
Keyword Buys of Trademarks

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Introduction

"Keyword buys," the purchase of keywords from a search engine company to trigger the display of banner advertisements, have been a controversial and widespread activity in the Web advertising industry. This practice accounts for a significant portion of the Web advertising industry's total sales, estimated at \$1.75 billion during the third quarter of 2003 alone. Search engine companies sell keywords, often linked to others' trademarks, to the highest bidder; an Internet user who enters the keyword into the search field will receive search results that prominently feature the highest bidder for that particular keyword.

Recently, a federal appeals court reversed an earlier U.S. district court decision and reinstated a trademark infringement lawsuit brought by Playboy Enterprises (Playboy) against Netscape Communications (Netscape). The *Playboy* lawsuit is one of many provoked by keyword buys.

The Lawsuit

Playboy's suit accused Netscape of selling Playboy's trademarks to Playboy competitors as keywords. According to Playboy, keyword searches for Playboy's trademarks produced search results that listed the websites of Playboy's competitors ahead of sites sponsored by Playboy itself. Playboy further charged that some of the resulting competitor banner advertisements went so far as to display Playboy's trademarks in the same font and capitalization as they appear on Playboy's own website. To bolster its argument that consumer confusion resulted from the keyword buys practice employed by Netscape and its advertisers, Playboy's expert witness in the lower court proceedings testified that 51% of users who typed in the term "playboy" believed that the resulting banner advertisements were sponsored by Playboy.

The appeals court reversed a U.S. district court's grant of summary judgment to Netscape. In dismissing the action, the lower court had concluded that the use of the terms "playboy" and "playmate" was permissible "fair use." The district court's opinion, which was the first to consider the potential for search engine liability under such circumstances, had initially provided comfort to search engines and companies that engage in keyword buys.

The court of appeals held that the merits of Playboy's trademark infringement claims should have

been considered by the lower court, and remanded the case for further consideration, finding that Netscape did "nothing to alleviate confusion, even when asked to do so by their advertisers, and that they profit from confusion." According to the appeals court decision, "some consumers, initially seeking Playboy's sites, may initially believe that unlabeled banner advertisements are links to Playboy's sites...Once they follow the instructions to 'click here,' and they access the site, they may well realize that they are not at a Playboy-sponsored site."

In assessing the likelihood of consumer confusion in this case, the court of appeals relied heavily upon three factors. First, Playboy's expert witness testified that there was actual confusion since a statistically significant number of Internet users would be confused by use of Playboy's trademarks as keywords. Second, the defendants recognized the overall strength of the "Playboy" and "Playmate" trademarks by conceding that they used the trademarks *because of their secondary meaning*; the appeals court found that "defendants obviously do not use the term 'playmate,' for example, for its dictionary definition: 'a companion, especially of a child, in games and play.'" Finally, Playboy's and its competitors goods and services were clearly related; as the court said "the proximity between [Playboy's] and its competitor's goods provides the reason Netscape keys [Playboy's] marks to competitor's banner advertisements in the first place."

Accordingly, the Ninth Circuit found that the practice of keyword buys might indeed result in trademark infringement and unlawfully dilute the value of others' trademarks.

One week after reinstatement of the case by the Ninth Circuit, however, Netscape settled the case with Playboy on undisclosed terms, thereby eliminating the possibility of a final decision on this important issue.

Analysis

Complaints over use of trademarks in search engine advertising continue to grow, but very little case law exists to provide direction to trademark owners, search engines or advertisers. The Ninth Circuit Court of Appeals' ruling in favor of Playboy ensures continuing doubt and confusion over the legitimacy of the practice of keyword buys.

Certainly, not all forms of search engine advertising produce the type of controversy seen in *Playboy v. Netscape*. For years, advertisers have paid for the right to appear first, or at least prominently, in response to the use of certain terms in search engines. For instance, a user typing in the term "airlines" may well generate banner advertisements or search results listings providing links to the major airline companies. If United Airlines has bid higher than American Airlines for top billing, United will appear higher in the search results listing than American, or its banner advertisements will be prominently displayed across the top of the user's web pages. This use of keywords in a generic sense does not implicate trademark law, since generally no single party can claim exclusive rights to a generic term such as "airlines." Trademark owners protest, however, competitors' attempts to divert Internet traffic away from the trademark owner's website by using the owner's trademark to display advertisements.

Until these issues are addressed further by the courts, the liability will remain unclear. Search engines and Internet advertisers should consider minimizing their risk of trademark infringement by

selling and purchasing only generic keywords, such as "airlines," rather than other companies' trademarks. A company utilizing keyword buys also may wish to lessen the potential for confusion by ensuring that, unlike the practice followed in the *Playboy* case, its banner advertisements clearly identify the keyword buyer as the source of the advertisements.