



## The Technology Trade

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Can't Be Wrong

### Search Engine Comparative AdWare-tising Under Scrutiny

The future of keyword advertising—and by implication, other forms of online advertising—was recently put in jeopardy by the Court of Appeals of the Ninth Circuit. The Ninth Circuit decision, which reversed the lower court, now permits Playboy to pursue its trademark law claims against search engines for using software (adware) to key advertisements to Playboy trademarks without Playboy's consent. As there is little authority in this area of law, the decision served as a menacing warning to Internet advertisers which will continue to ripple through Internet law waters for some time.

From the trademark owners' point of view, competitive advertisements keyed to trademarks steal away potential Internet customers by redirecting them to competitors' websites. In their view, competitors essentially get to free ride on the valuable goodwill that consumers associate with the trademark owners' marks. Trademark owners obviously want to have a lock on the goodwill that they have created in the marketplace and to preclude undeserving interlopers from interfering with it on the Internet.

On the defense, search engines eschew responsibility for policing which keywords and ad text their advertisers choose to employ in ad campaigns. Relatedly, the advertisers choosing well-known marks to trigger their advertisements believe that they are within their rights to engage in comparative advertising. They argue that using trademarks in such manner ensures a competitive environment where consumers receive timely and relevant information useful to making well-informed purchasing decisions.

In 2000, search engines were temporarily emboldened by a federal district court decision. Playboy Enterprises brought an action against Excite and Netscape alleging trademark infringement and dilution. The search engines were selling to Playboy's competitors banner advertisements triggered by the key terms "playboy" and "playmate," which are Playboy trademarks. On the search engines' motion for summary judgment, the District Court for the Central District of California held that the search engines did not make actionable trademark use of Playboy's trademarks—i.e., they did not use the marks to identify Playboy's goods or services. Therefore, the court found that Playboy had no basis on which to allege trademark infringement and dilution.

Four years later, on appeal, the trademark owners experienced victory. The Ninth Circuit reversed and remanded the decision, finding that material issues of fact existed and that a likelihood of (initial interest) confusion precluded summary judgment in favor of the search engines. To wit, the court found that keying comparative ads to trademarks would lead Internet users to initially believe there was an affiliation between search engine advertisers and trademark owners. Even if Internet users realize before making a transaction that no affiliation exists, they visit competing websites based on their initial

interest in the well-known trademark. Although one judge was concerned about continuing to rely on the insupportable initial interest confusion doctrine to find trademark liability, at least for now, such confusion remains actionable in the Ninth Circuit.[1]

The Ninth Circuit is the first court of appeals to address this realm of Internet advertising law, and its decision is important for a few reasons. First, should courts universally accept the Ninth Circuit decision, Internet search engines could be forced to significantly change their business models. Even before the Ninth Circuit issued its decision, Internet search engine icon Google asked a federal district court in the northern district of California to declare that its keyword-triggered ad program (AdWords) does not violate trademark law. The posturing of the parties must have changed somewhat when the Ninth Circuit decision came out just two months after Google filed its action.

Second, the Ninth Circuit decision will impact related Internet advertising activities. For example, other courts will soon be hearing pop-up advertising cases on appeal. They will surely look to the Ninth Circuit's decision for some guidance. Whether they come to the same conclusion is another matter; but, for the foreseeable future, the Ninth Circuit decision will be the standard by which all future Internet advertising disputes will be measured.

Finally, at least according to Circuit Judge Berzon, the initial interest confusion doctrine may have outlived its theoretical cyberlaw utility. Initially, the doctrine was viewed as a panacea for finding trademark liability where courts could not otherwise determine how to hold individuals accountable for their Internet activities. Now, however, the Internet is not so novel, Internet activities are not so obscure, and the doctrine, perhaps, is not so useful as the courts once believed. While the full effect of the Ninth Circuit decision has yet to be realized, it may stall some online advertising practices of Internet search engines, and other Internet advertisers, if left unchecked.

[1] In Judge Berzon's concurrence, she indicated that the court should consider abolishing the initial interest confusion doctrine. Presumably, Judge Berzon's concurrence signaled that she would not have found consumer confusion was likely without applying the initial interest confusion doctrine.

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