that the district court improperly granted summary judgment and moved on to Netscape's possible affirmative defenses.⁶⁰

IV. NETSCAPE'S AFFIRMATIVE DEFENSES

A. *Fair Use*

"A fair use may not be a confusing one."⁶¹ The eight factors discussed above established that Netscape's use of Playboy's marks was creating confusion.⁶² And with that, the court swept aside Netscape's fair use defense.⁶³

B. *Nominative Use*

There are three factors for determining if the use of a mark is a nominative use: (1) the service in question must be one that is not readily identifiable without the use of the trademark; (2) the mark may not be used more than necessary; and (3) the use of the mark may not imply sponsorship by the holder.⁶⁴ Netscape asserted nominative use as an affirmative defense.⁶⁵ The court went no further than the first prong.⁶⁶ Since Netscape could key any number of other terms to adult oriented advertisers, there was no need to use Playboy's marks. As a result nominative use failed as an affirmative defense.⁶⁷

C. *Functional Use.*

Parts of a design that have a functional use may not receive trademark protection.⁶⁸ Netscape asserted that Playboy's trademarks were a functional part of the design of their products.⁶⁹ The court noted that Playboy could have titled its magazine or website something entirely different without losing its function.⁷⁰ As a result, the court held that the marks were clearly entitled to

⁵⁸ *See id.*

⁵⁹ *See id.*

⁶⁰ *Id.* at 1029.

⁶¹ *Playboy Enterprises, Inc.*, 354 F.3d at 1029.

⁶² *Id.*

⁶³ *Id.*

⁶⁴ *The New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1991).

⁶⁵ *Playboy Enterprises, Inc.*, 354 F.3d at 1030.

⁶⁶ *Id.*

⁶⁷ *Id.*

⁶⁸ *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 164-66 (1995).

⁶⁹ *Playboy Enterprises, Inc.*, 354 F.3d at 1030-1031.

⁷⁰ *Id.* at 1031.

trademark protection and Netscape's functional use defense failed.⁷¹ Having dismissed all of Netscape's affirmative defenses and found that there were genuine issues of material fact, the court reversed the district court's finding of summary judgment for Netscape and remanded for further proceedings.⁷² Thus, the court found that there was a genuine issue regarding Netscape's practice of keying competitor's advertisements to Playboy's marks.⁷³

V. CONCLUSION

The court ultimately found that there were genuine issues of material fact in two areas—the famousness of the marks and defendants' commercial use of the mark.⁷⁴ In due course, the parties settled out of court. However, this decision remains significant because it seemingly expands the reach of trademark protection in cyberspace to definite, albeit unseen, connections between trademarks and competitors using those marks. If a search engine uses a trademark to key to competitor's advertisements this decision could open them up to liability. The degree of confusion that needs to be created is still not fully fleshed out by this decision. If Netscape used the marks to link to banners that said "Bob's Adult Website" instead of the ambiguous "click here", as was the case here, would that create sufficient confusion to infringe? This issue will likely come up in future litigation as search engines attempt to maintain keying policies that generate maximum revenue without conflicting with this case. This case has already caught the attention of companies owning search engines.⁷⁵ In fact, Google has since filed a lawsuit seeking a court declaration that their own keying policies do not violate American trademark laws.⁷⁶ Going forward, this case will likely give website owners pause about how they use trademarked terms, even if the use is unseen by users.

⁷¹ *Id.*

⁷² *Id.* at 1034.

⁷³ *Id.* at 1031.

⁷⁴ *Id.* at 1031-33.

⁷⁵ *Trademark Tensions*, FULTON COUNTY DAILY REPORT, Feb. 16, 2004, Vol. 2, No. 16.

⁷⁶ *Id.*