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# ORDER TO CONFUSION: TRADEMARK INFRINGEMENT LIABILITY FOR SEARCH ENGINE KEYING ADS

*Perry Viscounty*<sup>\*</sup> and *Jordan Kushner*<sup>\*\*</sup>

## I. INTRODUCTION

*“Confusion is a word we have invented for an order which is not understood.”*

– Henry Miller

Often lauded for bringing order to the chaos of information available on-line, Internet search engines have increasingly come under fire for using trademarks they do not own in channeling advertising to their users. In 2004, the Ninth Circuit Court of Appeals expressed an unprecedented willingness to impose liability on this type of trademark infringement in *Playboy Enterprises, Inc. v. Netscape Communications Corp.*<sup>1</sup> The court reasoned that the use of unauthorized trademarked terms as keys for presenting advertisements from trademark owners’ competitors creates “initial interest confusion,” because users are led to believe that the

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

trademark owners were the source of the advertisements.<sup>2</sup> The parties in this case have since settled.<sup>3</sup>

## II. “KEYING” TECHNOLOGY LINKS UNAUTHORIZED TRADEMARKED TERMS WITH ADS FROM COMPETITORS

*“An advertising agency is 85 percent confusion and 15 percent commission.”*

- Fred Allen

We have entered a new era in marketing. Gone is the day when advertisers must await the consummation of a purchase before identifying targets of directed advertising. Today, advertisers can identify you and me as potential customers, and expose us to ads the moment our desire to consume manifests itself in an Internet search.

The technology that makes this possible is called “keying,” and it is commonly used by search engines and advertising software. By linking the search terms to advertisements that appear as pop-up windows, banners above search results, or sponsored links, search engines and software companies can market products and services the instant we exhibit an interest through our Internet searches – the instant of maximum vulnerability.

Of course, Internet surfers often do not think in terms of generic words. Commonly they will search the Internet using trademarks – usually either product or company names. Recognizing this tendency, search engines and pop-up software have keyed their ads not only to generic terms, but also to trademarks. This practice gives companies the ability to identify users with an interest in a specific brand, and immediately present them with advertisements for competing products.

*“If you can't convince them, confuse them.”*

- Harry S. Truman

Often these advertisements are not identified as such, and do not clearly indicate their source. As a result, users can be lured to the advertised website under the assumption that the ads are affiliated with the

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2. *Id.* at 1024-25.

3. Matt Hicks, *Playboy Settles Netscape Search Engine Advertising Case*, EWEK (January 23, 2004), at <http://www.eweek.com/article2/0,1759,1457492,00.asp>.

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brand they initially entered as a search term. Sometimes the ads will contain the trademark. Others simply offer products similar to those of the trademark owner in conjunction with a simple but direct “click here,” with no domain name or brand by which a user could distinguish the ad from the trademarked term entered.

A trademark owner who feels his potential customers have been hijacked in this manner might decide to take the direct approach, and sue the advertiser. In practice, however, there may be a great number of such advertisers, located in various corners of the country, or even the world, and it may be cumbersome and expensive to track them down. Alternatively, therefore, a trademark owner may wish to simply sue the search engines, and block the passageways through which the infringing acts flow.

There are, however, certain drawbacks to suing the search engines. Despite its intuitively objectionable nature, the practice of “keying” defies traditional infringement requirements. Under the Lanham Act, liability for trademark infringement is typically imposed only when there is the likelihood that purchasers will be misled or confused as to the source of the goods in question.<sup>4</sup> In the case of keying ads, however, searchers frequently recognize that they’ve been “duped” before making a purchase from the competing website, but go ahead with the purchase because it seems to fill their needs. Does this amount to actionable “confusion?”

Moreover, search engines and advertisers are not “using” trademarks in the traditional sense. Instead of labeling products with the plaintiffs’ marks, they are hiding the trademarks within the computer codes that are responsible for determining when the competing advertisements appear. Since many users are not aware of how this search technology works, they become unwitting pawns to the search engines and their advertisers.

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4. See Lanham Act § 32 and § 43, 15 U.S.C. §§ 1114, 1125 (2005).

### III. PLAYBOY SUGGESTS LIABILITY BASED ON INITIAL INTEREST CONFUSION FOR SEARCH ENGINES

*“Confusion of goals and perfection of means seems, in my opinion, to characterize our age.”*

- Albert Einstein

Recognizing the deviousness of this form of advertising, courts have expanded the traditional confusion analysis by introducing a brand new legal term – “initial interest confusion.”<sup>5</sup> A product of the modern era with its culture of short attention spans and instant gratification, this new doctrine recognizes the fact that even the slightest nudge can shift the fickle eyes of an online shopper towards a competitor’s products, and that once this shift takes place, the shopper, despite her cognizance of the scam, will find it too burdensome to seek out the object of her initial interest. She will simply fulfill her needs with the advertiser – the salesman with his foot in the door. Einstein’s theory of what characterized his age may not apply to ours. The modern consumer has a clear goal; the confusion lies in where to buy.

Although the doctrine of “initial interest confusion” has its origins in the physical world, it did not become known as such until it made its foray into the virtual world of the Internet in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*<sup>6</sup> There, Brookfield and West Coast owned websites that competed in offering online movie industry information.<sup>7</sup> West Coast programmed its website in such a way that the website appeared as a search result when a user ran a search using Brookfield’s trademark.<sup>8</sup> The Ninth Circuit Court of Appeals found the initial confusion that led a user to click West Coast’s link as sufficient to impose liability.<sup>9</sup> This was so despite the fact that, upon clicking on the link, users could easily distinguish West Coast’s site from that of Brookfield’s.

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5. *Playboy*, 354 F.3d at 1024-25.

6. *Brookfield Communications, Inc. v. West Coast Entm’t Corp.*, 174 F.3d 1036 (9th Cir. 1999).

7. *Id.* at 1041-42.

8. *Id.* at 1065.

9. *Id.* at 1066-67.

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In *Playboy*, the plaintiff sought to expand the *Brookfield* decision by asking the court to rule that liability could, under certain circumstances, be imposed on the search engines, in addition to its competitors.<sup>10</sup> Netscape's use of trademarks is distinct from that of West Coast, the defendant in *Brookfield*. First, unlike the mark at issue in *Brookfield*, Playboy's marks are common English words having readily understandable meanings.<sup>11</sup> Second, while West Coast directly competed with Brookfield by providing information about the movie industry through its website, the services provided by the parties in the *Playboy* case are not the same.<sup>12</sup> Playboy provides on-line adult entertainment through its websites, while Netscape organizes and displays links to various websites including Playboy's.<sup>13</sup> Finally, while West Coast's website would appear as a link among the results of a user's search, the *Playboy* case involved banner ads, which most users view as distinct from the search results.<sup>14</sup>

The District Court, in denying Playboy a preliminary injunction, focused on two of these issues: the non-distinct nature of Playboy's marks and the lack of direct competition between the parties.<sup>15</sup> The court pointed out that unlike the trademark at issue in the *Brookfield* case, the terms "playboy" and "playmate" were English language words.<sup>16</sup> Therefore, the court concluded, it was impossible to determine whether Netscape was using those words in their trademark forms.<sup>17</sup> The court also reasoned that because Netscape did not provide products and services similar to those of Playboy's, it could not be held liable for directing potential customers to other websites.<sup>18</sup>

On appeal, the Ninth Circuit did not find these distinctions sufficiently compelling to protect Netscape's activity.<sup>19</sup> In reaching its decision, the appellate court simply ignored the dual nature of Playboy's trademarks,

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10. *Playboy*, 354 F.3d at 1034-35.

11. *Id.* at 1027-28.

12. *Id.* at 1035 (Berzon, J., concurring).

13. *Id.* at 1023.

14. *Id.* at 1025.

15. *Playboy Enter., Inc. v. Netscape Communications Corp.*, 55 F. Supp. 2d 1070, 1074-75 (1999) (preliminary injunction motion denied), *aff'd*, 202 F.3d 278 (9th Cir. 1999).

16. *Id.* at 1073.

17. *Id.*

18. *Id.* at 1074.

19. *Playboy*, 354 F.3d at 1030.

finding it sufficient that “defendants use[] the marks in commerce.”<sup>20</sup> The court also failed to address the non-competitive nature of the parties’ businesses, instead relying on the competitive relationship between Playboy’s and Netscape’s advertising clients.<sup>21</sup>

The court reasoned that because many of the advertisements were unlabeled, users could easily mistake them as having an affiliation with Playboy, and might be misled into entering the sites for that reason.<sup>22</sup> This, the court concluded, is the kind of initial interest confusion on which liability was based in the *Brookfield* case.<sup>23</sup> Although the court purported to use its traditional eight-factor test for the likelihood of confusion, the analysis was somewhat strained, as the test was ill-suited to these circumstances.<sup>24</sup>

“There is nothing worse than falling prey to someone else’s confusion.”

- Valerie Natress

The court was unified in its conclusion that liability for search engines was the logical continuation of its *Brookfield* decision.<sup>25</sup> Indeed, although the concurring opinion in *Playboy* disagreed on many points, it acknowledged that the majority opinion was consistent with the relevant precedents.<sup>26</sup> Despite this consistency, however, commentators and judges alike are finding it difficult to accept *Brookfield*, and express concerns about its potential implications.<sup>27</sup>

The danger of the *Playboy* decision, the concurring opinion suggests, is the possibility that future liability will not be restricted to anonymous ads.<sup>28</sup> A logical consequence of the doctrine of “initial interest confusion,” may

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20. *Id.* at 1024.

21. *Id.* at 1030.

22. *Id.* at 1029.

23. *Id.* at 1025.

24. *Id.* at 1026.

25. *Id.* at 1025-26.

26. *Id.* at 1034 (Berzon, J., concurring).

27. *See id.* at 1035 (Berzon, J., concurring). *See also* Yelena Dunaevsky, *Don't Confuse Metatags with Initial Interest Confusion*, 29 FORDHAM URB. L.J. 1349, 1375 (2002); Chad J. Doellinger, *Trademarks, Metatags, and Initial Interest Confusion: a Look to the Past to Reconceptualize the Future*, 41 IDEA 173, 221-22 (2001); Shannon King, *Berkeley Technology Law Journal Annual Review of Law and Technology: I. Intellectual Property: C. Trademark: 4. Initial Interest Confusion: Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 15 BERKELEY TECH. L.J. 313, 325 (2000).

28. *See Playboy*, 354 F.3d at 1034-36 (Berzon, J., concurring).

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be to eliminate the requirement that buyers must be confused by the source of the goods that they purchase.<sup>29</sup> *Brookfield* and *Playboy* now present the possibility that, in the Internet context, liability might be imposed upon advertisers who clearly identify themselves as the source of the ads – in effect imposing liability where there is no confusion at all.

Although the majority opinion in the *Playboy* case was careful to limit its application to anonymous ads, the *Brookfield* court did not.<sup>30</sup> In fact, the court in *Brookfield* acknowledged that a user could identify the defendant's link among the search results as belonging to the defendant from the domain name listed within the link.<sup>31</sup>

#### IV. FUTURE OF INITIAL INTEREST CONFUSION ANALYSIS UNCERTAIN

*"If you are sure you understand everything that is going on, you are hopelessly confused."*

- Walter F. Mondale

For all the buzz that the *Playboy* case has generated, its influence remains uncertain. No ultimate liability was imposed, as the appellate decision was merely a reversal of the district court's summary judgment.<sup>32</sup> Since the parties settled the matter before it could be tried,<sup>33</sup> we must await another case to see how these issues will finally be resolved.

Despite a dearth of relevant precedent, the *Playboy* cases provide a loose framework under which to analyze future claims. They suggest that liability depends upon two main issues: the nature of the marks in question, and the nature of the ads that are keyed to the marks.<sup>34</sup> Marks that have ordinary English meanings will be less likely to support a finding of infringement, because triers of fact will have more difficulty determining whether those words are being used in a trademark sense.<sup>35</sup>

Although the Ninth Circuit opted against addressing this aspect of the District Court's analysis, it did not explicitly reject it, and in some situations the analysis may be compelling. Ordinarily, the more fanciful

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29. *Id.* at 1034-35 (Berzon, J., concurring).

30. *See Brookfield*, 174 F.3d at 1062.

31. *Id.*

32. *Playboy*, 354 F.3d at 1034.

33. Hicks, *supra* note 3.

34. *Playboy*, 354 F.3d at 1031-33.

35. *See Brookfield*, 174 F.3d at 1059 n.19.

the term, the more likely it will be that the term is being used as a trademark.<sup>36</sup> Similarly, the more descriptive the terms are of the goods and services provided by the advertisers, the more likely it is that the terms are being used merely as common English words.<sup>37</sup> For example, advertisements for fashion magazines keyed to the word “cosmopolitan” should be highly susceptible to a finding of infringement, while ads for magazines about tennis keyed to the phrase “tennis magazine” should be virtually immune from liability, absent evidence of an intent to infringe.

The nature of the ads will also be important. As the Ninth Circuit pointed out, initial interest confusion is much more likely to result from anonymous advertisements that fail to correct the users’ assumption that the advertiser and their search terms are affiliated.<sup>38</sup> A strong argument can be made that advertisers who identify themselves in their ads are not causing confusion, and should not be held liable for trademark infringement.<sup>39</sup>

*“One learns in life to keep silent and draw one’s own confusions.”*

- Cornelia Otis Skinner

Thankfully, we may not have to wait long for these issues to be further refined. Two similar lawsuits are presently underway involving Wall Street’s latest sweetheart, Google, Inc. In July 2003, Google received a cease and desist letter from American Blind and Wallpaper Factory, Inc., demanding that Google cease keying its ads, in the form of sponsored links, to American Blind’s trademarks.<sup>40</sup> In November 2003, Google struck preemptively, filing a claim for declaratory relief, seeking a judgment that its practice of keying ads does not infringe.<sup>41</sup> Interestingly, Google filed its claim in a court whose analysis will be governed by the *Playboy* and *Brookfield* cases – the Northern District of California.<sup>42</sup>

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36. *Id.* at 1058.

37. *Playboy*, 354 F.3d at 1030.

38. *Id.* at 1025-26.

39. *Id.* at 1029.

40. See Matt Hicks, *Is Google Web Search at Risk?*, EWEEK (Feb. 3, 2004), at <http://www.eweek.com/article2/0%2C4149%2C1509293%2C00.asp>.

41. *Id.*

42. *Id.*

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A similar suit against Google has been brought by Government Employees Insurance Company (GEICO) in the Eastern District of Virginia.<sup>43</sup> On December 15, 2004, the court issued a key ruling in which, consistent with *Playboy*, the court acknowledged that the practice of keying sponsored links could constitute infringement.<sup>44</sup> The court found that GEICO had failed to meet its burden of proving a likelihood of confusion with respect to sponsored links that did not contain the word GEICO, and dismissed the suit to the extent it was based on such ads.<sup>45</sup> In doing so, the court referred primarily to inadequacies in the survey submitted by GEICO.<sup>46</sup> The court did find a likelihood of confusion with respect to ads that contained the word "GEICO."<sup>47</sup> But, because Google has a policy prohibiting ads containing the trademarked search terms, it remains unclear whether Google will be subject to contributory liability for the advertisers' use of those trademarks.<sup>48</sup>

Also pending is a lawsuit involving pop-up ads keyed to trademarked search terms. In December 2003, the Southern District of New York granted a preliminary injunction against a pop-up advertiser in the case of *1-800 Contacts, Inc. v. WhenU.com, Inc.*<sup>49</sup> Absent appellate relief, the advertiser is enjoined from continuing its keying practice pending trial in the matter.<sup>50</sup>

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43. See Matt Hicks, *Google, Overture Trademark Case Moves Forward*, EWEEK (Sept. 3, 2004), at <http://www.eweek.com/article2/0,1759,1642890,00.asp>.

44. Gov't Employees Ins. Co. v. Google, Inc., No. 1:04cv507 (E.D. Va. Dec. 15, 2004) (transcript of bench trial before the Honorable Leonie M. Brinkema), <http://www.patentlyobviousblog.com/files/geico1215.txt>.

45. *Id.*

46. *Id.*

47. *Id.*

48. *Id.*

49. *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 309 F. Supp. 2d 467, 509-10 (S.D.N.Y. 2003).

50. *Id.*

## V. CONCLUSION

*"We have confused the free with the free and easy."*

- Adlai E. Stevenson

New theories of infringement liability may provide new opportunities for trademark owners to protect the value of their marks. For the time being, trademark holders are well-advised to determine if and how their marks are being exploited on-line, and to make a record of their objection to such exploitation. If enough trademark owners take this approach, Google and its brethren may need to start searching for bigger mailboxes.